

Community co-operation in the COVID-19 recovery

July 2020

1 Introduction

- 1.1 This paper responds to the Prime Minister's call for proposals for how civil society, community groups and social enterprise can be supported to contribute to 'levelling up' and the COVID-19 (C19) recovery.
- 1.2 This submission highlights forms of community co-operation that showed considerable promise before C19 and have even greater potential now: Community Shares (see **part 2**); co-operative ownership of social infrastructure (see **part 3**); platform co-ops (see **part 4**); community-led economic development (see **part 5**).
- 1.3 This submission sets out why and how government should now help to proliferate these activities on a grand scale, with a focus on supporting much greater take up and participation in disadvantaged communities. We make **7 recommendations**:
 1. **Make a one-off £20 million grant to help capitalise a new Community Shares Institutional Investor**
 2. **Provide £5 million over five years to support more communities to use Community Shares effectively**
 3. **Fund initiatives that nurture and mobilise social capital in high deprivation communities**
 4. **Fund bespoke peer coaching and mentoring initiatives in high deprivation communities**
 5. **Fund programmes to develop the efficacy of existing community organisations**
 6. **Help fund the expansion of the 'platform co-op accelerator' to towns and cities across the UK**
 7. **Include a significant role for community-led economic development in new post-Brexit schemes for 'levelling up'**

2 Community Shares: building on a social investment success story

- 2.1 Government should aim to support a significant increase in the use of Community Shares, with a particular focus on ensuring the model benefits disadvantaged communities.
- 2.2 Community Shares is a standout success story in UK social investment. Since 2009, over 100,000 people have invested over £130m to support over 400 community businesses across the UK.¹ Where there is potential for a revenue-generating social business model, Community Shares is increasingly used by communities to acquire and develop social infrastructure. To date, we have seen more than £32 million of investment, from more than 55,000 local people, in 240 community co-ops saving social infrastructure (sports facilities, village pubs and other community spaces).²
- 2.3 Community Shares provides community businesses with low cost, mission-aligned equity, usually crowdfunded from local people. The model has been especially used in the acquisition of privately owned assets. Community Shares is special in how it facilitates direct and democratic community ownership, in which local people have a real stake and a say.
- 2.4 The distinctive benefits of Community Shares are as follows:

- Having equity instead of, or alongside, grants and loans, reduces debt liabilities and grant restrictions, which creates a sound basis for commercial independence, self-sufficiency and resilience
- Community Shares introduces an important degree of commercial rigor to community ownership,³ which contributes significantly to self-sufficiency and resilience^{4 5 6}
- Community Shares is very effective at leveraging in other private and charitable funding for community ownership, with research finding that every £1 of Community Shares invested leverages an average of £1.75 in additional debt and grant funding for community organisations⁷
- The unique way in which Community Shares simultaneously mobilises financial capital and social capital within a community also enhances the viability, impact, efficacy and sustainability of the investee organisation⁸
- Community Shares creates a direct and democratic form of community ownership, in which local people have a real stake and a say.⁹ The value-added from this, for the organisation, the Community Shareholders and the wider community, is often considerable

2.5 These benefits have been recognised time and again, not least by government in the 2018 Civil Society Strategy¹⁰ and the 2016 Social Investment Strategy.¹¹

Recommendation 1: Make a one off grant of £20 million to help capitalise a new Community Shares Institutional Investor

2.6 Co-operatives UK is working to establish a dedicated, self-sustaining institutional investor in the Community Shares market. The purpose of this Community Shares Institutional Investor would be to augment the investment capacity of communities:

- so that community ownership via Community Shares is a possibility in more challenging socio-economic circumstances, and
- to ensure more community ownership projects with significant social and economic potential go ahead, and
- to help increase the mix of patient, mission-aligned *equity* in the community ownership sector

2.7 The establishment of a dedicated, self-sustaining institutional investor would be a permanent successor to our very successful Community Shares Booster Programme.¹²

2.8 Modelling for a conservative projection of Community Shares growth suggests a permanent new Community Shares Institutional Investor needs a seed capital injection of at least £6 million. Scenarios in which the Community Shares market grows more substantially require a £20 million capital injection. All modelling is based on this new Community Shares Institutional Investor being a successor to the existing Booster Programme and building on its initial £3.75 million investment.

2.9 A one off capital injection of £20 million in public money now would likely result in circa £110 million of new investment flowing to more than 400 community owned assets and enterprise by 2030. See the table below for more details.

Outputs	Social and economic value-added
<p>£40 million (£20 million public matched with £20 million private) invested in c.430 Community Share offers between 2023 and 2030</p> <p>Leveraging an additional £70 million in other private and charitable funding (based on evidence that every £1 of community shares leverages £1.75 of other investment)</p> <p>Leading to c.£110 million in new investment in community owned assets and enterprise</p> <p>With every £1 of public money injected at the outset resulting in £5.50 invested overall</p>	<p>Greater use of Community Shares to bring about community ownership, including in more deprived places</p> <p>Increase in community ownership that is privately funded, with greater allocation of private capital to social investment and to deprived places</p> <p>Increased degree of commercial rigor and self-sustainability in community ownership, including in deprived places, delivering greater community benefit for every pound of private and public money spent</p> <p>Social capital in communities simultaneously mobilised alongside financial capital, including in deprived places, delivering greater community benefit for every pound of private and public money spent</p>
<p>Greater share of direct, democratic ownership of assets and enterprise, including in deprived places</p>	<p>Economic empowerment in deprived places, helping these communities take more control</p> <p>More revenue recycled back into local economies in deprived places, helping to revitalise and 'level up' places</p>
<p>Money earning a return on investment, via interest paid of 2 to 5 per cent a year and eventual withdrawal of money invested up to par value, to be recycled into further community investment</p>	<p>By around 2030 institutional investment in Community Shares becomes a steadily growing and self-sustaining activity, meeting its own fixed and variable operating costs, while recycling public money back into providing further patient, mission-aligned equity for community businesses</p>

Recommendation 2: Provide £5 million over five years, to support more communities to use Community Shares effectively

Awareness raising and guidance

- 2.13 There would be huge value in allocating funding to help improve awareness and understanding of Community Shares among communities exploring ownership. And just as importantly, to do the same among those who provide information, advice and support to communities and community organisations.
- 2.14 We propose a programme that coordinates a coalition of organisations working with communities on ownership, including national associations and funders. A central 'hub' can create and curate promotional and informational materials, while also facilitating the coalition. To make a real impact information has to be shared via 'spokes' that reach into communities of interest and/or place, via the coalition. This would include a continuous programme of outreach activities and training for advisers and organisers, as well as coordinated communication campaigns.

Community Shares Standards

- 2.15 There would be considerable public value in funding a project to establish Community Shares Standards (sector-led self-regulation) on a self-sustaining basis. Since 2012 the Community Shares Unit (a partnership between Locality and Co-operatives UK) has

facilitated the sector-led development of a standards and accreditation framework, with the Community Shares Handbook, Standards Mark and related practitioner training and accreditation.^{13 14 15} This system of self-regulation is becoming a key part of the institutional infrastructure for Community Shares, with the number of share offers carrying the mark rising from 19 per cent in 2015 to 54 percent in 2018.¹⁶

2.16 The foundations for this progress were laid between 2012 and 2015 when DCLG provided funding for the Community Shares Unit.¹⁷ Since 2015 funding for this work has been less comprehensive.

2.17 The public value gained in providing £5 million over five years for these two programmes are detailed in the table below.

Output	Social and economic value-added
Greater use of Community Shares to bring about community ownership, with the number of individuals with Community Shares rising from 100,000 now 1 million by 2030	<p>Increase in community ownership that is privately funded, with greater allocation of private capital to social investment, creating more social value</p> <p>Increased degree of commercial rigor and self-sustainability in community ownership, delivering greater community benefit for every pound of private and public money spent</p> <p>Social capital in communities simultaneously mobilised alongside financial capital, delivering greater community benefit for every pound of private and public money spent</p>
Greater share of direct, democratic ownership of assets and enterprise	<p>More widespread economic empowerment, helping communities take more control</p> <p>More revenue recycled back into local economies, helping to revitalise and 'level up' places</p>
More widespread adherence to Community Shares Standards and participation in self-regulation	<p>Enhanced consumer protection in community investment, increasing trust and making it safer for more widespread participation</p> <p>Protection of integrity of corporate forms in the social economy</p> <p>Greater assurance of commercial rigor in community ownership</p>

3 Supporting disadvantaged communities to save and develop their social infrastructure through co-operation

3.1 Social infrastructure is a key foundation and enabler of effective community and inclusive and sustainable economic development, especially in contexts of high deprivation.^{18 19 20} Communities can develop stronger, more effective social infrastructure by acting as entrepreneurs, investors, owners, directors, guardians and users. In in community co-op these roles are often combined. In the past decade we seen huge growth in community ownership and control of:

- land and property (residential and commercial)
- multi-purpose hubs that provide meeting/event space, amenities, hosting for services and workspace
- pubs and shops operating in locations that only-for-profit businesses cannot
- sports and leisure facilities

- arts and cultural centres
- 3.2 While community co-operation in relation to social infrastructure has grown substantially in the past decade, this trend is still tiny overall. On current trajectory it will not counter the speed and scale at which social infrastructure is being lost; through a combination of under-investment, divestment and acquisition and redevelopment for private benefit.^{21 22}
- 3.3 At present, too few communities have the confidence, knowhow and resources to act. Great tools such as Community Rights and Community Shares are under-utilised while town centres deteriorate and local businesses and social infrastructure are lost. Worst of all, it is far too rare for communities in high deprivation areas and/or BAME communities to use the tools of co-operation to safeguard or develop their social infrastructure.²³ The benefits of a growth in community co-operation by and for affluent and advantaged people are very real. But these benefits do little to limit the damage caused by the ongoing loss of social infrastructure from already disadvantaged communities.
- 3.7 Thus, government policy should prioritise the proliferation and adaptation of community co-operation outside of clusters of affluence and advantage, in contexts of disadvantaged and deprivation. The aims of government policy should be: to support disadvantaged communities everywhere to use the tools of co-operation to halt the deterioration and loss of their social infrastructure; then to use their social infrastructure as a foundation and key enabler of other transformative action; including community-led economic (see **part 5**). Government interventions need to focus on the following ‘capitals’: social; human; intellectual; financial; and technological. In the remainder of **part 3** we make recommendations on social, human and intellectual capital. See **part 2** for financial capital. See **part 4** for technological capital.

Recommendation 3: fund initiatives that nurture and mobilise social capital in high deprivation communities

- 3.8 One of the great strengths of the 2018 Civil Society Strategy was the identification of efficacy in communities as a key factor in social action.
- 3.9 Last year, the Centre to Local Economic Strategies and Power to Change published primary research showing that the right interconnections of social capital, agency and knowledge are essential prerequisites in the formation of community businesses in contexts of deprivation.²⁴ Meanwhile, community organising is core to the enterprise development strategies in a number of the community-led economic development pilots we are supporting (through our Empowering Places programme). For example, in both Grimsby and Hartlepool community anchor organisations employ dedicated community organisers. These community organisers are out in the streets listening, reaching out to and motivating local people to get involved in make change happen. According to learning captured from the Empowering Places programme, effective community organising is essential to lay the foundations for community businesses in high deprivation.
- 3.10 We support the proposal for a £500 million Neighbourhood Recovery Fund (see Power to Change, Community Power Group submission). But we are absolutely convinced that as well as supporting organisational development (e.g. of community organisations) some of this funding must be used to improve, diversify and expand ‘community organising’ initiatives in the most disadvantaged communities of place and interest.
- 3.11 We have two specific recommendations:
- Firstly, support for community organisations via a Neighbourhood Recovery Fund should include help for them to improve their impacts on social capital and agency. The Fund should include support for community organisations to develop their own community organising capabilities. It should also be used to improve the quality and quantity of community participation in their activities, decision-making and

governance.

- Secondly, government should include a much bigger role for community-led economic development in 'levelling up'. Community-led economic development includes within it a major focus on community organising and the bringing together of interests and stakeholders in a local economy (see **part 5**).

Recommendation 4: fund bespoke peer coaching and mentoring initiatives in high deprivation communities

- 3.15 The Empowering Places programme has also highlighted the importance of personable coaching and mentoring, by and for people in deprived communities. This is needed to equip people to participate, organise and lead in their communities. It is also needed to cultivate more entrepreneurial thinking and give potential social entrepreneurs more knowledge, knowhow and confidence.
- 3.16 Learning from Empowering Places reinforces the existing evidence that for initiatives to be effective, they need to be very bespoke and co-produced with participant communities. For example, the Empowering Places programme in Bradford is working successfully with women in the Bangladeshi community to co-produce a bespoke female leadership course. These women are already running nascent businesses from home around food, sewing and other goods and services. They have valuable skills and ideas but need carefully tailored coaching and support to see themselves as potential community business leaders.
- 3.17 Again, we believe initiatives such as these should be funded as an essential part of wider programmes of community-led economic development (see **part 5**).

Recommendation 5: fund programmes to develop the efficacy of existing community organisations

- 3.18 Evidence suggests there is a need for initiatives that improve the efficacy of community organisations running assets and enterprise. There is a concern that not enough attention is being paid to supporting the efficacy of these organisations in the years after they acquire assets and enterprise.^{25 26}
- 3.19 We have two specific suggestions for how this could be done:
- partly subsidise high quality support that is critical to organisations making a success of community organisations over the long term, such as governance, business planning and community engagement
 - fund peer mentoring, in which people in successful community organisations are trained and supported to effectively share their knowledge and knowhow with other organisations – this approach can be cost effective, would build mutuality within the sector and also grows the pool of expert advisors

4 Platform co-ops: a digital social infrastructure

- 4.1 A platform co-op can be broadly defined as a co-owned, democratically-governed business/organisation that uses a digital platform to enable people to meet their needs or solve a problem by networking people and assets. This model is nascent in the UK and examples of developing platform co-ops include:
- Co-operate – an app being trailed by The Co-op specifically to enable connection and collaboration in communities
 - Equal Care Co-op – a co-op based in Calderdale, comprised of care givers, care receivers and volunteers, which is developing a digital platform to facilitate their activities

- Flexible Power – a pilot for a community owned energy use aggregation platform in Glasgow, which allows a group of households to aggregate and earn income on their energy use flexibility
- Open Food Network - a platform that enables food producers to create an online shop, collect payments, sell through other shops on the platform and access reduce rate courier services, owned and controlled by the producers and retailers that use the platform

4.2 The platform co-op model has significant potential to facilitate powerful new forms of collaboration and co-operation in communities to:

- strengthen local businesses and economies
- create decent livelihoods
- provide essential and/or innovative services
- enable more sustainable, low carbon living

4.3 Platform co-ops could become a vital part of a new digital social infrastructure.

4.4 Co-operatives UK is currently working with our partners to put together an ‘accelerator’ programme, which will provide intensive support for small, select cohorts of ‘pre-seed’ proto platform co-ops. We aim to develop an accelerator programme of around 12 weeks, run on a rolling basis four times a year in different locations across the country for cohorts of about 6-8 teams. We would ask for a full time commitment from participants and would provide desk space in a common office or co-working space for the duration of the programme to foster as much collaboration as possible between participants. We would like to complement the business support offer with a £10,000-15,000 bursary per team, to allow people to fully dedicate themselves to the programme.

Recommendation 6: Help fund the expansion of the platform coop accelerator to towns and cities across the UK

4.5 We are in the process of securing funding to run the accelerator programme. We would welcome government support to:

- help secure more desk space in great locations
- help fund the bursaries

5 Community-led economic development

5.1 Community-led economic development (CED) is a process through which people living, working and running businesses in an area work together through a community partnership to effect positive change in the economy. CED is a long-term transformation that involves community organising, capability building, public and private investment, enterprise development and a significant devolution of power to community-led partnerships (‘CED Partnerships’).²⁷ It often involves broadening ownership and control of assets and enterprise in a place, which is where co-ops have a particularly practical function.²⁸

5.2 The CED model is often successfully used in pursuit of inclusive and sustainable development. There is encouraging evidence that with the right support, communities have the potential to be incubators and platforms for inclusive wealth creation in otherwise challenging circumstances.^{29 30 31 32 33}

5.3 CED initiatives are few and far between in the UK. The best current example is Empowering Places. Managed by Co-operatives UK and funded by Power to Change, this programme provides funding and resources to seven community-based ‘catalysts’ over five years to develop community business with the aim of boosting local economies, working in

some of the most deprived neighbourhoods in England.

5.4 At present there are significant barriers to the use of CED in local economic development. Too often, community-led partnerships are given nothing more than a limited consultative role. Their proposals and plans carry no legitimacy and weight in local power structures. Community-led partnerships are given no degree of influence or control over funding and investment. And outside of a very small number of pilot programmes (such as Empowering Places), there is no revenue funding available to support the formation and development CED partnerships in the first place.

Recommendation 7: include a significant role for community-led economic development in new post-Brexit schemes for ‘levelling up’

5.5 Specifically, we suggest:

- Earmarking 25 per cent of the UK Shared Property Fund for community-led economic development (see the Communities in Charge campaign ³⁴)
- Including a significant role for communities to drive inclusive and sustainable economic development in the Devolution White Paper, ideally with a new ‘community right to shape local economic strategy’
- Piloting Community Improvement Districts in the Towns Fund, which would bring together local people with local businesses and public bodies, to drive regeneration of their places, high streets and town centres

5.6 Key outputs and outcomes from CED are:

Outputs	Outcomes
Fertile and supportive conditions for local entrepreneurship and business development ³⁵ _{36 37}	More decent work opportunities in travel to work area More wealth created by and controlled by local people Reduced in-work poverty Enhanced wellbeing outcomes from work More wealth circulating in local area
New opportunities for local people to develop skills and confidence, in ways that are tailored to their circumstances, needs and aspirations _{38 39 40}	Better employment opportunities and life chances for local people Reduced risk of long term unemployment
Community-employer partnerships creating inclusive recruitment pathways that link local people to good work opportunities ^{41 42}	Increased access to employment opportunities in travel to work area Reduced in-work poverty Enhanced wellbeing outcomes from work Reduced risk of long term unemployment
New and more effective collaboration between local businesses ⁴³	More resilient, profitable local business base More wealth created by and controlled by local people More wealth circulating in local area

<p>More community control of assets that are strategically important in the local economy, such as commercial property ⁴⁴</p>	<p>Better local business environment More resilient, profitable local business base More wealth created by and controlled by local people More wealth circulating in local area More decent work opportunities in travel to work area</p>
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About Co-operatives UK

Co-operatives UK is the national association of co-operative businesses. We have over 800 co-operatives in direct membership, including leading consumer co-operatives, worker owned businesses, community businesses and farmers’ co-operatives.

References and notes

¹ Community Shares Unit

² Ibid

³ Community Shares requires a viable revenue generation model, to build up surpluses to pay interest on share capital and over time to repay share capital. Societies issuing Community Shares must have a viable business plan based on sound market analysis and financial projections. The Community Shares Standards Mark is only awarded to share offers that incorporate credible business plans.

⁴ Official data from the FCA Mutuals Register shows that 92 per cent of all community businesses that have raised money through community shares since 2009 are still trading as of May 2020.

⁵ For example research by the Plunkett Foundation finds that the long term survival rate of community owned shops in the UK (the vast majority of which will have used Community Shares) is 94 per cent, compared with 44 per cent of UK small businesses. [See here.](#)

⁶ ONS and Co-operatives UK data comparison for the years 2014-18 show that 80 per cent of community co-operatives survive the first five years of business, compared with just 42 percent of businesses generally.

⁷ Community Shares Unit

⁸ In 2019 Nesta published some useful research on the financial and non-financial benefits of ‘crowdfunding community investment’, which focused heavily on Community Shares: [‘Taking Ownership: Community empowerment through crowdfunded investment’](#)

⁹ Primary research in 2015 found that compared to other peer to peer, crowdfunding and social investment markets, Community Shares stands out for the participation of people on average or less-than-average incomes, investing small amounts, in enterprises where they live: [‘Community Shares: Inside the market report’](#)

¹⁰ <https://www.gov.uk/government/publications/civil-society-strategy-building-a-future-that-works-for-everyone>

¹¹ <https://www.gov.uk/government/publications/social-investment-a-force-for-social-change-uk-strategy-2016>

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- ¹² Co-operatives UK currently works with the Locality, Power to Change and the Architectural Heritage Fund, to operate the Community Shares Booster Programme. Through Co-operatives UK, the Booster Programme makes match investments of up to £100,000 alongside communities in societies raising money through Community Shares. As of February 2020 the Booster Programme has made 26 match investments totalling £1.7 million.
- ¹³ <https://communityshares.org.uk/resources/handbook>
- ¹⁴ <https://communityshares.org.uk/standard-mark-0>
- ¹⁵ <https://communityshares.org.uk/standard-mark-practitioners>
- ¹⁶ <https://communityshares.org.uk/open-data-dashboard>
- ¹⁷ The Community Shares Unit was and remains a partnership between Co-operatives UK and Locality, hosted institutionally by Co-operatives UK
- ¹⁸ <https://localtrust.org.uk/insights/research/left-behind-understanding-communities-on-the-edge/>
- ¹⁹ https://locality.org.uk/wp-content/uploads/2018/03/LOCALITY-KEEP-IT-LOCAL-ONLINE_revised-260318_full.pdf
- ²⁰ Co-operatives UK (2017) '[Community Economic Development: Lessons from two years' action research](#)'
- ²¹ <https://www.coop.co.uk/communities/endangered-spaces>
- ²² <https://locality.org.uk/policy-campaigns/save-our-spaces/the-great-british-sell-off/>
- ²³ For example, Power to Change [recently reported](#) that only 18 percent of community-owned assets are located in the 30 percent most deprived neighbourhoods
- ²⁴ CLES and Power to Change (2019) '[Building an inclusive economy through community business: The role of social capital and agency in community business formation in deprived communities](#)'
- ²⁵ Power to Change (2019) '[Our assets our future](#)'
- ²⁶ http://www.protecting-community-assets.org.uk/Full_Interim_Report.pdf
- ²⁷ See our very short film on CED here: <https://www.uk.coop/ced>
- ²⁸ Co-operatives UK (2017) '[Community Economic Development: Lessons from two years' action research](#)'
- ²⁹ Ibid
- ³⁰ European Commission (2003) '[Partnership with the Cities](#)'
- ³¹ European Commission (2013) '[Urban Development in the EU](#)'
- ³² JRF (2016) '[Uneven growth: tackling city decline](#)'
- ³³ New Work City Council (2018) '[A Report on the Fourth Year of the Worker Cooperative Business Development Initiative](#)'
- ³⁴ <https://locality.org.uk/policy-campaigns/communities-in-charge/>
- ³⁵ As demonstrated by the [New York City Worker Co-operative Development Initiative](#) in relation to worker co-op start-ups
- ³⁶ CLES and Power to Change (2019) '[Building an inclusive economy through community business: The role of social capital and agency in community business formation in deprived communities](#)'
- ³⁷ As demonstrated by the fact the, according to national evaluations, of all New Labour's place-based interventions, the one that worked in and with communities to home-grow enterprise (the [Local Enterprise Growth Initiative](#)) was found to have delivered the best outcomes for individuals, local economies and the Exchequer
- ³⁸ Based on experiences from Empowering Places (see 3.15 and 3.16)
- ³⁹ Co-operatives UK (2017) '[Community Economic Development: Lessons from two years' action research](#)'
- ⁴⁰ <https://localtrust.org.uk/insights/research/achieving-local-economic-change/>
- ⁴¹ For example the community-run [Ethical Recruitment Agency](#) in Grimsby

⁴² For example [Ambition Lawrence Western](#) (a Big Local) in Bristol, which works through the social enterprise [SevernNet](#), a social enterprise, to connect the local community with good work opportunities

⁴³ Co-operatives UK (2017) '[Community Economic Development: Lessons from two years' action research](#)'

⁴⁴ Ibid