

The **co-operative**  
Central England Co-operative

**Chelmsford Star -  
the Co-operative**  
at the heart of our community  
*since 1867*



c/o james.wright@uk.coop

Rishi Sunak  
Chancellor of the Exchequer  
HM Treasury

28 June 2021

Dear Chancellor,

### **Supporting co-operative ambitions**

We are a group of the UK's leading co-operatives, asking that government takes steps to support our sector's ambitions for building back better. Action is needed now to provide ambitious co-operatives with business support that caters their distinctive approach to investment and growth. Co-operatives also need and deserve a more enabling corporate framework.

We recognise that during the pandemic government took action to ensure co-operatives were not excluded from support, not least in relation to the Corporate Insolvency and Governance Act. We are very grateful for this.

New research published today by Co-operatives UK shows how the UK's co-operatives survived and thrived during the pandemic:

- The latest official data reveals that co-operatives in the UK were four times less likely to close down in 2020 than UK businesses generally
- 92% of surveyed co-operatives identified clear benefits of their model during the pandemic, with this figure rising to 96% among worker and freelancer co-operatives
- Commonly identified benefits were having a pool of committed members and customers, whose needs they could respond to
- Co-operatives have been at the heart of mutual aid in their communities

More information can be found in a summary for policymakers here:

[www.uk.coop/resources/ready-whats-next](http://www.uk.coop/resources/ready-whats-next).

The findings strongly reinforce pre-existing data on co-operative resilience. But more importantly, the findings show that in the most challenging circumstances, co-operatives have been great at protecting the wellbeing and livelihoods of workers, meeting communal needs and enhancing the resilience of households, communities and local economies.

The new research also shows that co-operatives are as ambitious as ever about developing their businesses and scaling their impact. Of those with growth ambitions before COVID, 73% are as ambitious now, while 15% are even more ambitious.

The research also shows that ambitious co-operatives need business support that caters to their distinctive approach to: **capital raising, business strategy** and **organisational development**.

Unfortunately, government-funded business support schemes do not currently cater to co-operatives in these key areas. For example, none of the British Business Bank's equity investment programmes are compatible with the distinctive capital and governance structures of co-operatives.

Furthermore, successive governments have neglected the corporate framework for co-operative and community benefit societies, leading to suboptimal law and administrative dysfunctions across government. This creates needless costs and burdens for these business. For example, it regularly takes more than four months for HMRC to provide a Unique Tax Reference to a newly registered society, which can have debilitating knock-on consequences for these start-ups. As another example, businesses that convert from a company into a society are hit with thousands of pounds of costs because the Companies Register does not distinguish between businesses that convert and those that close down.

Government should be greatly encouraged by the ambition of co-operatives but equally concerned that it is not as enabling of these ambitions as it should be.

In light of the latest research findings, we make the following recommendations:

- At a minimum, the co-operative sector should benefit from spending on business support in proportion to its size, with at least 1% of funds nationally used in ways that cater to co-operatives in key areas: raising capital, business strategy and organisational development. This would result in millions of pounds of new funding for co-operative business support that currently goes elsewhere.
- At a minimum, 1% of finance deployed by the British Business Bank should cater to the distinctive requirements and capital structures of new and existing co-operatives. This would result in millions of pounds driving investment in co-operatives that currently goes elsewhere.
- Government should ensure that it does not exclude co-operative and community benefit societies from its new Help to Grow Digital scheme. We are very concerned by information on gov.uk suggesting that eligibility for this scheme will be restricted to companies.
- Government should act on the 2019 recommendation of the Financial Conduct Authority and undertake a review of co-operative and community

benefit society law, with a view to introducing reforming primary legislation for the first time since 1954.

- Government should act on its 2018 commitments and take firm action to address 'non-legislative' dysfunctions across government that create costly burdens for co-operative and community benefit societies, including in HMRC, Kickstart, Government Digital Service, Grants Management Function, Pension Protection Fund and Companies House.

We hope our recommendations for business support can be dealt with through the forthcoming Comprehensive Spending Review and UK Shared Prosperity Fund.

We recognise that HM Treasury's capacity to take action for co-operative and community benefit societies is limited and hope that the Department for Business, Energy and Industrial Strategy can start to take more responsibility for improving our corporate framework, as it does for companies.

We ask that government responds to these recommendations through our representative body, Co-operatives UK. Responses can be emailed to the Co-operatives UK policy lead: [james.wright@uk.coop](mailto:james.wright@uk.coop).

Yours sincerely,

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