

Submission

Resource Spending Review Framework

March 2022

Headline proposals

We believe that over the course of this Resource Spending Review period and Parliament Scottish Government should set the following aims and allocate the following resources:	
1. Achieve a fivefold increase in the number of new Scottish co-operatives created in a year, by the last year of the Parliament, from a baseline of 24 a year now to 120	Requiring: <ul style="list-style-type: none">• <u>three-fold increase in the resources and budget</u> of Co-operative Development Scotland for the period• <u>£1.6 million (up to £50,000 per council)</u> to equip councils and local civil society to undertake community-based business development as part of Community Wealth Building
2. Support more Scottish co-operatives to thrive and reach their potential, with a focus on supporting ambitious co-operatives to 'scale-up', not just in terms of their size but in terms of their impact (member value, social impact)	Requiring: <ul style="list-style-type: none">• <u>£4.4 million over 4 years</u> to provide better-tailored business support and enterprise investment that caters to ambitious co-operatives looking to scale

Q1. In Chapter 1 we have identified three priorities to guide the Resource Spending Review process:

- *To support progress towards meeting our child poverty targets*
- *To address climate change*
- *To secure a stronger, fairer, greener economy*

Setting these as priorities helps us consider where spend should be targeted and redirected. Do you agree that our resource spending should focus on these? We welcome your views on these three priorities for this Resource Spending Review

1 Priorities

- 1.1 These are the right priorities and among them addressing climate change must be considered the most important. But in our view, no just and democratic approach to addressing climate change is possible without transitioning to an economy that engenders widespread wellbeing, within safe ecological limits. So, a simultaneous focus on a fairer and more distributive economy, in which wellbeing is more a measure of success than quantities of business activity, output and growth, is critical.
- 1.2 Child poverty should largely be seen as a failure of Scotland's existing economy to engender widespread wellbeing. This is 'failure demand'. We recognise that in the immediate term this failure demand must be addressed through welfare spending and targeted social and education policy interventions. But a more serious, proactive effort should be made to enable an economy that averts this failure in the first place. That is, an economy that sustains rewarding, empowering, secure livelihoods and creates genuine economic and social opportunities for everyone.

2 Enabling a stronger, fairer, greener economy

- 2.1 Enabling such an economy requires:
- Effective public services that support and empower people throughout their lives through education, advice, health, social security, leisure, culture and so on
 - Strong, empowered communities that provide mutual aid, social capital and help people meet their needs and achieve their aspirations
 - Enabling businesses, markets and supply chains that are 'distributive by design', effective at sharing opportunity, power, benefit and wealth broadly through day-to-day business, including co-operatives

3 Investing in co-operative growth

- 3.1 In the Shared Policy Programme, Scottish Government has agreed to explore ways to better-support co-operatives, with a view to increasing their representation in the Scottish economy.¹ The National Strategy for Economic Transformation includes actions to support co-operative entrepreneurship and to provide better-tailored support to Scottish co-operatives.²
- 3.2 We believe that over the course of this Parliament, Scottish Government should set the following aims and objectives:

- Achieve a fivefold increase in the number of new Scottish co-operatives created in a year, by the last year of the Parliament, from a baseline of 24 a year now to 120
- Support more Scottish co-operatives to thrive and reach their potential with a focus on supporting ambitious co-operatives to 'scale-up', not just in terms of their size but in terms of their impact (member value, social impact)

3.3 To achieve its objectives Scottish Government will need to build out from its current rather narrow focus on a few inclusive business models (employee ownership trusts, community co-operatives, consortia co-operatives), to proactively enable other pivotal co-operative types, not least: worker and freelancer co-operatives, service user co-operatives and multi-stakeholder co-operatives. The potential of these models is being demonstrated, but largely outside Scotland.

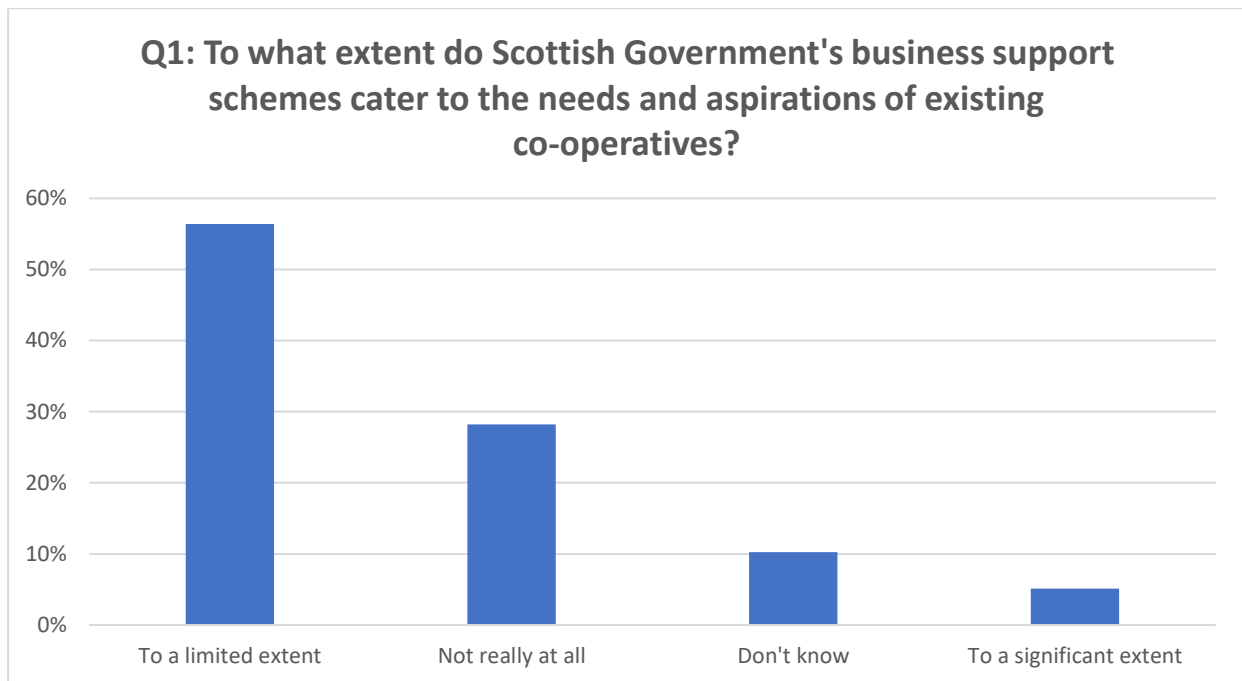
3.4 No other nation or region in the UK has provided the same degree of consistent, tailored co-operative business support over the past decade. And the results speak for themselves:

- Proportionally, Scotland leads other UK nations in the number of new co-operatives created each year, by some distance
- Proportionally, Scotland leads other UK nations in the number of employee buyouts each year, by some distance
- Proportionally, Scotland leads other UK nations and regions in the use of community shares
- Providing tailored support for co-operative businesses is value for money, with an independent evaluation of Co-operative Development Scotland's (a service within Scottish Enterprise) work finding a sixfold return for every £1 of public money allocated ³

3.5 It is time to reinforce and buildout from this success in the coming Resource Spending Review period.

4 Providing better-tailored support to existing co-operatives

4.1 There is a clear need for Scottish Government and its agencies and partners to provide existing co-operatives with better-tailored business support, that caters to their distinctive approach and model. In our recent consultation of Scottish co-operatives,⁴ 56% of those surveyed told us that Scottish Government's schemes only cater to them to a limited extent, while another 28% said schemes did not really cater to co-operatives at all.



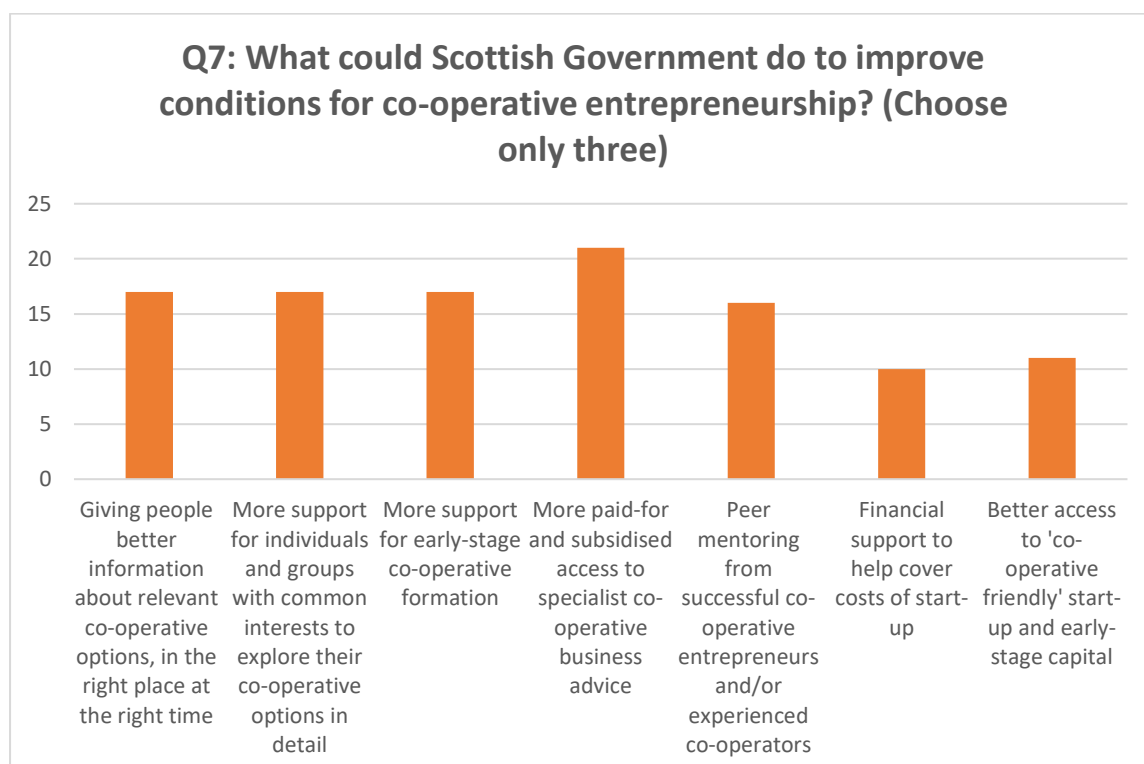
- 4.2 From the results of our recent consultation, **we conclude that Scottish Government should seek to provide better-tailored support for co-operative scale-up.** The aim should be to help ambitious co-operatives to scale both in terms of size and, crucially, their impact in terms of member value⁵ and social impact. 90% of surveyed co-operatives told us that their sector needs scale-up support to be tailored to their model, purpose and values. When unpacked, the areas of support in Scottish Enterprise's scale-up offer (investment and capital raising, leadership, innovation, productivity) are ones that co-operatives also tell us they need more tailored support in. For example, 87% say they need better-tailored productivity support and 82% say they need better-tailored investment and capital raising support.
- 4.3 Scottish Government, Scottish Enterprise and the Scottish National Investment Bank will need to ensure interventions to support scale-up are designed and delivered in ways that cater to co-operatives. This will require some resources for scale-up support to be targeted at solutions for co-operatives.
- 4.4 We suggest Scottish Government ensures the existing co-operative sector benefits from business support spending at least in proportion to its size, in every year covered by this Resource Spending Review. On a proportional basis, in the 2022-23 Budget this would equate to **£1.1 million of new funds** allocated for co-operative business support *for existing co-operatives*, split roughly 50-50 between Scottish Enterprise and the Scottish National Investment Bank.⁶
- 4.5 **Scottish Government should allocate £4.4 million over the whole period 2023-2027 to provide scale-up support that caters to ambitious co-operatives,** including advice and support from Scottish Enterprise and appropriately structured equity investment from the Scottish National Investment Bank.

5 Supporting co-operative entrepreneurship

- 5.1 The National Strategy for Economic Transformation explicitly recognises the role co-operative entrepreneurship can play in delivering strong outcomes in fair work and benefits to local communities.
- 5.2 There is huge scope for Scotland's co-operative creation rate to increase. The five-year average for co-operative start-ups in Scotland is 24 a year, which is just enough

to keep the replacement rate positive. By comparison, in recent years South Koreans have created 10 times more co-operatives per head of population that Scots have.

- 5.3 We believe Scottish Government should aim to achieve a fivefold increase in the number of new Scottish co-operatives created in a year, by the last year of the Parliament, from a baseline of 24 a year now to 120.
- 5.4 To be successful and to deliver the outcomes in terms of fair work and benefits to local communities set out in the National Strategy for Economic Transformation, Scottish Government and its enterprise agencies will need to building out from the current rather narrow focus on a few models (employee ownership trusts, community co-operatives, consortia co-operatives), to proactively promote and enable the creation of other pivotal co-operative types, not least: worker and freelancer co-operatives, service user co-operatives and multi-stakeholder co-operatives.
- 5.5 To support these other pivotal models, Scottish Government should seek to emulate the impact Co-operative Development Scotland (a specialist service in Scottish Enterprise) has had in proactively helping SMEs explore employee ownership, which has seen Scotland become a leader in the UK and globally.
- 5.6 From our recent consultation with the Scottish co-operative sector, a clear view emerged that interventions to unlock more co-operative entrepreneurship should focus on 'pre-technical' support (awareness raising, outreach, cultural change, support to explore co-operative options) and more paid-for and subsidised access to specialist co-operative business advice. There is less support for finance-related interventions being critical to co-operative entrepreneurship.



- 5.7 Co-operative Development Scotland should be given a strong and clear mandate, in line with the above. We believe it would need three times its current capacity and budget to achieve a fivefold increase in co-operative start-ups.
- 5.8 Councils across Scotland will soon agree Community Wealth Building plans that are likely to include support for co-operative entrepreneurship. It is essential that Co-operative Development Scotland is adequately resourced to help deliver such plans.

- 5.9 To deliver a step change in Scotland's co-operative entrepreneurship rate and to support Community Wealth Building across the country, we believe Co-operative Development Scotland needs:
- more resource for 'pre-technical' support (awareness raising, outreach, cultural change, support to explore co-operative options), including staff and project budgets for awareness raising, marketing and outreach
 - more budget to provide paid-for and/or subsidized access to specialist co-operative business advice, covering a wider range of pivotal models
 - more specialist advisors in its team
 - project funding of at least £100,000 a year
 - resources to grow the network of specialist co-operative business support providers and facilitate peer-to-peer business support
- 5.10 Given organisational changes within Scottish Enterprise in recent years, it is difficult to quantify the current budget and resources of Co-operative Development Scotland, thus it is not easy to put an exact cost on our resourcing proposals.
- 5.11 In addition, councils in Scotland deciding to promote and enable co-operative entrepreneurship as part of their Community Wealth Building Strategies, are best placed to effectively undertake some aspects of 'pre-technical' awareness raising and outreach in their communities. This requires new partnerships and initiatives involving councils, local civil society organisations in communities ('community anchors') and co-operative development specialists. We believe **each local authority would need to spend up to £50,000 on a one-off basis** to develop an effective partnership. This should be a consideration for future local authority funding for Community Wealth Building. **We propose allocating £1.6 million in this Resource Spending Review** to initiate this activity across all 32 Scottish councils.

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Notes and references

¹ [Shared Policy Programme](#)

² [National Strategy for Economic Transformation](#)

³ <http://www.evaluationsonline.org.uk/evaluations/Documents.do?action=download&id=766&ui=browse>

⁴ In Jan and Feb 2022 Co-operatives UK ran a consultation with Scottish co-operatives. This involved an online questionnaire that had 39 responses from 33 different co-operatives and an evidence hearing by the Cross Party Group on Co-operatives in the Scottish Parliament, involving 3 co-operatives. In all 35, 6% of all Scottish co-operatives, participated in this consultation.

⁵ The primary purpose of all co-operatives is to meet some common needs and aspirations of their members and fulfilling this purpose is 'member value'.

⁶ Scottish co-operatives make up 0.2% of all Scottish businesses. In Budget 2022-23 Scottish Government allocated £205.9 million to the SNIB and £370.5 million to its enterprise agencies. 0.2% of this allocation equals £1.1 million.