

CO-OPERATIVES UK

 **POLICY PLAN FOR  R**
CO-OPERATIVE GROWTH

December 2025



Executive summary

Impacts

Rapid co-operative development will boost **inclusive grassroots growth, enhance community resilience and social cohesion** and **address failures in critical markets**.

Growth goals

Government and the sector should aim to:

- Double the number of co-operatives in a decade
- Achieve at least £20bn GVA by 2035
- Ensure geographically and socially inclusive co-operative development

Where growth and impact will come from

Government and the sector should primarily focus on **five areas** with significant opportunities for growth and impact:

1. **Food system** (farmer co-operatives, innovators and reformers)
2. **Everyday economy** (consumer co-operatives, enterprise co-operatives, worker and multi-stakeholder co-operatives in 'everyday sectors')
3. **Public service innovation** (adult social care, children's services, primary care, early years, education)
4. **Community co-operation** (land and property, high streets, retail, rural amenities, social infrastructure, cultural assets, social and sports clubs)
5. **Infrastructure** (housing, renewable energy, green infrastructure, digital infrastructure, retrofit)

We must strengthen **three critical development pathways**, primarily built around the five opportunity areas:

- **High potential start-up**
- **Scale-up**
- **Transition**

Policy recommendations for cross-cutting enablers

We recommend that government uses investment, partnership, policy and legislation to optimise the following strategic enablers of co-operative growth and impact:

- **Access to finance** (building specialist institutions, British Business Bank, legal reform)
- **Co-operative development** (funding, national coordination, local delivery, specialist programmes for scale-up, transition and secondary co-operatives)
- **Tax treatment** (Common Capital Tax Relief, Impact Investment Tax Relief, extending mutualisation tax reliefs, Business Rates reform)
- **Law and corporate framework** (modernising society law, addressing non-legislative issues, rights to mutualise for communities and workers)

Part 1: Strategic opportunities

1. Introduction

Rapid co-operative development will boost **inclusive growth ‘from the grassroots’**, **enhance social cohesion** and **address failures** in critical markets and public services.

In January 2025 we published our strategy for enabling a partnership between the sector and government, to deliver its historic manifesto commitment to double the size of the co-operative and mutual economy.^{1 2} In April 2025 Business Minister Thomas requested that the Mutual and Co-operative Sector Business Council (MCSBC) curate policy-focused growth plans for all parts of the mutual economy.

Part 1 sets out the strategic opportunities for co-operative growth and impact. **Part 2** makes policy recommendations for how to optimise the following cross-cutting enablers: **access to finance, co-operative business development, tax and law and corporate framework**.

Our recommendations are shaped by our work with co-operatives large and small in every sector, member consultation, our own research, and by independent analysis by academics and organisations such as the OECD.

2. Why grow the co-operative economy?

Pursuing the co-operative growth outlined in this plan will have the following beneficial impacts that contribute to government’s Plan for Change, Missions and other priorities:

- **Inclusive growth from the grassroots** – Co-operatives make a disproportionately large contribution to UK GDP,³ while simultaneously delivering the following co-benefits: fairer distribution of value,⁴ increased firm resilience,⁵ improved productivity⁶ enhanced wellbeing⁷ and community wealth building.⁸ They can also be a tool for strengthening local economies, ensuring growth and its proceeds benefit communities in every part of the UK.
- **Community resilience and social cohesion** – Co-operatives empower individuals and organisations to achieve things together that they cannot do on their own. Communities increasingly use co-operatives to save and revitalise physical assets and essential services that they need to thrive, including social infrastructure, rural amenities, high streets, sports and leisure facilities and cultural assets.⁹ Thousands of long-established social and sports clubs, critical to community life and wellbeing, are co-operatives. Studies find that co-operatives in communities add resilience and encourage cohesion by building social capital, delivering responsive and accountable services and providing essentials such as housing.^{10 11 12} New and influential research by UCL Policy Lab has evidenced the centrality of social capital, social infrastructure and empowerment to community cohesion in the UK.^{13 14}
- **Addressing market and public service failures:** There are opportunities to proliferate and scale proven co-operative solutions that address failures in areas such as rural development,¹⁵ net zero,¹⁶ social care,¹⁷ primary care,¹⁸ early years,¹⁹ education,²⁰ food system²¹ and housing.²²

Co-operatives within the diverse business landscape

Co-operatives often have a distinctive utility, wherever collective action and democratic governance make fulfilling purpose and generating impact more likely (e.g. when local people want to buy derelict property on their high street, or when a group of workers want to acquire the firm that employs them). It is vital policymakers and economic development practitioners think about co-operatives this way, especially when considering whether exploration of co-operative approaches might be beneficial.²³ But co-operatives are also part of a diverse landscape of often overlapping organisational types, including other mutuals, social enterprise and community businesses. The policy and practice in this plan should be a distinctive part of a wider agenda for social economy and diverse business growth in the UK.

Rationale for policy action

The untapped potential for co-operative growth and impact in the UK is huge. In recent years we have seen net growth in the number of co-operatives in community ownership, housing and creative and digital industries, combined with business expansion in credit unions and retail and farmer co-operatives. But by international comparisons the UK co-operative economy is small²⁴ and growing slowly.²⁵

There is a correlation between countries with larger co-operative sectors, and the presence of enabling conditions that government policy has played a role in creating. This includes enabling laws, regulations and tax,²⁶ strong co-operative development ecosystems^{27 28} and access to finance.^{29 30} The OECD recommends that member states take action to enable co-operatives across these domains.³¹ While UK governments have historically sought to optimise conditions for private benefit enterprise, they have largely neglected to do so for co-operatives. The growth scenarios set out in this plan are partly dependent on effective policy action across these domains.

In the UK, and England in particular, the conditions for a thriving and impactful co-operative economy are only partly in place. The most significant barriers to more rapid co-operative growth are:

- **Awareness:** low awareness and practical understanding of co-operatives, in communities and among potential entrepreneurs, workers, businesses and policymakers, and those who advise them
- **Culture:** cultural barriers to co-operation in parts of our economy, civil society, public administration, institutions and education system
- **Development ecosystems:** mainstream business support and established pathways act as a barrier to exploration, adoption and growth. Meanwhile, the co-operative development ecosystem is under-resourced, overly-fragmented and suffers from limited supply of deep experience and expertise. Strong development pathways are too often lacking

- **Access to finance:** co-operatives have distinctive approaches to raising finance that the legal, institutional and market conditions in the UK do not sufficiently enable

Given the potential benefits of co-operatives, the above amount to dysfunctions and market failures in information, culture, allocation of resources and capital.

3. Growth goals

In order to realise the impacts set out in **part 1** we recommend government and the sector sets the following goals for co-operative growth:

- **Double the number of co-operatives in the UK by 2035** - from c7,300 to c14,600 with a focus on quality as well as quantity, by significantly increasing the number of new co-operatives with high potential to succeed and deliver the intended impacts, while acting to reduce the loss of potentially viable and impactful co-operatives
- **Increase annual co-operative GVA to at least £20bn by 2035** - From a baseline of £13bn GVA in 2024, with annual GVA growth rising to at least 7% by the end of the Parliament. Focusing efforts on enabling co-operatives to thrive, scale, diversify and reach their potential, as well as mutualising existing assets and organisations.
- **Ensure geographically and socially inclusive growth** – With co-operative development spread consistently across the nations, regions, and communities of the UK, and with deliberate effort to empower and benefit disadvantaged and marginalised groups.

Time horizons

The conditions for a rapidly growing co-operative sector are only partially in place in the UK. It will take time for new policy, more enabling legislation and practical support to have a significant impact on the net number of co-operatives and GVA.

Existing momentum can be catalysed to quickly increase formations in some areas (e.g. in community ownership). But it will likely take until the end of the Parliament to see policy feed through into a significant step change in the net increase in co-operatives year on year.

And while there are immediate opportunities for some existing co-operatives to expand (e.g. in agriculture, energy, housing, finance and consumer), the UK lacks the pathways and conditions to enable co-operative scaling. Once these are in place, it will still be 5-10 years before this feeds through into more co-operatives developing to their full potential, and any marked increase in their share of UK GDP.

Crucially, we must enable a proliferation in new high-potential formations in the short-to-medium term, that are then enabled to become the generators of higher co-operative GVA (and other impact) in the long-term.

4. Where will co-operative growth come from?

Impactful co-operative growth will come through a combination of:

- **Five growth opportunity areas:** Focusing on specific opportunities (defined by some combination of stakeholders needs, juncture and sector)
- **Three development pathways:** Establishing strong development pathways that enable strong co-operatives to form and then thrive and reach their full potential ³² via: **high-potential start-up, scale-up, transitions.**

Growth opportunity areas

Co-operative growth opportunities are best seen as some combination of stakeholder groupings (e.g. employees), common need/aspiration (e.g. good work), juncture (e.g. owner exit) and sector (e.g. digital-creative). Sometimes the co-operative opportunity can be partly expressed as a function in response to meeting a common need (e.g. marketing, buying, service provision). These often arise from dysfunctions in markets or systems that mean groups are unlikely to secure the same value acting alone.

We recommend focusing where there are opportunities to significantly increase the number of high-impact co-operatives, or to build on existing scale and impact, or both. This includes building on existing momentum in formation rates (e.g. community co-operatives), or existing scale and impact (e.g. consumer retail co-operatives), or acting on evidence that co-operative scale and impact seen in other countries could be replicated in the UK (e.g. social care). We recommend a national focus on:

- 1. Food system:** Enabling existing **farmer co-operatives** to invest, expand and diversify, sometimes involving acquisition, and enabling new farmer co-operatives to form and scale. Also supporting formation and scale-up of other co-operatives used by **innovators and reformers** in food system across land, production, supply chains and consumer markets. **Impacts:** Inclusive and resilient growth; addressing failures in UK food system, with increased resilience and sustainability in UK food production and supply chains. **Growth goals:** Significant increase in co-operative GVA; modest increase in number of co-operatives.
- 2. Everyday economy:** Expansion and diversification in **consumer co-operatives**, increasing market share in convenience retail, while growing through acquisition and diversifying to meet other community needs, such as co-location of in-person services, childcare, pharmacy and housing, often sustaining provision in places, revitalising high streets, and building community wealth. Also the formation and scale-up of **B2B and B2C enterprise co-operatives**³³ in everyday sectors. Especially small business co-operatives that can boost resilience and secure better deals on inputs and improved access to customers and markets. Also the formation, transition and scale-up of **worker and multi-stakeholder co-operatives** in everyday sectors, boosting productivity, progression, pay and conditions, in sectors where these gains are hard to achieve. Sometimes harnessing platform co-operativism. **Impacts:** Inclusive and resilient growth; addressing market failures. **Growth goals:** Significant increase in co-operative GVA and 1,000+ new co-operatives over a decade.
- 3. Public service innovation:** Proliferation and scale-up of co-operatives in **social care, children's services, primary care, early years** and **education**. Including via transition of existing organisations or capacity, start-up, and the formation of co-operative consortia comprised of VCSE providers. Offering viable alternatives to extractive, exploitative and ineffective private delivery, rebuilding workforces, empowering users, preventing collapse in capacity. Also creating more accountable and socially-purposed institutions, **including new mutual models for public ownership of utilities, services and infrastructure**. **Impacts:** Addressing market/system failures; community resilience and social cohesion. **Growth goals:** 1,000+ new co-operatives and notable contribution to co-operative GVA by 2035.

4. Community co-operation: Proliferation and ongoing development of co-operatives in land and non-domestic property, retail, rural amenities, hospitality, culture, sport and leisure. Revitalising traditional social and sports clubs. Including diversification and multi-stakeholder co-operation involving workers, civil society organisations and small businesses. Powered by at least £200m of Community Shares investment in the next decade. Sustaining the services, amenities and activities communities need to thrive, while increasing community resilience, social cohesion and inclusive economic development. Sometimes using digital co-operative platforms. **Growth goals:** c1,500 new co-operatives, with a cohort of existing co-operatives growing, diversifying and contributing to increased GVA by 2035.

5. Infrastructure: Proliferation and, in some cases scale-up, of co-operatives that bring together communities, businesses, civil society and public bodies to develop, share and upgrade critical infrastructure, including: **housing, renewable energy and heating, EV charging, fibre, 5G and data centres.** Including **retrofit** of homes and non-domestic buildings. An additional 75,000 co-operative dwellings³⁴ from the expansion of existing co-operatives and the development of new ones, providing affordable and empowering housing options that respond to needs, where the market has failed. Giving millions of people a stake and a say in net zero, unlocking investment, deployment and societal change that is unlikely to occur through market or state action. Reducing the friction and cost in 'B2B' collaboration, enabling efficient co-investment and co-management, while avoiding unsustainable over-build. Encouraging and aggregating demand for retrofit and matching it with trusted, coordinated supply, enabling the decarbonisation of millions of properties and thousands of neighbourhoods and rural communities. **Impacts:** Addressing market and societal failures; inclusive and resilient growth; community resilience and social cohesion. **Growth goals:** 3,000+ new co-operatives and significant increase in co-operative GVA by 2035.

Note there are also significant opportunities to increase co-operative scale and impact in financial services, primarily via credit unions. However, as ABCUL is developing a separate growth plan for credit unions, it is not covered by this paper.

Development pathways

Impactful co-operative growth will also come by establishing strong development pathways, mainly built around the growth opportunity areas outlined above, enabling high-potential co-operatives to form and then reach their full potential.³⁵ Pathways are needed for:

- **High-potential start-up:** focused on the growth opportunity areas set out above, with targeted 'pre-technical' development (outreach and supported exploration of models), specialist business support tailored to the area, replicable models, peer support, and access to a mix of patient and risk capital that acts as a springboard for onward development
- **Scale-up:** Creating an enabling environment for ambitious and high-potential co-operatives to scale, through growth as an individual entity, diversification, acquisition, and through models of self-replication, franchising and federation.³⁶ Requiring enabling law, access to growth finance, specialist training and business advice and peer exchange.

- **Transitions:** Significantly increasing the transition of existing businesses, assets and services to a co-operative model, simultaneously increasing the size and number of co-operatives, while enhancing productivity, resilience and social impact in the economy. Including: **planned ownership succession**,³⁷ **employee-initiated buyouts**,³⁸ **employee-led restarts**,³⁹ **co-operative conglomerates**⁴⁰, **mutualisation of social sector organisations**⁴¹ and **mutualisation of mission-led businesses**.⁴²

Part 2: Cross-cutting enablers

5. Access to finance

Community ownership of assets, renewable energy generation, agriculture, housing and public service innovation all require a greater supply of patient, mission-aligned capital. Transitioning businesses to co-operative ownership also requires distinctive kinds of finance, quickly, and sometimes in significant amounts. Many established co-operatives require new capital for diversification, acquisition and growth. All new and existing co-operatives need to make significant investments in people, digital and decarbonisation.

But currently, co-operatives have distinctive approaches to raising finance that the legal, institutional and market conditions in the UK do not sufficiently enable.⁴³ In most growth opportunity areas, good finance options for start-up and onward development are either partly in place, or absent. In recent years, government enterprise finance interventions have only partially catered to co-operatives.⁴⁴

The UK should emulate the practices and approaches found in the largest and most impactful co-operative economies around the world. Firstly, a greater role for **specialist financing institutions** that cater to the distinctive purpose, ownership and governance of co-operatives, providing patient debt, equity and quasi-equity for start-up, scale-up and transition.⁴⁵ Secondly, more effective **pooling and reinvestment of capital between co-operatives**. And thirdly, raising equity, quasi-equity and debt in larger amounts from **external investors**, in addition to members, including from specialist sector institutions, pension funds, impact investors and non-member retail investors.

We should also build on recent successes in the UK, including Community Shares, Community Shares Booster,⁴⁶ the work of Co-operative and Community Finance,⁴⁷ blended finance,⁴⁸ guarantees⁴⁹ and grants.⁵⁰

In all cases co-operatives and mutuals offer a way to deliver tangible change by mobilising and combining social capital and private wealth. They can be conduits for more private wealth to be invested for shared economic, social and environmental benefit. In unlocking financing options, we should aim to harness the resources in every community and in existing co-operatives, while crowding-in private investment.

As such, government's emerging Impact Economy agenda has the potential to improve access to finance for co-operatives. For example, a proposed investment 'staircase' model, developed by the Social Impact Investment Advisory Group, maps out a more enabling financing ecosystem.⁵¹ With the right design and deployment, the Better Futures Fund and

other possible 'outcomes financing' vehicles, could also crowd finance into high-impact co-operatives.

It is notable that in countries with large or rapidly growing co-operative economies, including South Korea,⁵² France⁵³ Spain⁵⁴ and Italy,⁵⁵ national and regional governments ensure that some of their enterprise finance interventions cater specifically to co-operatives, generally partnering with specialist institutions.

We recommend:

- **Specialist financing institutions:** Support the sector to capitalise and develop specialist financing institutions that can augment the investment capacity of communities and members, pool and recycle capital among co-operatives and crowd in other patient private capital. This includes supporting the development of existing providers like Co-operative and Community Finance, while potentially creating new entities. Including:
 - providing up to **£20m in seed capital to scale-up a community investment institution** being developed by Co-operatives UK, Locality and Plunkett UK, to build on the success of our Community Shares Booster pilot (delivered in recent years in partnership with Co-operative and Community Finance and Community Shares ICOF). This could potentially combine with the £4m Booster portfolio the sector has already built up.⁵⁶ Based on past performance of Booster, £20m of public funds would crowd in at least £80m in private investment from communities and other sources.⁵⁷
 - deploying **new venture, growth and transition capital** into co-operatives and mutuals, including **supporting existing institutions to expand** (such as Co-operative and Community Finance), while exploring the potential for seeding **new financing institutions** where needed
 - ensuring the **design and deployment of impact investment vehicles** cater to co-operatives and mutuals, guided by the Social Impact Investment Advisory Group 'staircase', especially where there is clear potential for co-operatives to deliver the targeted outcomes (for example, better social care, food security, community resilience and social cohesion)
 - exploring the potential of establishing and seeding other **specialist financing intermediaries** in areas like **co-operative housing**
 - enabling **innovations such as Co-operative Exchange**, that facilitate markets in co-operative and mutual instruments for institutional and individual investors⁵⁸
- **British Business Bank:** A proportionate amount of British Business Bank (BBB) funds should be deployed in a way that caters to co-operatives and mutuals, with a small amount of public funds crowding in many times more from private sources (e.g. institutions, impact investors, intermediaries, communities, members, other mutuals). Given that co-operative GVA is 0.6% of total UK GVA,⁵⁹ this would equate to £153.6m of total BBB funds used to boost investment in these businesses.

Given the performance of Community Shares Booster, we believe this could crowd in c£612m of non-public funds. We recognize that achieving a proportionate allocation on these terms would be a medium-long term project. Given the low baseline, even a relatively modest allocation in this Parliament could be catalytic. Building on recent relative successes such as the Growth Guarantee Scheme, which has supported co-operative access to finance, there is a strong case for the BBB using funds to:

- Introduce **Co-operative Start-up Loans**, with a scheme that caters to co-operatives by removing the requirement for individual personal guarantees⁶⁰ and by offering co-operative business support, rather than the unsuitable support that currently accompanies loans
- Establish a **Mutuals Growth and Transitions Fund** that crowds patient capital into growing co-operatives and mutuals, including new ventures with credible growth plans, while helping to finance mutual transitions (e.g. worker ownership transitions)⁶¹, possibly supporting existing institutions to expand, or creating a new specialist financing institution, in the process
- Expand provision of **finance guarantees** for growing co-operatives and mutuals, including to support the financing of mutual transitions
- **Legislation:** modernizing the Co-operative and Community benefit Societies Act, to enable societies to raise more capital from both non-member investors and members, while safeguarding common purpose, member control and common ownership of assets⁶²

6. Co-operative development

Well-resourced and coordinated co-operative development interventions will be a critical enabler of start-up, scale-up and transition. Partners must collaborate in creating strong development pathways in growth opportunity areas (see **part 4**).

The long-term objective should be to strengthen the sector's own developmental ecosystem, nationally and locally. The sector already does a lot to enable its own development. This includes the Co-operative Bank funding our Business Support for Co-ops programme, and large consumer co-operatives making significant contributions to the funding of sector bodies including Co-operatives UK, Plunkett UK and local co-operative development bodies. We believe there is a strong case for government adding public resources to this.

While a national strategy for resourcing and coordination is important, the specific opportunities, barriers and enablers will vary between places. Local (e.g. strategic authority-level) partnerships comprising co-operative networks, communities and government (e.g. strategic authorities) are best-placed to develop their own co-operative growth strategies, based on their specific opportunities and conditions. But they will also need to draw on the insights, resources and capabilities of other places, and from the national level.

These regional strategies should lead to the commissioning of ambitious local co-operative development programmes. Where they have the relevant capabilities, local co-operative development bodies should be given opportunities to be involved in delivery. But crucially, if these programmes are to deliver significant impact, then they will also need to draw on the depth and breadth of expertise and experience in the national provider network. In the longer-term the aim should be to develop a national network of regional sector-led co-operative development hubs.⁶³ Co-operatives UK is working with co-operative development bodies to improve coordination of the national network, so that it can be a ready delivery partner in local and national programmes.

Co-operatives and their sector bodies in Wales, Scotland and Northern Ireland should be supported to enhance their development ecosystems. We support the Cwmpas proposal for a Wales-wide Co-operative Development Hub.

To enable the step change in co-operative development set out in this plan at least **£17 million funding is required in the current Spending Review period** to pay for high-impact packages of support.⁶⁴ Most of this should come from strategic authority business support funds (e.g. Integrated Settlement and Local Growth Fund), while some should come via MHCLG's Pride in Place strategy,^{65 66} and some could come from national pots such as Business Growth Service.

We recommend:

- **Business support:** Central government should encourage, support and resource strategic authorities to develop and commission ambitious multi-year co-operative development initiatives, in partnership with the local and national sector, targeted at the best opportunities for growth and impact. This would be in line with the policy set out in the English Devolution White Paper.⁶⁷
- **Strengthening the support ecosystem:** The national provider network must become a ready delivery partner for local and national programmes. Central government and the sector should co-fund coordination and ongoing improvement of the national provider network, including an efficient contracting and programme management hub, the facilitation of specialist practitioner groupings, development of practical resources to enhance support, continuous professional development and quality assurance for advisors.
- **Scale-up:** Strategic authorities and central government should co-fund a multi-regional pilot to support existing co-operatives with ambitions to diversify, scale-up or replicate/franchise, with specialist advice, peer exchange and access to finance.
- **Transition:** Strategic authorities and central government should co-fund a multi-regional pilot to establish a pathway for worker-led buyouts and restarts.
- **Secondary co-operatives:** Central government and the sector should help fund a programme that enables the development of secondary co-operatives, through which groupings of co-operatives can raise finance, co-invest, innovate, share costs and collaborate on projects and contracts.

- **Pre-technical interventions:** Central government, strategic authorities and the sector should co-fund training for civil society organisations, trade unions and business advisors, to enable them to play a more effective role in ‘pre-technical’ co-operative development (outreach and awareness raising, supporting people to explore options at relevant junctures).

Education

Low societal awareness and cultural disinclination are major factors limiting co-operative growth in the UK. Education should therefore be seen as strategically critical to long-term co-operative development.

Enabling future generations to participate in and benefit from co-operatives and other social action, will build vital societal resilience in the challenging decades to come. The UK education system needs to equip young people with the skills of mutual aid, social entrepreneurship and active citizenship. The OECD and others recommend that young people be taught about co-operatives, mutuals and social enterprise, especially when learning about business and the economy.^{68 69 70} We recommend:

- **Citizenship skills:** Including mutual aid, co-operation and social entrepreneurship in universal citizenship curricula from a early age
- **Curricula:** Ensuring co-operatives, mutuals and social enterprise are covered in British history, business studies and economics curricula.

7. Tax

To fully-optimise the conditions for co-operative growth and impact, we recommend government develops tax treatments that reflect the distinctive purpose, governance and flow of value in co-operatives. In particular, tax treatment should support common wealth accumulation within and between co-operatives, wherein non-public resources held in common build up over time, enabling long-term social value creation without reliance on the state. Tax treatments that unnecessarily or unfairly penalise co-operative activity should be removed.

It is notable that in countries with larger and more impactful co-operative economies, such tax treatments are very evident. This includes reliefs on surpluses retained in ‘common capital’ reserves⁷¹ in Italy,⁷² Spain,⁷³ France and⁷⁴ Germany,⁷⁵ tax reliefs for social purpose co-operatives in many countries,⁷⁶ and lower corporate tax rates in South Korea⁷⁷ and Japan.⁷⁸ Notably, surpluses that Italian co-operatives contribute to funds and institutions to support wider sector development are not taxed.⁷⁹

We recommend:

- **Common Capital Tax Relief:** creating a corporation tax relief on surpluses that are placed in a mechanism that prevents future distribution for private gain, including surpluses retained in a community benefit society, in the indivisible reserve in a co-operative society (post-Law Commission reform),⁸⁰ or transferred to an accredited co-operative development institution.⁸¹

- **Mutualisation tax relief:** continue the capital gains tax relief for employee buyouts while expanding eligibility:
 - to also advantage use of the worker co-operative model for employee buyouts⁸²
 - to also include profits from sale of business assets to an asset locked community co-operative in a 'community buyout'⁸³
- **Business rates reform:** provide relief to small retail properties, and additional relief for properties used to generate additional social value, in a way that creates a more uniform and predictable relief for co-operatives and social enterprise

8. Enabling law and corporate framework

Countries with larger co-operative sectors tend to have more modern and enabling law and regulation than we do in the UK. The OECD recommends that its member states provide enabling law for co-operatives and the social and solidarity economy.⁸⁴ Our laws, regulations and administrative process make a co-operative approach to business more difficult than it needs to be, while flawed policies and processes in private businesses also create difficulties. This creates a disincentive to adopting the model when it would otherwise be rational to do so. It also adds millions each year in unnecessary cost for existing co-operatives.

We recommend:

- **Modernisation:** modernising and reforming the Co-operative and Community Benefit Societies Act and related registration policy and process, to remove unnecessary costs, complexities and burdens, and to enable capital raising, innovation and growth, including acting promptly on the recommendations of the current Law Commission review. Responsibility for maintaining the society corporate framework should move from HM Treasury to Department for Business and Trade.⁸⁵
- **Rights to mutualise:** Introducing strong community right to buy legislation in every nation of the UK, as contained in the English Devolution and Community Empowerment Bill.⁸⁶ Also explore employee rights that increase scope to workers to arrange acquisition of a business or business assets, comparable with the law in France obliging firms to inform employees of their intention to sell⁸⁷ and employee right of first refusal on the assets of insolvent businesses in Italy⁸⁸
- **Competition policy:** Change enforcement of competition law and related guidance for firms, so that these do not unduly deter legal and beneficial co-operation between entities. This includes co-operation that enables innovation, investment, net zero, societal resilience and a counterbalancing of dominant market power.
- **Non-legislative barriers:** Government can also help to reduce non-legislative barriers that create cost and complexity for co-operatives, including:
 - instructing public bodies like HMRC, Government Digital Service, Innovate UK, National Lottery and the Arts Council to remove policies and processes that unnecessarily hinder or exclude co-operatives

- o ensuring UK accounting standards and practice accommodate and enable co-operatives
- o encouraging large private businesses, such as banks, digital service providers and credit reference agencies, to change policies and processes that unnecessarily impede co-operatives

9. Area specific policy

Parts 5 to 8 recommend policy for key cross-cutting enablers (e.g. access to finance) but there are also important details in policy and implementation for specific growth opportunity areas. In the interests of concision, these are not covered in detail in this plan but are summarised in the table below.

Food system	Defra Farming Road Map and Food Strategy Rural Local Growth Plans Office for Impact Economy
Everyday economy	DBT Plan for Small and Medium Sized Businesses Industrial Strategy Local Growth Plans MHCLG Pride in Place Office for Impact Economy
Public service innovation	Casey Commission and social care reform DfE reform of children's services, early years and education Procurement reform Public service reform Office for Impact Economy
Community co-operation	MHCLG Pride in Place Office for Impact Economy DCMS social investment and civil society policy Local Growth Plans
Infrastructure	MHCLG Social and Affordable Homes Programme DESNZ and Great British Energy Clean Power Action Plan and Warm Homes Programme DBT Industrial Strategy

10. Conclusion

Communities and businesses in the UK are already developing and using the co-operative types identified in this plan to address major societal challenges. But more widespread exploration and proliferation of these solutions will only happen with catalytic policy action, to reduce barriers and create enabling conditions. In every case, policy must leverage partnerships with the sector to maximise effectiveness. The co-operative sector stands ready to bring these partnerships to life.

Notes and references

¹ [Co-operative Growth Strategy: Unlocking potential for a fairer, greener future | Co-operatives UK](#)

² [Change Labour Party Manifesto 2024](#)

³ [Harnessing the mutual sector's potential for growth | WPI Economics](#)

⁴ For example the latest [Co-operative and Mutual Economy](#) report finds that co-operative employers are four times more likely than UK employers overall to hold Real Living Wage accreditation. It also finds that the average gender pay gap in co-operatives is almost half the size as for UK employers overall. [Separate research](#) found worker co-operatives and employee owned businesses are more likely to hold fair pay accreditation, and on average pay their lowest-paid employees more than comparable firms. Other co-operatives distribute value to members in different ways. For example consumer co-operatives either reinvest all their profits or share some with their customers and communities. [Agricultural co-operatives](#) help farmers secure more value in supply chains through better prices and the proceeds from value-adding processing. All co-operatives, no matter their purpose or membership, either reinvest their all their surpluses, or distribute some to members and communities on an equitable basis.

⁵ Co-operative start-ups in the UK are consistently found to be twice more likely to survive the first five years of trading as UK start-ups generally (see the 2025 [Co-operative and Mutual Economy](#) report for latest). Studies regularly find co-operatives and mutuals are also more resilient in the long-term than firms generally (see review of evidence [here](#)). Co-operatives can be used to sustain viable jobs, services and businesses that are otherwise threatened by closure, divestment or sale.

⁶ Worker co-operatives and employee owned businesses in particular are found to outperform comparable firms on labour productivity. See: [Exploring the Potential of the Employee Ownership Business Model | WPI Economics](#)

⁷ For a review of some of evidence on wellbeing, see: [Rapid Evidence Review - Full Report - Cooperative Councils Innovation Network](#)

⁸ For an assessment of Italian co-operatives and the relationship with community wealth building see [here](#)

⁹ [Community shares report 2023: Communities doing it for themselves | Co-operatives UK](#)

¹⁰ [Social Cohesion and Community Resilience During COVID-19 and Pandemics: A Rapid Scoping Review to Inform the United Nations Research Roadmap for COVID-19 Recovery - Rae L. Jewett, Sarah M. Mah, Nicholas Howell, Mandi M. Larsen, 2021](#)

¹¹ [innovative-uses-of-the-co-op-model-and-rural-economic-development-opportunities-in-alberta-and-beyond.pdf](#)

¹² [CASE STUDY | Building Housing Co-Operative Communities](#)

¹³ [this_place_matters_ucl_citizens_mic_july_2025.pdf](#)

¹⁴ [Local communities are shown to respond best in a crisis | UCL Policy Lab - UCL – University College London](#)

¹⁵ [Rural community-owned businesses hold the key to delivering national goals – but are being overlooked - Plunkett UK](#)

¹⁶ For example, community energy broadens and deepens public support for renewable deployment by giving people a stake and a say (see here: [The Public is Enthusiastic for Community Energy | Update | Common Wealth](#)), while creating the possibility of reducing energy bills during a cost of living crisis. Retrofit co-operatives stimulate demand for retrofit services and match it with trusted and coordinated suppliers. See here: [Retrofit co-operatives: A report for policymakers | Co-operatives UK](#)).

¹⁷ In some parts of the world, co-operatives and similar social solidarity organisations, play a very significant role in the provision of social care, including in many regions of Italy, Quebec and Japan. The role of co-operatives in social care provision is increasing in Catalonia and South Korea.

¹⁸ [The GP partnership model | British Journal of General Practice](#)

¹⁹ [Rapid Evidence Review - Full Report - Cooperative Councils Innovation Network](#)

²⁰ See Mutuals and Co-operative Sector Business Council paper on education

²¹ Co-operation among farm businesses can enhance UK food security, by building resilience, supporting innovation, enhancing productivity, increasing profitability and managing volatility: [Farmer co-operation in the UK: Opportunities for the industry | Co-operatives UK](#). OECD studies on food system resilience suggests the importance of novel governance arrangements private-sector supply chain organisations: [Towards resilient food systems | OECD](#). USDA's partnership with co-operatives for its Value-added Producer Grant Programme was found to enhance the resilience of farm businesses: [USDA's Value-Added Producer Grant Program and Its Effect on Business Survival and Growth](#). A survey across eleven European farming systems shows collective action lifts farmers' perceived robustness, adaptability and transformability by pooling risk and widening finance and knowledge access [Resilience capacities as perceived by European farmers - ScienceDirect](#). Meanwhile, innovators and reformers in the food system often use co-operative models. A variety of models are involved, from land trusts for sustainable growing and community supported agriculture, to a digital platform co-operative for distribution and retail, to bricks and mortar retail in under-served locations, to new self-help groups.

²² Rapid growth in co-operative and community-led housing will provide affordable and empowering housing options that respond to needs, where the market has failed. Co-operative and community led housing has an unrivalled ability to combine affordability with community cohesion, security, quality, responsiveness to need and environmental benefit. See [Confederation of Co-operative Housing Manifesto](#), as well as [examples here](#). [Independent analysis](#) found that community-led housing generated a range of value-adds in terms of additionality, affordability and wellbeing.

²³ **Co-operatives within the broader diverse business landscape:** Policymakers and economic development practitioners should think about co-operatives as a distinctive way of organising activities and resources, focused on collaboration and sharing power and wealth. **They are not a choice of legal form and are far more than a governance model.** A co-operative approach can be especially beneficial when:

- Collective action enables people to achieve more together than they could on their own. For example, local people building a solar farm, employees buying the business they work for, or farmers pooling resources in their own processing facility
- Empowering stakeholders through participation and democratic governance can drive purpose and increase impact. For example, giving users a say in the provision of social care, tenants a say in the running of their housing scheme, or employees a say where they work

²⁴ According to [Co-operatives Europe research](#) in 2015 Germany's co-operative economy is four times bigger than the UK's, while France's is six times larger.

In 2020 the UK's co-operative turnover as a ratio of GDP per capita was 7 times smaller than that in France.

The UK has the second lowest ratio of co-operative turnover to population (€730:1)

in the G7. It is significantly below the likes of France (€4,766:1), the Netherlands (€4,612:1), Italy (€ 2,560:1), Germany (€2,488:1) and Spain (€1,297:1). Figures taken from the [ICA coops4dev](#) reports.

[Research for the UN in 2014](#) found that in some highly developed countries the co-operative economy comprises 10-20% of GDP while in the UK it tends to be equivalent to c2.5%.

²⁵ The UK's co-operative start-up rate per 1 million population is significantly below that of leading nations and regions in some years: 4 times lower than Quebec; 6 times lower than Finland; 12 times lower than South Korea.

²⁶ [Legal Framework Analysis and the ICA-EU Partnership: Elements Supporting an Enabling Environment for Cooperative Enterprises](#) | [coops4dev.coop](#)

²⁷ In recent decades, co-operative formation in Wales and Scotland, where co-operative development has been funded by government, has been much higher than in England where public resources have been lacking. See our Spending Review representation for more detail on this: [Our submission to government: Spending Review 2025](#) | [Co-operatives UK](#)

²⁸ In France, Spain, Italy and Quebec, for example public support for, and ongoing partnership with, the sector's development infrastructure, has been a key enabler. [Enabling Policy Environments for Co-operative Development: A Comparative Experience](#) | [Canadian Public Policy](#)

²⁹ [Survey of Co-operative Capital Report](#) | [ICA](#)

³⁰ See the analysis of financing ecosystems that enable co-operative transitions in [France](#) and [Italy](#)

³¹ [OECD Legal Instruments](#)

³² In our Co-operative Growth Strategy, we set out that strong pathways must comprise of:

- **pre-technical support:** effective outreach and awareness raising, offering accessible information, advice and support, enabling people to explore co-operative options at critical junctures ('pre-technical' development)
- **specialist business support:** accessible support from specialist advisors
- **peer support:** from people with experience of setting up and running a co-operative in similar contexts/sectors
- **replicable models:** a choice of replicable legal and organisational structures, including but not limited to, model constitutions and template business models and plans
- **access to finance:** access to good finance options catering to the distinctive nature of the co-operatives in question, for start-up, resilience and growth

³³ Enterprise co-operatives, comprised of other businesses and organisations (including sometimes civil society and public bodies) tend to operate on significantly larger scale than other co-operative types, in the UK and globally. They are critical to growing co-operative economic impact.

³⁴ Confederation of Co-operative Housing states that if the right conditions were in place (access to finance, land, advice) it would be feasible for 5% of the 1.5 million new affordable homes government plans to build, to be co-operative in some form.

³⁵ In our Co-operative Growth Strategy, we set out that strong pathways must comprise of:

- **pre-technical support:** effective outreach and awareness raising, offering accessible information, advice and support, enabling people to explore co-operative options at critical junctures ('pre-technical' development)
- **specialist business support:** accessible support from specialist advisors
- **peer support:** from people with experience of setting up and running a co-operative in similar contexts/sectors
- **replicable models:** a choice of replicable legal and organisational structures, including but not limited to, model constitutions and template business models and plans
- **access to finance:** access to good finance options catering to the distinctive nature of the co-operatives in question, for start-up, resilience and growth

³⁶ **Co-operative franchises** – This innovative model uses incubation and federation to set up and recruit into new worker co-operatives, which then trade within a mutually supportive network. In the United States, the model is being used to support new [worker co-operatives in the cleaning industry](#) in New York and [bakeries](#) in the San Francisco Bay Area.

³⁷ **Planned ownership succession:** with greater adoption of new 'co-operative' variants of the [employee ownership trust \(EOT\)](#) during or after transition, while making the simple and low cost worker co-operative model a tax-advantage option for transitions alongside the EOT, enabling more transitions of micro-small businesses, in every day sectors and rural areas. Micro businesses and businesses in lower-value every sectors are significantly under-represented in current employee ownership transitions, because the trust model is perceived as too complex and costly to make the succession option economical. A much [greater](#)

proportion of rural businesses are small (under 50 employees or micro (under 10 employees) and these business are under-represented in employee ownership transitions at present.

³⁸ **Employee-initiated buyouts:** a variant of planned employee ownership succession that involves a greater degree of worker agency than is generally the case in UK transitions. While it is rare in the UK, it is more common in [France](#), [Spain](#) and [Italy](#). It would add a valuable route to sustaining jobs, businesses and services.

³⁹ **Employee-led restarts:** wherein workers (sometimes with communities) form a co-operative to acquire assets from a liquidating business and keep trading. This model of transition has historically been more common in [Spain](#) and [Italy](#), but is little-known in the UK.

⁴⁰ Bringing the promising **co-operative conglomerate** model to the UK, wherein existing businesses are acquired by entity owned and controlled by the employees of these businesses.

⁴¹ **mutualisation of social sector organisations** such as charities and social enterprise where empowering beneficiaries, stakeholders and workers will enhance impact

⁴² **mutualisation of mission-led businesses**, such as B Corps, with customers, employees and other stakeholders offered democratic membership alongside investors

⁴³ Independent analysis by WPI Economics has found that co-operatives experience additional barriers to finance that hold back their growth. These include:

- The unsuitability of the established agnel investor>venture capital>public offer/private equity pathway, for high-potential co-operatives and mutuals, which has made many co-operatives more dependent on debt to finance expansion
- Lack of understanding of co-operative and mutual models among lenders and investors, resulting in reluctance to invest, inaccurate risk assessment and inappropriate pricing
- Exacerbated when automated systems used by lenders and credit reference agencies rely on public corporate registers that are deficient in how they present and share information on co-operatives and mutuals
- The rarity of co-operatives and mutuals, the majority of which are small, resulting in 'volume penalties' for these businesses

⁴⁴ For example, in recent years Access – The Foundation for Social Investment has begun to deploy more dormant assets funding in ways that cater to co-operatives, particularly community co-operatives. But beyond this the dormant assets-backed wholesale social investment market has played a marginal role in the co-operative and mutual sector. While British Business Bank's guarantee schemes cater to co-operatives, its Start-up Loans, growth capital and equity schemes do not.

⁴⁵ Examples include:

- CGSCOP in France, a network on financing institutions within the co-operative sector that provides a range of guarantees, loans and equity investment solutions for co-operatives at every stage, making €29m in loans, €62m in guarantees and €9m in equity investments, in 2022. See here: [Financial tools for Scops](#)
- CFI in Italy, an institution created within the co-operative sector, with seed-funding and support from central government. Between 2007 and 2015 CFI invested €84m in worker ownership transitions, with a significant positive economic return. Since 1986 it has invested €335 million in Italian co-operatives. See here: [Numbers](#)
- Bond Issuing Co-operative in Switzerland, in which 350 housing co-operatives have combined to raise €6.4 billion from markets: [Portrait of the EGW Emissions Centre | EGW / CCL](#)

⁴⁶ Our successful pilot has demonstrated that external institutional investment in co-operative equity, alongside members and communities, can be very impactful. We have invested over £4 million since 2017 and demand has far outstripped our ability to respond. Booster has crowded in £9 of private investment from communities, for every £1 of wholesale equity we invested. It has also been extremely effective at supporting the use of Community Shares in higher-deprivation contexts and among disadvantaged and marginalised groups. Booster-style investment needs to be scaled up, preferably in a new investment institution for the sector. See: [Community shares report 2023: Communities doing it for themselves | Co-operatives UK](#)

⁴⁷ [Award Winning Co-op Lender - Co-operative & community Finance](#)

⁴⁸ Subsidised patient debt, wherein public and philanthropic money is 'blended' with more return-oriented private capital, has proven effective at increasing access to finance for co-operatives and other social enterprise. This is particularly impactful for younger enterprise operating social purpose business models that require steady growth and limit the use of profits to pay higher returns. See [New Philanthropy Capital report on blend finance](#).

⁴⁹ Finance guarantees in the UK and around the world are proving effective at enabling ambitious yet small and asset-poor businesses to access finance. Offering new, early stage and small co-operatives with growth ambitions with tailored guarantees be instrumental in reducing their barriers to finance.

⁵⁰ Enterprise grants remain an effective way to support access to finance, especially for new co-operatives operating social business models with very limited scope to service interest or distribute surplus to investors. They are also important when supporting the creation and early growth of co-operatives formed by people from disadvantaged and marginalised backgrounds. Match trading grants appear especially effective and enabling commercial sufficiency. School for Social Entrepreneurs match Trading data from 2017-2022 analysis shows 871 SME's in receipt of Match Trading grants of £5-10k each created a combined additional traded income of £17.6m (Average of £20,206 per organisation traded income increase). Also see the report on the Power to Change and School of Social Entrepreneur's very successful '[Community Business Trade Up](#)' scheme. Grants have also proven instrumental in helping communities raise 'just in time' finance to buy assets and enterprise, when offered as a match for community shares. The last government's Community Ownership Fund being the most notable example.

⁵¹ [Social Impact Investment Advisory Group - GOV.UK](#)

⁵² [SVS | Korea Social Value and Solidarity Foundation](#)

⁵³ [ESF+ Study on Workers' Buyout in France](#)

⁵⁴ [Social Economy in Spain - Briefing paper for EMPL delegation to Madrid, 21-23 February 2022](#)

⁵⁵ [Independent WPI report: Harnessing the mutual sector's potential for growth | Co-operatives UK](#)

⁵⁶ The Booster pilot in Co-operatives UK has built up a £4m portfolio of shareholdings in co-operatives. There may be significant tax costs for Co-operatives UK and/or a new entity in transferring this portfolio, which would need to be mitigated.

⁵⁷ Community Shares Unit reports that every £1 of institutional equity invested by Booster has crowded in £4 of private investment from the community

⁵⁸ [Coop Exchange](#)

⁵⁹ [Harnessing the mutual sector's potential for growth | WPI Economics](#)

⁶⁰ In its research, WPI Economics heard from co-operatives and mutuals that the requirement for personal guarantees by mainstream lenders was a particular barrier for them. We have heard similar from individual co-operatives and Co-operative and Community Finance, in relation to the British Business Bank's Start-up Loan scheme. See here: [Harnessing the mutual sector's potential for growth | WPI Economics](#)

In a more traditional small business an individual owner, or small number of partners, start the enterprise and shoulder personal risks in exchange for personal rewards. These owners may be able and willing to provide personal guarantees. In contrast, in many small co-operatives both the risks and rewards are shared more broadly among members. The founding members are often not anticipating a significant personal reward, so are not in a position to take larger personal risks.

⁶¹ Mutual transitions fund: Working with the co-operative and mutual sector, the British Business Bank should establish an mutual transition fund, which combines a small amount of public funds with patient private finance, to offer timely investment to enable more buyouts and restarts to go ahead, especially where the 'vendor funded' model cannot be relied on. The fund could also provide patient finance to aid the ongoing development of the co-operative. In time, repaid funds from previous employee buyouts could be recycled to support other transitions.

⁶² We expect strong recommendations to be by the Law Commission following its current review of society law

⁶³ A recent research report by the Co-operative Party on lessons from other countries shows how the combination of national and local structures for co-operative development can be especially impactful. [Co-ops Gone Global – Co-operative Party](#)

⁶⁴ See part 3 of our Spending Review 2025 representation for more detail: [Our submission to government: Spending Review 2025 | Co-operatives UK](#)

⁶⁵ [Pride in Place has a big emphasis on community ownership and the creation of a Co-operative Development Unit Pride in Place Strategy - GOV.UK](#)

⁶⁶ [The Plan for Neighbourhoods Prospectus included co-operative development among fundable interventions in these community-led regeneration schemes: Plan for Neighbourhoods: prospectus and tools - GOV.UK](#)

⁶⁷ [The English Devolution White Paper said: *“Establish bilateral strategic partnership forums with every Mayoral Strategic Authority, building on successful models in Greater Manchester and the West Midlands to strengthen existing partnership working, align national and local policymaking, and drive delivery of local growth priorities as identified by areas through their Local Growth Plans. They will ensure effective delivery of interventions to boost domestic business growth, boost exports, and encourage inward investment and grow the co-operative and mutual economy.”*Page 66 English Devolution White Paper](#)

⁶⁸ [Co-operatives in transition | OECD](#)

⁶⁹ [ECOPE-GOOD-PRACTICE-GUIDE-.pdf](#)

⁷⁰ [Theorising competitive enterprise education - Sheffield Hallam University Research Archive](#)

⁷¹ In co-operatives, common capital is that which cannot be distributed among members or other investors for their private gain. It's non-distributable status is guaranteed through mechanisms such as non-distributable capital surplus provisions, indivisible reserves and asset locks.

⁷² [LEGAL FRAMEWORK ANALYSIS](#)

⁷³ [Spain Legal Framework Analysis Report_0.pdf](#)

⁷⁴ [France Legal Framework Analysis National Report.pdf](#)

⁷⁵ [LEGAL FRAMEWORK ANALYSIS](#)

⁷⁶ [ICA-EU Partnership Legal Framework Analysis Regional Report Europe\[8\].pdf](#)

⁷⁷ [ICA-EU Partnership Legal Framework Analysis Regional Report Asia Pacific.pdf](#)

⁷⁸ [Japan Legal Framework Analysis National Report.pdf](#)

⁷⁹ [LEGAL FRAMEWORK ANALYSIS](#)

⁸⁰ We expect the Law Commission to recommend legislation to enable co-operative societies to adopt a statutory indivisible reserve and non-distributable capital surplus

⁸¹ We propose HMRC accredits co-operative development institutions with the following verifiable characteristics: not-for-profit, mission-locked entities, with a clear purpose to enable co-operative development, with mechanisms that prevent any distribution of residual assets for private gain. Surpluses paid into such institutions should be tax deductible.

⁸² The simple and low cost worker co-operative model will offer an economical option that enables the transition of more small and lower-value businesses, especially in everyday sectors.

⁸³ The success of the employee buyout tax relief demonstrates the benefits in incentivising asset disposal into mutual ownership. Adding a tax incentive to sell assets into community ownership would significantly boost the impact of the Pride in Place programme and the Community Right to Buy legislation

⁸⁴ [OECD Legal Instruments](#)

⁸⁵ More by happenstance than logical design, society law is the responsibility of the Banking Team in HM Treasury, which must prioritise financial services and has very limited Parliamentary slots. In contrast there is a team in DBT with specific responsibility for corporate frameworks and the department is more likely to have Parliamentary slots for corporate law changes.

⁸⁶ [English Devolution and Community Empowerment Bill - Parliamentary Bills - UK Parliament](#)

⁸⁷ [ESF+ Country_Report_France_RTW \(2\).pdf](#)

⁸⁸ [ESF+Country_Report_Italy_RTW.pdf](#)