

# Starting a Co-operative

A GUIDE TO SETTING UP A DEMOCRATICALLY CONTROLLED BUSINESS



Have you got a great business idea that you want to work on with others?

Are you a community group or voluntary organisation that wants to start trading?

Is your boss retiring and you are thinking you could take over the business?

Do you want to start a business that's about more than just making profits?



**CabinetOffice**  
Office of the **Third Sector**



# Contents

- Why set up a co-operative?
- What is a co-operative?
- Types of co-operative
- Areas of co-operative activity
- What legal structure should be adopted?
- How to set up a co-operative
- Sources of advice
- Finance



## The Co-operative Principles

*Co-operatives are based on seven principles agreed by the International Co-operative Alliance:*

1. Voluntary and open membership. Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. Democratic member control. Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.
3. Member economic participation. Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
4. Autonomy and independence. Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
5. Education, training and information. Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
6. Co-operation among co-operatives. Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
7. Concern for community. Co-operatives work for the sustainable development of their communities through policies approved by their members.

"For many people in the UK their perception of 'the co-op' will be defined by the local retail stores that they know and visit. But this view of co-operative enterprise in the UK only tells part of the story. There are over 4,000 co-operatives in the UK, creating and sustaining well over 195,000 jobs, with a collective turnover of £27billion per annum."

**Ben Reid, Chair of Co-operatives<sup>UK</sup> and Chief Executive of The Midcounties Co-operative**

# 1 Why set up a co-operative?

Co-operatives are a vehicle for people collectively 'doing it for themselves' - whether that's responding to a market opportunity, or meeting an identified need that neither the market nor the public purse provides. They engage people in their own solutions and enable members to share the risks and development costs of the business. They also draw from the knowledge, skills and expertise that diverse members bring. Co-operatives provide their members with mutual support. They link members together so that they can help one another - perhaps by sharing ideas, costs, resources and equipment. In multi-stakeholder co-operatives workers, users and the community can be

linked for mutual endeavour.

Co-operatives are democratically owned and run, giving members real control over the direction of their enterprise and enabling all stakeholders to contribute to the success of the business. In worker co-operatives this can galvanise the creativity and commitment of the employees in a way many other businesses cannot. The members of consumer or community co-operatives are able to define the business that meets their needs and bring their skills and commitment to its success. Co-operatives are often very attractive to public service workers who want to be liberated to provide a high quality service.

## Why do co-operatives interest the economic development community and government?

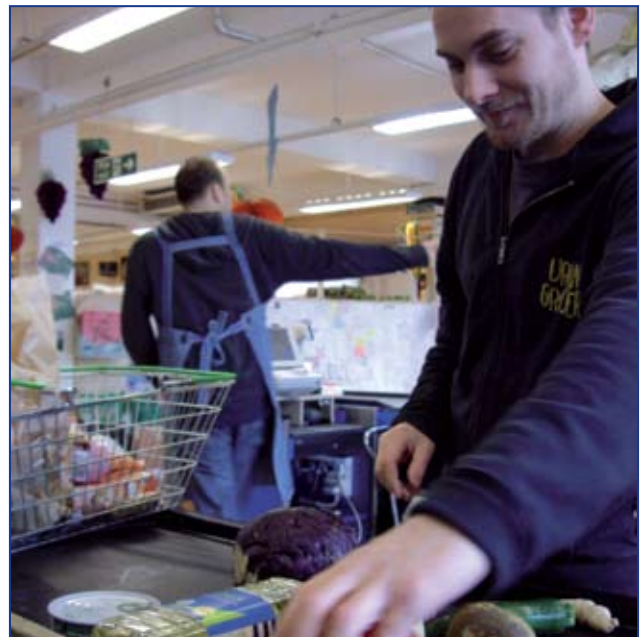
- Co-operatives keep the business - and the wealth it creates - local. They are owned by their members, so they tend to support the local economy.
- Co-operatives are more sustainable than other forms of small business - survival rates are higher and they create more jobs which are less likely to leave the local area when the business is successful.
- Co-operatives contribute to local community regeneration and supply chain development.
- Co-operatives encourage all-round personal development, including entrepreneurial and business skills in all their members.

## Case study: Unicorn Grocery

Unicorn Grocery is a worker co-operative based in Manchester, established by four people in 1996. Since then, it has grown to become one of the most successful wholefood shops in the UK.

Like some worker co-operatives, Unicorn Grocery has a completely flat management structure - it operates an equal pay policy and, despite having nearly 50 members, it ensures that all of them are involved in the management of the business and that key decisions are made on a consensual basis. Unicorn Grocery's aim is not just to make a profit, but to make good, honest food accessible while promoting ethical, organic, fair trade and local produce. By demonstrating that there is a successful alternative model of trade the co-operative hopes to inspire others to set up similar ventures.

Like other worker co-operatives in the wholefood sector, Unicorn Grocery is based on clear ethical principles. It works closely with regional, small-scale vegetable growers, it gives 5% of its wage bill each year to support co-operative, social and environmental projects, and it has a built an 85m<sup>2</sup>



'living roof' on its premises that consists of small low moisture plants, a pond with water plants and rubble left to self-colonise.

Far from these principles making life harder for Unicorn Grocery to operate as a business, they are key to its success - when the owner of the premises Unicorn Grocery was leasing decided to sell up, loyal customers purchased £350,000 of loan stock bonds to enable Unicorn to purchase the premises.

## 2 What is a co-operative?

A co-operative is a business that is jointly owned and democratically controlled by its members.

Co-operatives are trading enterprises, providing goods and services and generating profits, but these profits are not taken by outside shareholders as with many investor owned business - they are under the control of the members, who decide democratically how the profits should be used. Co-operatives use their profits for investing in the business, in social purposes, in the education of members, in the sustainable development of the community or the environment, or for the welfare of the wider community.

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The Co-operative Principles (see page 2) are guidelines by which co-operatives put their values into practice.

Co-operation has always existed, but co-operative business became a significant social and economic force in the 19th century, when people engaged in self-help

to ensure that their basic needs were met. Today the co-operative movement is a global force and employs approximately 1 billion people across the world. The UN estimates that the livelihoods of half the world's population are made secure by co-operative enterprise. In Britain there are over 4,000 co-operatives ranging from small community-run enterprises and worker owned business to large consumer-owned businesses such as the Co-operative Group.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

**The International Co-operative Alliance  
Statement on the Co-operative Identity,  
Manchester, 1995.**

### Case study: Harwich Connexions

Harwich Connexions is a multi-stakeholder co-operative that provides accessible transport to its community in Harwich, Essex.

The co-operative was formed in 2001 after the area was awarded £319,000 to provide accessible transport for the community. Although Essex County Council initially ran a project, it failed to recruit a transport co-ordinator, which led to local lobbying for the service to be transferred to the community. Harwich Connexions was set-up to take over the service, with users, workers and supporters as members who elect a board of directors. The co-operative now has nine vehicles, a full-time co-ordinator, three part-time drivers, an administrator, a handy person, and numerous volunteer drivers.

Since then the co-operative has expanded its services and has now taken over the management - and prevented the closure - of Harwich Tourist



Information Centre and a youth service-run hostel. In doing so the co-operative saved valuable services, five jobs and created the UK's only co-operatively run tourist information centre.

In 2005 and again in 2007, the centre won the East of England's Tourist Information Service of the Year award.

More recently the co-operative has acquired a local Enterprise Centre, protecting the base of ten small business ventures, and it is looking to purchase further centres to protect more resources and jobs.

"Through co-operative structures communities can pick up abandoned public services and run them more efficiently and more effectively than local authorities. Our co-operative provides an excellent model for the future provision of public services, demonstrating that community and worker management can deliver what councils often cannot."

*Les Double, Harwich Connexions*

## 3 Types of co-operative

### Consumer co-operatives:

Owned and controlled by their customers. At a minimum, customers who choose to become members are involved in the co-operative by buying from it, but they can also be involved at many levels in the democratic process of the co-operative.

### Worker co-operatives:

Owned and controlled by their employees. Some worker co-operatives are managed on a collective basis, where all employees will be members and will also be committee members or directors. Other worker co-operatives are managed through a smaller committee or board of directors that is democratically elected by and from the employee members.

### Community co-operatives:

Enterprises that are owned and controlled by people belonging to a particular community. This may be a geographical community or a community of interest.

Normally they will carry out activities that are of benefit to the whole community.

### Co-operative consortia:

Co-operatives formed by a number of independent businesses, organisations or individuals, and owned and controlled by them. The members enhance their trade or reduce costs by working together on key activities such as leasing premises, buying equipment or marketing the members' products and services.

### Multi-stakeholder co-operatives:

Enterprises that are owned and controlled by members drawn from a variety of areas. Membership might include employees of the co-operative, users of the co-operative, local residents, partnership organisations or relevant professionals.

### Secondary co-operatives:

Enterprises whose members are other co-operatives.

### Case study:

#### Early Birds Carter Lane Neighbourhood Nursery

'Early Birds' is a neighbourhood nursery, which was set up in 2004 and is based in Shirebrook, Derbyshire. It currently has places for 70 children and is a worker co-operative. This means all of those who are members are also childcare workers. Originally the nursery was set up by Derbyshire County Council after the miners strike in 1985. It was part of a women's project and absorbed into adult education in 1995. Due to the failing number of learners enrolling the funding from Lifelong Learning was withdrawn.

A private buyer for the nursery seemed unlikely and as the majority of staff lived in the Shirebrook it was important to them that their jobs were kept safe and the service they had provided for 18 years could continue. The workers contacted the community and economic development team about setting up a worker co-operative.

They received support in the planning stages from the County Council, Early Years Development and Childcare Partnership, Business Link and local



councillors. Neighbourhood Nursery Initiative funding was granted.

'Early Birds' now has plans to become a training nursery as the workers already include 6 assessors and 4 adult education tutors. They hope to be able to take on trainees and provide the whole training package themselves. We look forward to watching the success and growth of this service.

"By forming a co-operative with other independent businesses, we can share contact, services, labour and expertise, and we can take on projects that would be too big for one member alone."

*Nick Sneller, Forest of Avon Wood Products Co-operative*

## 4 Areas of co-operative activity

Co-operatives operate across nearly every sector of the economy - from education and consultancy to manufacturing and engineering. Here are just a few examples:

### Retailing and community services

The co-operative movement began in the retail sector, with people pooling their earnings in order to buy unadulterated food wholesale. Since then, co-operatives have established a firm position in retailing. Consumer co-operatives are major operators of convenience shops, and the UK has numerous other co-operatively run shops, from worker co-operatives selling wholefoods, clothing, bikes and books, to community co-operatives owning and running pubs, village shops and post offices.

### Food and agricultural

There are over 400 agricultural co-operatives in the UK with a collective turnover of £4.6 billion. Many are large co-operative consortia set up to enable members to share machinery or production costs, but there are many small-scale farmers and market gardens that co-operate with one another or who operate as worker co-operatives. There are also a huge number of local food co-operatives and buying groups, some to enable access to fresh food for poorer communities, others to access organic, wholefoods or free-range foods, others help farmers gain a fair livelihood.



### Care

Co-operative structures have a strong presence in social care. There are numerous childcare co-operatives, particularly worker co-operatives and multi-stakeholder co-operatives with parents and professionals, as well as employees, eligible for membership. There are also co-operative consortia providing homecare services to the elderly and consortia of GPs providing quality out of hours care.

### Energy

Co-operatives have been quick to create collective opportunities in sustainable energy production and supply. In 1996 Baywind Energy Co-operative formed, for example, and established a wind farm in Cumbria entirely owned by its consumers, and subsequently established a company to set up co-operatively run community wind farms across the UK.



### Arts and crafts

There is a long tradition of independent artists and crafts-people coming together to form co-operative consortia to sell products, often pooling resources to lease or buy premises or to market their goods.

### Printing, design and communications

Worker co-operatives have a long tradition of working in printing, design and communications. Some of the most successful and long-standing worker co-operatives operate in these industries.

"The co-operative model is a great business structure. It enables members to share resources, ideas and expertise, as well as maintain democratic control over the enterprise. There is no doubt, too, that co-operatives are at the forefront of innovation, breaking new ground in the provision of everything from ethical goods, local food and green energy to social care and public services."

*Dame Pauline Green, Chief Executive of Co-operatives<sup>UK</sup>*

## 5 What legal structure should be adopted?

Currently there is no co-operative legal form in the UK, and so organisations wishing to become co-operatives have to choose one of the existing legal forms to begin operation. It is usually advisable for a co-operative, whatever its type, to incorporate to limit the liability of its members and governing body. However, co-operatives can also choose to operate on an unincorporated basis when they first start up or if limited liability is not required, in which case they will still need to adopt a written constitution. All types of co-operative, regardless of the legal form, can be registered through Co-operatives<sup>UK</sup>. If a co-operative wishes to incorporate there are a number of different legal forms that may be considered.

### Industrial and provident society (IPS)

It is generally accepted that the IPS route is the stronger form for a co-operative. It contains statutory protection of the co-operative principles - for example, one member one vote - and is designed to enhance democracy and protect the rights of the members. IPSs are registered with the Financial Services Authority (FSA). The FSA scrutinises the governing document (Rules) of applications to register as an IPS. Before a co-operative is registered, the FSA checks to ensure that the Rules meet the requirements of the Act to register as a co-operative, and it also has the power to refuse any amendments to the Rules post registration if it believes that they are not in keeping with the original ethos of the society.

IPSs are permitted to issue shares to the public, so if a co-operative - particularly a community co-operative - wishes to raise funds from the public then the IPS legal form is probably the most appropriate one to choose. The cost of registering as an IPS is reduced if registration is undertaken through a sponsoring body such as Co-operatives<sup>UK</sup>. Registration takes on average three to four weeks to complete.

### Private company limited by guarantee/shares

The limited company legal form is the most well known. It is widely used by co-operatives and is very familiar to the majority of advisers, professionals and funders. Company law does not offer any protection of the co-operative principles, but, it is flexible and its governing legislation is accessible and up to date. Private companies limited by shares are prohibited from offering shares to the public, so if the proposed co-operative wishes to raise funds from the public this legal form should be avoided.

Companies can be set up in as little as 24 hours, and are registered by Companies House directly, or through Co-operatives<sup>UK</sup>.

### Community interest company (CIC) limited by guarantee/shares

The CIC is a relatively new legal form. It is a limited company but with special features and is available for use by organisations that wish to conduct their business for community benefit.

One of its key features is an asset lock, whereby assets of a CIC are protected and cannot be distributed for private benefit. The asset lock may be useful for co-operatives wishing to apply for funding or promote themselves as not-for-private profit. It is not possible for a CIC limited by guarantee to pay dividends to members and a dividend would be subject to a cap in a CIC limited by shares. The asset lock would also prohibit distribution of assets to members at the point of winding up.

Like limited companies, CICs don't offer any protection of the co-operative principles and, as with a company limited by shares, public share issues are prohibited. A number of co-operatives have registered as CICs and the legal form will accommodate the needs of most types of co-operatives.

### Co-operatives and social enterprise

Social enterprises are businesses with primarily social or environmental objectives. Their surpluses are reinvested in the business or community, rather than being driven by the need to maximise profit for shareholders and owners. There are over 55,000 social enterprises in the UK, ranging from large businesses such as the Co-operative Group or the Big Issue through to smaller enterprises like community-owned shops.

Co-operatives are firmly embedded in the social enterprise sector. Co-operatives are trading businesses which use their surpluses for the benefit of their members. Sometimes the members are the people working in business, but they can be users of the co-operative's services, consumers of its products, or the local community.

In addition, co-operatives often have other social or environmental commitments - they have helped bring green, Fairtrade, ethical and organic goods into the mainstream, for example, and many commit a percentage of their surpluses to helping co-operative development, environmental protection and other causes. And, of course, unlike traditional businesses and other kinds of social enterprises, co-operatives are owned by their members, meaning that the workers, users and others have control over the business.

## Case study: Cybermoor

Cybermoor was set up in Alston in North East Cumbria in 2002 as the first community broadband co-operative in the UK. Launched as a response to the government's 'wired-up communities' initiative, the broadband service had three aims: to give PCs to households throughout the remote area of Alston Moor, to provide a broadband connection for all in the area, and to establish a community website linking together the geographically dispersed residents, businesses and services of Alston Moor. Instead of being a top-down initiative, Daniel Heery, Cybermoor's founder, structured it as a community co-operative. Residents who use the broadband service can also become members with an equal say in how the service is run. Heery explains: "Providing broadband at a local level is much more democratic than broadband provision by distant, commercial companies. If Sky decides to raise its prices or alter services, for instance, there's little that the users can do. With Cybermoor, members are on the board of



directors and so have overall control of the service." Cybermoor has around 350 members, and 30% of Alston's population have broadband access. Families in remote farmsteads and villages have contact with others in ways unimaginable without Cybermoor. Since setting up Cybermoor, Heery has become one of the 25 Social Enterprise Ambassadors appointed by the government in 2007.

## Case study: Forest of Avon Wood Products Co-operative

The Forest of Avon Wood Products Co-operative was formed when a group of businesses and individuals working with wood grown in the Forest of Avon, near Bristol, realised that they would be stronger working together to promote local woodlands, timber and crafts. They formed a co-operative consortium, which now has 50 members. The enterprises includes tree surgeons, a sawmill, designers, wood turners, and many others - but all offer sustainable products and services from or for the local woodland. Each of the enterprises manages its business separately, but they work together when sourcing, marketing and selling their products. Until 2007 this involved sharing expertise and contacts, attending events together and running a shared website. Due to its success the co-operative



has extended its business, employing a member of staff and acquiring the lease for new premises, which will become a hub of activity for members, customers and tourists alike, and a centre of excellence for timber use.

Nick Sneller, a director of the Forest of Avon Co-operative, says: "A big advantage of the co-operative is the linking and networking of skills... the whole process - from the growing of trees to the production of goods - is internal to the co-operative."

"Being a member of a co-operative is an ideal way to embark on a business without being solely responsible for the work it entails. The structure enables flexibility in working hours, and builds friendships."

*Heather Miller, Gloucestershire Country Markets*



## 6 How to set up a co-operative

A co-operative is a business, so setting up a co-operative is like setting up any other business - you need a market, products/services, labour, finance and (usually) premises.

What makes a co-operative different from a conventional business is:

- It fulfils a social or environmental objective, or is formed to fulfil its members' needs
- Its democratic ownership and control
- Its way of working
- Its legal structure

If you want to set up a co-operative, you should seek professional advice from a co-operative development body if there is one in your area.

The following sets out the stages in setting up a co-operative, though some of these will vary according to the type of co-operative, and they may not happen in this order.

- 1 Outline a broad feasibility plan: what are the objectives of the business? Discuss these with the rest of the group setting up the business.
- 2 Discuss a draft legal structure: who are the members - are they the staff, the consumers or community, or other small businesses? What are the benefits of membership and the responsibilities? Seek help from your local co-operative development body or Co-operatives<sup>UK</sup>.
- 3 Develop a business strategy and an outline business plan setting out:

- Business objectives
  - Market
  - Staffing needs
  - How the business will work
  - Finance: financial projections; raising finance
  - Marketing
  - Governance (legal structures, decision-making procedures, the roles and responsibilities of the members, directors and staff)
- 4 Incorporate the new business, if appropriate. This is strongly recommended if you are trading with external customers as it gives you limited liability status
  - 5 Carry out detailed financial planning - build the financial model including start-up costs, overheads, etc, and finalise a full business plan
  - 6 Seek start-up finance. Most co-operatives do this by raising money from members and/or seeking a business loan. Suitable grants may also be available.
  - 7 Carry out organisational planning - a detailed action plan, quality and performance standards, staff policies
  - 8 Develop a marketing plan
  - 9 Develop a communication plan for ongoing interaction with members

Remember - a co-operative is about groups of people and it is critical to keep all the members or potential members on board. Active and engaged members - whether they be consumers or employees - are one of a co-operative's greatest sources of strength!

### Case study: Account 3

Account 3 is a training and consultancy worker co-operative based in London.

It was formed when three friends became unhappy with their working lives and the gender inequality they experienced in the workplace. After consulting women in their local area, they discovered that many were similarly disenchanted or facing difficulties in finding work. The three began providing advice to local women and sourcing training opportunities, but discovered that often women found the courses offered by local colleges inappropriate due to a lack of crèche facilities and high male to female student ratios. Account 3 was founded in 1991 in response.

Today, with 16 employees and a turnover of over £500,000, Account 3 provides a relaxed, comfortable



and effective working environment for women. The three founders instilled a culture of understanding and communication within the co-operative that is still prominent today, ensuring that employees do not encounter gender issues and inequality in the workplace.

Account 3 appreciates that its members have responsibilities and commitments outside the business and strives to ensure that employees do not take on more work than they can realistically manage. Meetings are held at the most convenient times possible and employees with children are able to put their family commitments first.

## 7 Sources of advice

### Co-operative development bodies

Advice and information on starting a co-operative enterprise can be obtained from the network of co-operative development bodies (CDBs) across the UK. CDBs provide advice, information and support services for people looking to create a new co-operative enterprise or develop an existing one. To locate a CDB in your area, go to [www.cooperatives-uk.coop/advice](http://www.cooperatives-uk.coop/advice)

### Co-operatives<sup>UK</sup>

Co-operatives<sup>UK</sup> can provide information on the range of different co-operative models that are available, ideas about the possibilities of co-operative enterprise, and development tools, advice, support and contact details for co-operative development specialists nationally and in your area. For more information go to [www.cooperatives-uk.coop/advice](http://www.cooperatives-uk.coop/advice)

### Case study: Clapham Community Co-operative

Clapham Community Co-operative was established in 2006 by Eddie Leggett. Eddie was working as a volunteer at Growing with Grace, a co-operatively run market garden in Clapham, Yorkshire, when it was suggested that the business' delivery vans could be run on bio-diesel made from recycled vegetable oil. Eddie, who had previously worked as a chemical engineer, jumped at the chance to take this forward. After looking into the process and the equipment needed to make bio-diesel, it was estimated that it would cost around £13,000 to implement the idea. To raise the finance required, Eddie established Clapham Community Co-operative which is open to anyone who lives in the village of Clapham, and raised £2,500 from its 60 members. The remainder of the capital was secured through grant funding, with £7,000 coming from Yorkshire Forward.



Clapham Community Co-operative has around 20 members who are very active. Some are involved in collecting waste oil from local pubs and restaurants, some market the bio-diesel, some do the necessary administration and others are involved in converting vegetable oil to bio-diesel. For Eddie, the benefits of the co-operative are clear. "It has had an enormous impact on the sense of community in Clapham. People who previously did not know one another have been brought together."

### Case study: Delta-T Devices

Delta-T Devices is a worker co-operative based in Cambridge, established in 1971. It has 26 members, and like many small businesses it has been successful by offering unique, high quality products. The co-operative specialises in manufacturing instruments for environmental science applications including agronomy, plant physiology, meteorology, solar energy studies and environmental monitoring. The co-operative operates sophisticated measures to ensure members participate in management. It is organised into five departmental groups and each department has a resource manager responsible for day-to-day organisation in consultation with department members. Its elected management committee meets monthly to deal with overall

strategy and direction. Major issues such as recruitment, changes in policy, budgets or pay rates go to the general meeting where a range of techniques for managing decision making in a large group is used. The members are clear about the advantages of the co-operative model. Peter Cockerton, Chairman of the Management Committee, explains: "Co-operative working creates an environment in which we all participate in the challenges of the business and benefit from its success. We share a high level of commitment to the co-operative and to our customers."



## 8 Finance

As trading businesses, co-operatives require finance like any other business does to purchase assets such as equipment and stock, and for working capital. They will need funds at the start-up stage, and possibly if and when the business expands and changes.

### Investment by members

This can be in the form of shares if the appropriate legal structure is adopted, or by loans. There is a co-operative principle that specifies that when a co-operative member invests in the business there should be a limited return on their investment. This is to ensure equity between members so that one person with a large amount of money is not benefiting more than those members who cannot afford to invest.

### Loan finance

Money can be borrowed from members in the form of loans, and it can also be borrowed from non-members. There is a vast array of sources of loan finance - from large institutions such as high street banks to small specialist organisations, including the co-operative's members and their friends and relations. Loans can be short-term or long term, and the interest rate can also vary. Wherever the loan finance comes from, a loan agreement should be drawn to specify the condition upon which money has been lent and will be repaid.

### Other ways of financing the business

Most other ways of financing a business are loans in various guises. A bank overdraft, granted with

permission from your bank, enables you to borrow an agreed amount of money on top of your bank balance as and when you need it. Permission can be withdrawn at very short notice however, and overdrafts often have high interest rates, so should be used sparingly.

There are other, more obscure, ways of bringing funds into a business, such as invoice factoring. A business adviser can provide more information on such methods.

### Grants

Because co-operatives have social benefits both to their members and to the wider society, they may qualify for grants. As with loans, there's a huge variety of sources and types of grant, many restricted to particular kinds of business, category of people or geographical area. Again, a business adviser will be able to offer guidance.

### Choosing the right package of finance

It's important to use each type of finance for the right purpose. For example, you should never use a bank overdraft, which may have to be repaid at short notice, to purchase a piece of equipment that you'll need to retain in the business for it to survive. This is another area where an adviser's help will be very useful.

### Sources of information

There are many sources of information about where to obtain finance but make sure the ones you use are up to date, as this is a rapidly changing field. Go to [www.cooperatives-uk.coop/inTheSpotlight/finance](http://www.cooperatives-uk.coop/inTheSpotlight/finance) for more information.

### ✓ Next steps

- Business idea** - Do you have a firm idea of the nature of the business?
- Research** - Is there a market for your goods or services?
- Advice and support** - Have you sought advice from professionals and other co-operators?
- Business plan** - Is your business likely to be viable? Have you written a strong business plan?
- Start-up finance** - Have you got start up finance in place?
- Legal form** - Have you decided on the legal form?
- Governing document** - Have you decided on your governing document?
- Registration** - Have you registered your business, if required?
- Members** - Will you be able to get enough members to make the business work?



## About Co-operatives<sup>UK</sup>

Co-operatives<sup>UK</sup> is the national member-owned association for all types of co-operative enterprise throughout the UK. It works to increase awareness and understanding of co-operative values and principles, supports the development and growth of new co-operatives and helps existing co-operatives to achieve high performance levels and good governance. It is a focal point for the co-operative movement, a forum for innovation and best practice, and a strategic voice for the co-operative movement.

Co-operatives<sup>UK</sup> represents co-operative enterprise throughout the United Kingdom of Great Britain, Northern Ireland, the Channel Islands and the Isle of Man.

Co-operatives<sup>UK</sup> is working as a strategic partner with the Office of the Third Sector to promote the benefits of social enterprises; in particular, worker co-operatives, community co-operatives, multi-stakeholder co-operatives and co-operative consortia.

Co-operatives<sup>UK</sup>  
 Holyoake House  
 Hanover Street  
 Manchester M60 0AS

[www.cooperatives-uk.coop](http://www.cooperatives-uk.coop)  
 Tel: 0161 246 2900  
 Fax: 0161 831 7684

This leaflet was produced by Alpha Communication Ltd, a worker co-operative

2008-01