



Co-operative & Mutual Solutions Limited



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## **THE CABINET OFFICE**

### **Mission-led Business Review Secretariat**

#### **Mission-led business review: call for evidence**

The Cabinet Office has called for evidence on ‘mission-led businesses’ out there in the economy which combine unrestricted profit distribution with a commitment to making a positive social impact. CMS believes that we, along with other worker co-operatives, fit this description. The Cabinet Office wants to know more about these mission-led businesses; how many there are, what they do, and how government can help them to thrive and multiply.

There are a lot of worker co-ops using the co-operative society, company and limited liability partnership legal forms who share the four characteristics of a mission-led business proposed by Cabinet Office. In our case, we are a co-operative society which allows us to clearly identify as a co-operative, to have a legal form which recognises and reflects co-operative principles and to have part of our pay and reward package for members as interest on members’ share capital.

Below we explain how CMS along with other worker co-ops can share all of these characteristics.

#### **“Can fully distribute its profits”**

In contrast to charities and regulated social enterprises worker co-ops using the co-operative society, company and limited liability partnership legal forms are able to distribute profits in full without any legal or regulatory restriction. While ICA Principle 3 (see Appendix 2) sets parameters for how profits can be distributed to members, nothing compels members when it comes to deciding the amount that can be distributed. For co-operative societies, the law imposes no restriction and as a regulator the FCA cites the ICA in this regard.



### **“Identifies an intention to have a positive social impact as a central purpose of its business”**

All worker co-ops are committed to the mutual benefit of their members; to decent empowering work and a fair sharing of responsibilities and rewards. If this isn't enough of a positive social impact, we know worker co-ops also make a serious commitment to the Values and Principles, and a lot have a particular focus on Principle 7 'Concern to community.' A shared ethical or socio-economic mission, to further fair trade and genuine sustainability for example, is often at the very heart of a worker co-operative.

In CMS' case, our commitment to concern for the community means that we focus and always have focused our business on advising and supporting co-operatives and social enterprises. We occasionally support other third sector organisations, but our core mission is to use commercial management practices to achieve social outcomes or deliver better public services in a value based environment. We believe strongly in business planning rather than just the preparation of a business plan: supporting clients through strategic thinking, increasing their skills and leaving them with useful tools and skills to continue the process.

### **“Makes a long-term or binding commitment to deliver on that intention through its business and operations”**

Worker co-ops hardwire their mission into their governance and operations. Commitments are made in their governing documents, and processes and procedures are in place to project and protect mission. CMS has, since its formation, had a common ownership dissolution clause in its Rules – it is simply not legally possible for the members to wind up the Society and divide its wealth between them. Each generation of members, over our 14 years of trading, are stewards of the wealth we create, making a decent living in an employee controlled environment, before passing on the business to the next generation of worker owners.

But this is always about more than society rules or company articles. The values and principles of our business are embedded deep within the organisation. Whatever trials and tribulations the market has thrown at us in the last fourteen years, we have stuck to our values and principles, serving co-operatives and social enterprises. We have developed new products and services, spread our geographical focus and worked in (or even developed and nurtured) new segments of the market but we have never deviated from our core mission.

### **“Reports on its social impact to its stakeholders”**

We report on our social and environmental impact to a range of stakeholders in the sector. Much of this is not formal reporting as such, but ongoing conversations to share expertise, knowledge and resources. For example:-



- a) CMS is a founder member of the Worker Co-operative Solid Fund which is a mutual fund to provide resources to help other worker co-operatives in times of need and to promote worker co-operatives
- b) CMS has worked with the Community Shares Unit since its inception to share our knowledge of this growing and developing market.
- c) CMS helped to set up Community Shares Scotland to spread the expertise developed in England and Wales north of the border
- d) CMS spread and promoted the model of using community share issues to save local pubs. CMS advised the first three pubs to use this model, but shared our experience which has now been replicated 40 times. The DCLG in partnership with Power To Change launched the £3.6m More Than A Pub programme to stimulate this work and CMS sits on its Steering Committee.
- e) CMS is currently sharing its expertise on National Strategic Reference Panel set up by Co-operatives UK to develop a national strategy for co-operative development.

In conclusion, CMS would like to stress that our characteristics as a 'mission led business' are not unique to us or accidental. They flow from our nature as a co-operative, a form of business based on a set of values and principles agreed internationally and honed over 170 years of the co-operative movement. Our values and principles are not transitory or arbitrary – they are moored to the shared principles of a movement.

CMS would be happy to provide more information and details if that would be helpful to the consultation.



## APPENDIX ONE – MISSION LED BUSINESS TABLE

Name of business	Co-operative and Mutual Solutions Limited
Brief description of business	A worker co-operative offering business advice to other co-operatives and social enterprises
Why is this a mission-led business?	CMS has always existed to provide consultancy, business support and training with co-operatives and social enterprises.
Please include details on any corporate governance or reporting steps.	CMS is a worker co-operative and all employees are eligible for membership and to serve on the board. This includes not only consultants but all admin staff
Stage of business development	Mature
Industry sector	Business advice
Geographic focus	UK wide
Evidence of financial growth	In its 14 years of existence CMS has remained a small business – there is no pattern of growth.
Evidence of social impact	CMS has pioneered: the model of small community share issues using the Co-operative and Community Benefit Society form; The Co-operative Enterprise Hub model; the community owned pub model; a model for raising community shares for community owned renewables projects; a model for through the gate co-operatives for prisoners and ex-offenders
Any other details (e.g. legal form)	Co-operative Society



## **APPENDIX TWO – OUR VALUES AND PRINCIPLES SHARED WITH THE REST OF THE GLOBAL CO-OPERATIVE MOVEMENT**

### **THE INTERNATIONAL**

#### **CO-OPERATIVE ALLIANCE**

##### **Statement on the Co-operative Identity**

###### **Definition**

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.

###### **Values**

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

###### **Principles**

The co-operative principles are guidelines by which co-operatives put their values into practice.

###### **1st Principle: 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.

###### **2nd Principle: 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.

###### **3rd Principle: 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.



**4th Principle: 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.

**5th Principle: 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.

**6th Principle: 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.

**7th Principle: Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.