



COMMUNITY CO-OPERATIVES

AN INTRODUCTION



1.INTRODUCTION

As is suggested by their names community co-operatives are organisations set up to provide a service or services to a particular community and which use co-operative principles to guide their organisation and their activities.

2.THE SORT OF SERVICES THAT COMMUNITY CO-OPERATIVES PROVIDE.

Examples are wide ranging, reflecting the different needs of the communities which they serve. They include:

a creche for a tower block containing many single parent families to enable the parents to find work

a village store and post office for a rural community several miles from the nearest "commercial" store

a laundrette for a housing estate that commercial operators would not "take a risk on"

an enterprise centre with small cheap workshops where local people could try their hand at businesses which serve the local people at minimum cost and risk

and of course many community centres offering a variety of different services to their local community including entertainment, catering, libraries, senior citizens and mother and toddler groups for advice and support services

"Community" usually means local community but it can refer to a regional or national community and the service provided could be holidays or a meeting place or refuge for members of that community.

3. HOW A "COMMUNITY" IS DEFINED.

When the community is a local community this is usually fairly easily recognised. most places having their history and a name to go with it. A community can be a town, a village, an estate, a road, even a block of flats. It is what the members themselves believe to be their community which is important. Often it can be useful to refer to local authority or parish boundaries. Rivers, railways and roads can also be used to define boundaries.

In the case of regional or national organisations other definitions are used. These can refer to people in similar life situations such as having a similar disability or simply sharing a similar philosophy. Where a "community of interest" is the glue that holds the co-operative together that interest will need to be well defined.

4. IS A COMMUNITY CO-OPERATIVE THE RIGHT STRUCTURE?

When establishing any organisation the structure needs to encompass four basic criteria.

Firstly, what is the organisation for, who are its primary beneficiaries and what does the organisation deliver to them: Wealth creation? Employment? Services?

Secondly, who should be a part of the organisation, who is on the inside and who would it not be appropriate to include. For example, are the insiders the same as the beneficiaries or are they different people.

Thirdly, what basic principles do those included within it wish to work to? What type of environment needs to be created to suit them? Democratic or hierarchical? Equal control or different levels of interest to be accommodated? Assets to be owned collectively or does there need to be some sort of individual ownership?

Fourthly, what is advisable in terms of limitation of liability for those involved and legal protection of assets for the collective? Assets here should be taken not only to include physical equipment, land and premises, but also goodwill, trademarks, reputation, intellectual property.

5. CO-OPERATIVE PRINCIPLES

A Community co-operative as a structure is useful when it provides answers to the above criteria. Along with all other forms of co-operatives they are set up to adhere to the seven basic principles of co-operation. If there is a good fit between these principles and the answers to the criteria above then the structure can be used to good effect. If the answers to the criteria do not fit well then the product will be disfunction and confusion.

The following principles are generally regarded as the underlying principles of co-operation:

- a. Membership is open without artificial restriction to all who qualify.
- b. Co-operatives are managed by persons elected by the members, or by all the members. Members have equal voting rights: one member one vote.
- c. Capital invested, whether as shares or loans, receives only a limited return.
- d. Profits or surpluses belong to the members and should be distributed or otherwise applied in such manner as avoids one member gaining at the expense of another.
- e. All co-operatives should pursue social as well as commercial objectives, especially the education of their members and the public in co-operative principles and practice.
- f. All co-operative organisations should actively co-operate with one another in every practical way.

g. All co-operatives operate autonomously and independent of external control.

6.HOW THESE PRINCIPLES CAN BE APPLIED IN COMMUNITY PROJECTS

a.Open and voluntary membership.

This principle safeguards the enterprise, helping to make sure that it genuinely represents the aspirations of the community and draws on as much support and help as possible. It makes sure that all members of the community who support the aims of the project have a right to join the co-operative.

Co-operatives are open entry organisations. They are therefore not suitable for the establishment of cliques and elites.

Community co-operatives are only likely to prove to be viable structures where there is a genuine drive to recruit the active involvement of the highest possible proportion of the defined community and to provide them with the training and information which they require to participate in policy and management decisions.

b.One member one vote.

This principle safeguards democracy. Extra votes cannot be acquired through investment or by affiliating organisations to acquire block votes. Simple democracy based on every member's right to vote and a knowledge that no vote will count for more than another is the best guarantee of support and involvement.

Co-operatives are democratic organisations with equal voting rights for all. They are not suitable for situations where it is necessary to have one element of the community exercising a disproportionate share of control.

c.Limited return on capital.

Community co-operatives have the power to accept loans from members and from other individuals and organisations, including banks and finance companies, and to make reasonable interest payments. It is, however, contrary to true co-operative principles to enter into agreements which give over control of the organisation to those who provide financial support, by allowing them to purchase voting rights or to benefit from trading profits or from growth in the value of assets such as property holdings. The function of community co-operatives is to provide services to the community and, conceivably, to generate jobs and reward for those that carry them out, rather than to make large windfall profits for outside investors.

d.Equitable distribution of surpluses.

Co-operatives generally allocate their surpluses or profits under three different headings:

- i. the reserves which are needed to carry on and improve the work of the co-operative (building up the assets)
- ii. bonuses or dividends to members and
- iii. charitable donations.

It is important that any distribution of surpluses between members is made on a basis which is fair and equitable. This might be based on the number of hours worked, or on the amount of services purchased by each member; it could be an equal sum to all - it all depends on the individual circumstances.

Co-operatives are self-help organisations and are entitled to generate services, jobs, payments and profits for their members. In this they differ from charities which may also provide services, jobs and pay but only for people other than those involved in running the charitable organisation itself. This does not mean that some aspects of each cannot be brought together. Expert advice should be sought on models of co-operative community enterprise/charity appropriate to each situation.

e.Social objectives.

It is precisely because all co-operatives define their own objectives that they are suited to community service provision. Co-operatives are not limited in their ambitions (and legal responsibilities) to yielding the highest possible return to proprietors or shareholders, nor to pursuing objectives laid down by founders of charitable trusts. The members of co-operatives decide the objectives in the light of the needs of their community and as needs change, objectives can be modified.

Co-operatives can therefore adapt dynamically to changing circumstances.

f.Co-operation between co-operatives

There are co-operatives in business, housing and community action in this country and throughout the world - literally hundreds of thousands of co-operative organisations with hundreds of millions of members, all pursuing their activities guided by the same essential principles. One of those principles is that the more we help and learn from one another the better off we will all be! A variety of linking initiatives and organisations are in place at a local, national and international level.

h.Autonomy and Independence

Community co-operatives work best where the affairs which are actually open to democratic control are defined and are the province of the co-operative and that which is to be controlled by outside or sectional interests is clearly left to their responsibility. The co-operative can then decide its own needs and aspirations and negotiate with these people accordingly.

7. COMMON OWNERSHIP

While co-operatives generally allow for profits to be distributed among their members, most seek to protect the monies set aside for reserves and investment in assets from such distribution. This is known as holding the assets in Common Ownership. Members can control the use to which these assets are put, but they cannot sell them off and walk away with the cash. Common Ownership puts the assets of the co-operative in a similar relation to its members as a village common is to the people of the village. Any person living in the village can sunbathe, walk their dog or play cricket there. They do not expect to dig up "their share" and take it with them if they move away, nor sell it off and put the money in their pockets. It is understood that the common is owned collectively, that no individual has any claim on it.

A co-operative does not have to be common ownership, but it is suggested that it is most appropriate for community co-operatives.

8. THE PROCESS OF STARTING A COMMUNITY CO-OPERATIVE

a. Define community - see (3) above.

b. Assess the needs

Establish the needs which you seek to address. In a "normal" business context this would be called "market research". Techniques include consultation with community leaders, public discussion meetings, and surveys. Good advice on how to ask the right questions in the right way can be critical in getting relevant answers in a form easy to analyse. Assemble the evidence, statistical (survey results) and anecdotal (conversations, observations).

c. Design the service

Having defined and quantified the needs it is possible to design the service to meet the need. It should now be possible to answer questions such as :

what is needed?

where?

when?

how often?

how many?

how much could users of the service afford to contribute?

d. Establish the level of support

Having designed the service(s) to be provided it is important to check that a good number of the community will actually use the service now that it has taken shape - and that there are people who are actively prepared to make it happen and keep it running over time. You will need to demonstrate both these things if help or finance is to be attracted from elsewhere.

A group of interested people will almost certainly have grown up around the project. This is probably the point to look at establishing a formal organisation of some kind before taking responsibility for premises, bank accounts and employees.

e.Legal Status

If there is any potential for engaging in trade, or handling serious amounts of money or taking on any onerous responsibilities such as leases or the employment either of members or others one must recommend incorporation and legal registration in one form or another.

This will limit the liability of members to a small sum (usually £1) and of directors (Management Committee , Steering Group etc.) to simply do the best that might reasonably be expected of them to operate the organisation without personal or financial loss to others. Of course, if they do not make a reasonable effort to stay within the law and financial probity they may still be open to acquiring personal liability or even to charges of fraud. Legal registration does not entitle anyone to act without due concern for others.

The two routes to registration are as an Industrial and Provident Society through the Registrar of Friendly Societies or as a Company Limited by Guarantee through Companies House. The former gives the greatest protection to founding principles and the Rules are more easily read and understood than the more ponderous Memorandum and Articles of Incorporation used by companies. The latter is more flexible in design and use and cheaper to set up.

In general terms, it is usually best to concentrate on working through who, what and why and leave the technical stuff to a co-operative development expert.

f.Work out the resources that will be needed to provide the service

The following list is a starting point to prompt thoughts - it may not be exhaustive:

PREMISES: Property, buildings, land
 Repairs, alterations or extensions to the fabric
 Flooring
 Lighting
 Heating and insulation
 Decoration
 Security

EQUIPMENT: Machines
 Tools
 Shelving and storage facilities
 Utensils
 Furniture
 Display facilities

	Cash register, safe or strong box
OFFICE:	Equipment (typewriter, photocopier, filing cabinets etc) Furniture (desk, chairs, carpets etc) Telephone installation Stationery Office records system: ie. books for financial control Sundries - pens, files, etc
MARKETING:	Market research Publicity material Postage Stationery Advertising Presentation and displays
WORKING CAPITAL:	Opening stocks Spare parts
TRANSPORT:	Vehicles Road tax Insurance
STAFF COSTS: (Before trading)	Wages PAYE costs Travel expenses Telephone Postage Stationery
OTHER:	Legal advice and registration Accountancy and financial advice Training expenses Insurances

f.Human resources

The most important resources needed are the people who do the work and manage the project. Try to assess the numbers of people required, the skills they will need and the training that they need to prepare them for their roles.

g.Financial requirements

Two kinds of financial requirement need to be assessed - the start-up costs (add up the costs of what you need in part (e)), and the costs of keeping the services going (usually called the revenue requirement). You will need to have a good idea of both before you can approach anyone for financial support.

For information on services that Avon CDA provides in assisting the establishment of Community Co-operatives please contact:

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