**Council Funding and Finance**

Councils can help co-operatives to start or grow by offering grants, loans or share capital, adding value by making the activity faster, bigger or better.

In this section, we explain some of the special considerations required financial support to co-operatives and how councils seeded their funding pots.

1. **Governance model considerations**

Co-operative representatives have told us and other researchers that there are a multitude of investors willing to provide the value-driven, patient (ie not short term, high-return) finance that they need. However, the governance model can be limiting.

* A company limited by guarantee can only access debt finance, unlike a company limited by shares or a community benefit society.
* Most CIC and CBS can register for investment from private individuals under the Social Investment Tax Relief scheme.
* Many social lenders and grant providers won’t support co-operatives without an asset lock in their governance documents and often require this to be protected under charity, CIC or CBS regulation. This isn’t available to co-operative societies e.g. worker co-operatives.
* Some lenders require a guarantee from Directors.
* Equity finance is different as investors would usually expect to have influence in the business commensurate with their shareholding, which co-operative structures do not allow.

1. **Start-up considerations**

One of the most common barriers to access to finance is the age of the company. Start-up co-operatives can take longer to incorporate because they prioritise stakeholder buy-in to their model and require grants to support their incorporation, initial feasibility and business planning processes. They can also take longer to start trading as they tend to be financed by a larger number of sources and rely on low paid or unpaid workers to get the business going, and who, unlike private businesses don’t benefit from the uplift in the value of the company and its profits.

1. **Seeding council funds**

During the consultation for Co-operatives Unleashed, we heard of council investment funds mainly being seeded from one-off income pots used for economic development. These have included Section 106 contributions, Community Infrastructure Levy, Devolution Deals, the sale of housing stock and business rate retention. Councils have also acted as the accountable body for grant schemes, common examples being the National Lottery and European Structural Investment Funds. Some councils also hold significant property portfolios and look for tenants that can deliver community benefits for them. Separate CCIN Policy Labs have been delivered on Housing and Community Asset Transfers which cover this.

Councils with co-operative finance schemes need to have a knowledge of the range of investments available in the market so that they complement existing provision and don’t duplicate or skew the finance market. Councils have a reputation for being prudent in their investments and their support can therefore give confidence to other investors.

**Case study: Plymouth City Council Co-operatives and Mutuals Development Fund**

This fund supports the work of Plymouth City Council’s Economic Development team that is focussing on Co-operative Development and Inclusive Growth.

It is anticipated that the funding will contribute to co-operative development through share capital / investment.

For co-operatives, the fund will respond to the Strategic Action Plan which aims to double the size of the co-operative economy by 2025.