

CO-OPERATIVES UK

CAN A LOCAL AUTHORITY ⚙️ BE A MEMBER OF A CO-OPERATIVE? 📈

FAQ guidance for local and combined authorities

FUNDED BY:

OURBUSINESS^{GM}

IN PARTNERSHIP WITH:

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Collins**

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INTRODUCTION

Local and combined authorities are increasingly working in partnership with co-operatives and community-led enterprises.

This resource has been created by Co-operatives UK, with funding from Our Business Greater Manchester. It aims to help procurement officers, legal teams and councillors understand how co-operatives work so that more authorities can build on working in partnership with co-operatives by becoming members, and therefore, joint owners of them.

Co-operatives are a form of social enterprise – organisations that trade for a social or community purpose. While not all social enterprises are co-ops, all co-ops are social enterprises. They exist to serve their members and their wider communities, not to generate profit for external shareholders.

The FAQs in this document:

- Explain what a co-operative is (and isn't)
- Clarify the legal powers local authorities have to join co-operatives
- Outline some distinctive financial tools used by co-ops, such as community shares and deferred shares
- Set out where transparency rules or disclosure requirements may apply
- Reassure authorities that are considering appointing a representative to sit on the board of a co-operative

We hope this resource encourages local authorities to play a more confident and active role in the co-operative economy.

Q: WHAT IS A CO-OPERATIVE?

A co-operative is a business that is owned and controlled by its members – they might be its workers, customers, residents, suppliers, people from a local community or a combination of those. Co-operatives exist to meet the needs of their members, not to maximise profits for outside investors.

You'll find co-operatives in just about every sector – from renewable energy to retail, social care to housing, agriculture to the arts. Some are small, grassroots and community-run. Others are large, commercially successful enterprises.

They all share a commitment to the internationally recognised co-operative values which include democracy, equality and concern for the community.

To meet the needs of its members, a co-op needs the right legal structure – but that doesn't mean there's only one option. A co-op isn't a legal form in itself. Co-ops can be set up as societies, companies, even charities – whatever works best for members.

In any co-operative, it's the constitution that details crucial things like democratic decision-making, shared ownership and working for mutual benefit. This enables the co-operative values to be built into its day-to-day practices.



Most co-operatives in the UK are incorporated using one of the following legal forms:

- **Companies***
Either limited by guarantee or shares or Community Interest Companies – all with bespoke articles that reflect the co-operative values and principles.
- **Co-operative Societies****
Run for the mutual benefit of their members.
- **Community Benefit Societies****
Run to benefit the wider community, rather than just its members.
- **Credit Unions^**
A financial co-operative which provides savings, loans and a range of services to its members.

* **Companies** are registered under the Companies Act 2006.

** **Societies** are registered by the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014.

^ **Credit Unions** are registered by the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014, and are regulated by the FCA and the Prudential Regulation Authority under the Credit Unions Act 1979.

Q: CAN A LOCAL OR COMBINED AUTHORITY BE A MEMBER OF A CO-OPERATIVE?

A: Yes.

Relevant legislation works on the assumption that councils have the power to join a co-operative whatever its legal form as well as a community benefit society or credit union. Section 1 of the Localism Act 2011 and the Local Government and Elections (Wales) Act 2021 provide a 'general power of competence' to local authorities which would cover the power to enter into these types of arrangement.

Combined authorities are also empowered to act for the benefit of their area and while each combined authority operates under its own Establishing Order, these Orders are built on the same statutory framework. Although it is very unlikely that a restriction would have been placed on a combined authority's general power of competence, it's always advisable to check the detail of the Establishing Order.

Being a member gives an authority the ability to hold a share in a co-op, participate in decision-making and appoint someone, such as an officer or councillor, to attend and vote at members' meetings.

Many authorities are already members of co-operatives, community benefit societies and credit unions in their area. Research shows that these local enterprises contribute significantly to retaining wealth within the UK and often within a ten mile radius of where that wealth is generated. This highlights their particular importance in local and inclusive growth and why combined and local authorities are increasingly interested in supporting co-operatives in their areas.

MYTH BUSTER: "LOCAL AUTHORITIES CAN'T BE MEMBERS OF CO-OPERATIVES."

Yes, they can.

In both England and Wales, local and combined authorities have the legal power to join co-operatives, community benefit societies and credit unions.





Q: WHAT ARE THE UNIQUE CAPITAL RAISING FEATURES OF CO-OPERATIVES?

A: Co-operatives are different from other types of business.

They're different because they are owned and controlled by their members, not external shareholders.

This means they are democratically run – typically using the principle of 'one member, one vote' – and exist to meet the needs of their members or community, not just to maximise profit.

Many co-operatives choose to register as Societies as this legal form offers distinct advantages when it comes to raising finance while retaining democratic control.

A key feature for Societies is the ability to raise investment through withdrawable share capital – also known as community shares. This type of equity allows investment by buying shares that can later be withdrawn (subject to the Society's rules and financial position). Unlike ordinary company shares, these shares do not increase in value; they cannot be sold and do not carry votes based on how much is invested.

This helps keep power balanced between members and ensures that finance serves the purpose of the organisation.

Some co-operatives – particularly credit unions – may also issue deferred shares. These are a form of non-withdrawable share capital used to strengthen a co-op's financial base and improve regulatory resilience. Deferred shares are usually offered to institutional investors and carry tailored terms around interest and voting rights, depending on the organisation's rules.

The Local Government Association has encouraged local authorities to consider investing in credit unions through deferred shares – recognising them as a practical and secure way to support access to affordable credit within communities.*

Together, these tools give co-ops flexible ways to raise money without compromising their commitment to democratic ownership or community purpose. The ability for a local or combined authority to make financial contributions to a co-operative in these ways comes under Section 12 of the Local Government Act 2003.

* Source: [LGA guidance on affordable credit](#)

Q: DO CO-OPERATIVES AND COMMUNITY BENEFIT SOCIETIES PAY INTEREST OR DIVIDENDS ON SHARES?

A: They can...

But it depends on their legal form and any payments are strictly limited, optional and not guaranteed.

Co-operatives may pay:

- A dividend, usually calculated based on how much a member has used the co-operative.
- Interest on share capital (including community / with drawable shares) at a modest rate paid as an operating expense

Regardless of the legal form of the co-operative, these are always subject to the co-op's governing document and depend on financial performance. They are not guaranteed and must be agreed by members at a general meeting.

In contrast, community benefit societies cannot pay dividends to members. Their primary purpose is to benefit the wider community, so:

- They may pay modest interest on share capital, if permitted in their rules, affordable and approved by members
- Any surplus must be reinvested to further the society's purpose

Governing documents may also include an 'asset lock' to prohibit the distribution of assets to members if the enterprise is wound up.

MYTH BUSTER: "PUBLIC MONEY WOULD BE GIVEN TO PEOPLE AS DIVIDEND."

Co-operatives can only pay dividends out of their surpluses and all members have a vote on whether to do that.

Community benefit societies cannot pay dividends or distribute their assets to their members.



Q: ARE THERE ANY OTHER STATUTORY PROVISIONS TO BE AWARE OF?

A: Some organisations may need to declare the authorities they have in membership.

Part V of the Local Government and Housing Act 1989 and the Local Authorities (Companies) Order 1995 ("the Regulations") specifies certain requirements when a local authority's involvement crosses certain legal thresholds. In most cases, membership alone does not trigger these rules – but where the authority has significant governance power or provides substantial funding, additional requirements have to be met.

These would kick-in when a co-operative meets the legal definitions of being 'controlled' or 'influenced' by a local authority. Under the regulations:

- 'Controlled' means that an authority, or multiple authorities acting together, can appoint more than 50% of the board or control more than 50% of the voting rights
- 'Influenced' means that the authority, or multiple authorities acting together, can appoint at least 20% of the board and provides at least 50% of the co-operative's funding, including grants, loans, or assets

If a co-operative meets either of these thresholds, it must ensure it has clearly stated on documents that the co-operative is controlled or influenced by the Local Authority. It must also ensure the minutes of its general meetings are publicly accessible and the co-operative may have to limit allowances being paid to Directors who are also councillors.

The thresholds are designed to ensure transparency where public involvement is significant. They do not prevent membership or investment – but they do require care, clarity and, where needed, public accountability.

Where a local authority simply holds a membership share – alongside many others – and has no special powers or significant financial involvement, to meet the criteria for control or influence, these requirements would not apply.



Q: CAN A LOCAL AUTHORITY HAVE A PLACE ON THE BOARD OF A CO-OPERATIVE?

A: Yes.

In most co-ops, the board of directors is elected by and from the membership, so it is common – and expected – for members to take up board positions. If a local authority is a member, it has the same rights as other members to participate in governance, including nominating an officer or councillor to stand for election to the board.

There is no legal restriction that prevents an authority from holding a board seat in this way. The only limits are those the authority might apply through its own internal policies (such as codes of conduct, declarations of interest, or restrictions on councillors or officers holding external appointments).

Having a seat on the board can be a valuable way for the authority to:

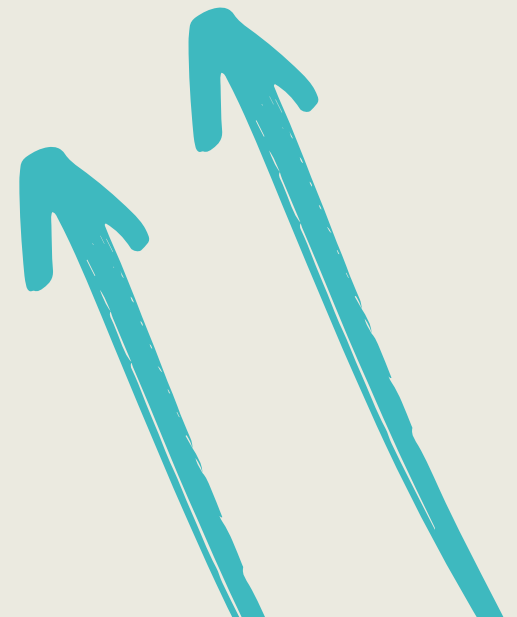
- Contribute to the strategic direction of the co-op
- Bring essential skills into the boardroom
- Ensure its perspectives, experience and priorities are reflected in decision-making

Where board representation isn't needed or appropriate, a local authority may still appoint someone to attend members' meetings, vote and engage as a member. This includes by joining an advisory board, member council or other group which provides representation and input from members without individuals being subject to any distinct fiduciary duties.

MYTH BUSTER: "A COUNCIL CAN'T HAVE A SEAT ON A CO-OP'S BOARD."

It can.

A council can appoint someone (such as an officer or councillor) to represent it on the board, just like any other organisation that is a member of that co-op.



CASE STUDY: CO-OPERATIVE NETWORK INFRASTRUCTURE

Membership of a pioneering co-op that's a win-win for local authorities

Discover how an innovative co-operative is bringing public and private organisations together to share fibre optic networks for the mutual benefit of all...

Co-operative Network Infrastructure (CNI) is a unique co-op that enables its members to share access to digital infrastructure that they own with other members – including fibre optic networks and data centres.

Fibre-optic networks are cabled underground bundles of thin glass strands that can be encoded electronically to carry huge amounts of information – and are typically used by internet services providers and for transferring data.

CNI was formed to address the challenge of linking the separately built fibre networks of Tameside Council and Tameside and Glossop NHS Trust in Greater Manchester.

By enabling these organisations to retain ownership while connecting their infrastructure, CNI has helped them reduce costs and share their fibre-optic and data centre capacity with private sector providers who are members of the co-op, under a fair, non-preferential framework.

“There’s a fibre network connecting lots of local authority buildings, doctors’ surgeries and medical facilities in Tameside. Tameside Council and NHS use that network and it saves them lots of money,” said CNI’s Shaun Fensom.

The organisation’s membership includes 11 local authorities, such as Manchester City Council, Blackpool Council and local authorities in Brighton, Sussex and Lancaster – as well as NHS bodies and commercial telecoms operators.

As members of CNI, local authorities can nominate board members for election – and their officers are eligible to sit on the board. The organisation currently has four board members nominated by local authorities.

The benefits of membership for local authorities are many: it gives them access to infrastructure that lowers operational costs; it enables innovation and improvement of public service delivery; it gives them an income stream from commercial users and fosters local economic development.

“Mostly, our networks are built by local authorities,” said Shaun. “Blackpool Council owns the tramway and when they dug up the track for signalling improvements, they put in extra fibre to connect their buildings. Then they joined CNI, which enables them to share with the private sector and help stimulate the local economy.

“Local authorities are central to the CNI model because they can benefit from their own digital infrastructure. They can share the infrastructure with our commercial members that promote local wealth creation by offering low-cost access to local businesses.”

www.cni.coop



FIND OUT MORE

Co-operatives UK

As the voice of the UK's co-operative movement, we empower and support co-operative enterprise with specialised knowledge and expertise, to grow the co-operative economy and create a fairer society. To join us or learn more about co-operatives, community benefit societies, and how local authorities can get involved at www.uk.coop

Members of Co-operatives UK can also access support from our in-house advice team on advice@uk.coop

Our Business GM

Our Business GM is Greater Manchester's digital directory for purposeful enterprise – a space where you can connect with customers, collaborators, and like-minded local suppliers who prioritise impact over profit. As a member, you can showcase your products, services, and organisation, access tailored business support, and become part of a growing movement to build a fairer, more resilient local economy. It's a place to grow your network, learn from others, and inspire change across our city-region.

Learn more: www.ourbusinessgm.co.uk
community@ourbusinessgm.co.uk

Anthony Collins Solicitors

A specialist law firm, and an accredited B Corp, with 50 years' experience supporting the public sector. We blend legal excellence with social conscience, working in partnership with local authorities to help improve lives and communities. We are leading advisors to the UK co-op movement and specialise in co-operative innovation. Our values-driven approach ensures tailored, ethical legal solutions that make a lasting impact.

Learn more: www.anthonycollins.com
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Wrigleys Solicitors

Wrigleys Solicitors is a specialist firm advising local authorities on public sector pension schemes, academy conversions, and community asset transfers. Recognised for providing pragmatic, commercial advice, we support councils in navigating complex legal frameworks with tailored, risk-based solutions.

Learn more: www.wrigleys.co.uk
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Our Business GM is Greater Manchester's digital directory for purposeful enterprise – a space where consumers, public authorities and anchor institutions can connect with customers, collaborators, and like-minded local suppliers who prioritise impact over profit.

If you are interested in creating a similar co-op or directory in your area contact community@ourbusinessgm.co.uk

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