

PROMOTING COOPERATIVE ENTERPRISE: THE WORK OF NOTTINGHAMSHIRE COOPERATIVE DEVELOPMENT AGENCY

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Nottinghamshire Cooperative Development Agency (NCDA) is widely recognised as the only business support agency in the county that promotes and develops businesses operating within the market system that pursue social as well as commercial objectives, where control is democratic and the interests and skills of individual employees are taken into account.

Like other business support and training agencies, NCDA is convinced that adoption of alternative approaches to the promotion and development of cooperatives will prove successful in terms of matching people to jobs and providing employment on terms acceptable to the person involved. We will therefore be consolidating the 'top down' approach to cooperative development (expanded on later) where consultants will be commissioned to research and evaluate a number of products, ideas and cooperators recruited to develop the business.

Likewise, with the NCDA training programme, the intention is to make training more relevant by adopting a pro-active approach in the establishment of small cooperative businesses, one that takes account of the structure and needs of the local economy and one that we are confident will provoke a greater response than conventional small business training. Based on the results of research carried out into the training needs of the unemployed in the North Nottinghamshire Coalfield area, NCDA will run training courses which incorporate the exploration and identification of market opportunities in the local economy plus preparation of business plans and raising finance. These courses will be specifically targeted to unemployed people in the North Nottinghamshire Coalfield area.

Whilst our programme of general publicity will be maintained, the percolation of ideas to some of our target audiences such as schools, colleges and other organisations will of course be much more long term. NCDA is planning considerable emphasis on the introduction of cooperative principles and worker democracy in education and we are very pleased with the level of interest and involvement expressed by many schools and colleges throughout the county to date.

The fundamental aims of the NCDA are:

- to promote and publicise cooperative forms of business enterprise;
- to encourage and develop new cooperatives;
- to support existing worker cooperatives

Facts and figures

NCDA receives revenue funding on an annual basis from Nottinghamshire County Council. The current (1992/93) budget is £147,000 p.a. and covers 5 full-time employees and running costs.

We also have a revolving loan fund, having a current value of £150,000, of which £101,000 is currently on loan to 21 cooperatives. Loans vary in size from £500-10,000 and are normally

repayable over 1-10 years, currently at 12% interest per annum, although this will change from time to time as interest base rates change. Our loans are seen as seed capital and we encourage cooperatives to approach the usual sources of finance, such as the banks and sources of grants, local authority loans, and use personal capital and finance from friends and relatives where this is available.

There are currently 37 trading cooperatives in Nottinghamshire, with each on average employing 4 people. The largest employs 9. Nationally the largest cooperative employs 200 people, but there are now a few Employee Share Ownership Plan companies (discussed later) employing up to 500 employees.

NCDA is controlled by a board of 14 directors and at present has a membership of 80 (the maximum 100 although this could be changed if necessary). The board of directors is made up as follows:

- 5 directors nominated by the County Council
- 7 directors elected by the membership. In practice these directors are entirely from and elected by the worker cooperative membership
- 2 directors co-opted by the other 12. Currently they are a trade union official and a representative from the nearby Cooperative College.

A Finance Committee consisting of 2 County Council and 4 Worker Cooperative directors is elected (mainly from volunteers) by the Board to handle all loan fund applications and to ensure that the loan fund is being properly administered by the NCDA' employees.

Methodology

The methods used by NCDA are as follows.

1. To promote and publicise cooperative forms of business enterprise by:

- (a) increasing the general awareness of cooperatives among individuals considering starting their own businesses by giving presentation on the work and services of the NCDA to those attending "awareness days' held throughout the County;
- (b) distributing publicity material to Agencies throughout the County;
- (c) arranging four seminars or major events per annum on cooperatives;
- (d) sending out at least one press release per month;
- (e) arranging for NCDA display boards to be out on display at least once per month;
- (f) completing and distributing a schools pack, in collaboration with the Cooperative College;
- (g) producing and distributing a training video for new cooperators;

(h) continuing to work closely with the trade unions and existing organisations concerned with economic development, including Training and Enterprise Councils (TECs) and local authorities within Nottinghamshire concerned with creating employment for local people.

One employee at NCDA has specific responsibility for promotion and publicity, although other employees are drafted in on a regular basis.

2. To encourage and develop new cooperatives

NCDA's policy is to advise and encourage potential cooperatives to ensure that they have the necessary skills; that the project is financially viable; that the membership are aware of the legal and financial responsibilities; and that all are aware of the cooperative's objectives, both financial and social. In practical terms this involves training, research (carried out by the members) and the production of a business plan and cash flow forecast. As with promotion, one member of NCDA staff has responsibility for new groups and other staff members are, once again, drafted in to carry out specific training or aspects of business start-up, especially if a staff member has experience in the sector in which the new group are interested.

Small grants of up to 500 pounds are available to assist in covering transport and research costs during this period. The groups also have the use of the NCDA's facilities such as telephones, fax, photocopying etc. In some instances larger grants are required, for example to pay for materials in a trial production run, and these can be made available with the Finance Committee's approval.

This development period can take from 3 months to 2 years, and is very much dependent on the ability and experience of the new group's members and on the complexity and viability of their idea. Probably two out of every three new groups decide not to go ahead, usually coming to that conclusion themselves, often at quite an early stage. This may be because the idea is not viable, the task too daunting or simply not wanting to set up as a worker cooperative.

NCDA, having explored new options for the legal registration of cooperatives (drawn from the experience of other CDAs nationally) has widened the options of legal structures available in Nottinghamshire for new-start cooperatives, including potential worker buy-outs, conversions, and marketing cooperatives. All 'recommended' legal structures comply with the six essential principles of international cooperation. NCDA's objective is to present a clear choice of legal structures to cooperators.

3. To support existing worker cooperatives

Co-operatives are assisted on a one-to-one basis to produce quarterly accounts, cash flow projections and the like through the maintenance of accurate financial records and by using their accounts to monitor progress and help plan ahead. We aim to enable cooperatives to be producing their own quarterly accounts within 2 years and to be able to present simple financial reports on a regular basis to workers meetings from day one.

NCDA has recently commissioned Nottingham University and a consultant, John Pearce, to set up a social audit system in an attempt to provide a means of recording and quantifying the costs and benefits of non-financial objectives within cooperatives, allowing them to make

clearer decisions on the implementation and level of achievement of their social objectives without adversely affecting the financial viability of the project.

Training is provided in direct response to needs expressed by cooperatives. In line with this the agency, in association with Enterprising Nottinghamshire, has conducted a Training Needs Analysis with four cooperatives and the training to be offered has been tailored to respond to some of the needs highlighted by this study.

NCDA keeps abreast of courses run by other organisations and sources of finance for training and makes such information available to all member cooperatives in the form of a quarterly newsletter, which also includes general advice and information pertinent to most cooperatives.

We continue to provide in-house training seminars for cooperatives at the rate of approximately one per month. The traditional training programmes on book-keeping including PAYE, SSP, Balance Sheets, profit and Loss Accounts and Management Account (including Gearing Ratios) continue to be run. We will also be running a training/information seminar on 'green issues for businesses', and a marketing training programme will include market research and obtaining publicity. A training programme on cooperative management skills is being developed in association with the Lynx training cooperative.

New developments

1. 'Top down' Initiatives

Alongside providing continuing support for existing cooperatives and groups wishing to establish cooperatives, NCDA will examine market opportunities that have arisen which have the potential of creating increased local employment. These may differ substantially from traditional cooperative development models but must fit the basic criteria. Where opportunities are identified NCDA will initiate projects targeting those areas of potential with such resources as are justifiable under established criteria, with the objective of creating permanent jobs and of increasing publicity for cooperative business. The cooperative membership will be recruited and involved as early as possible to ensure that they feel it is 'their' project.

2. Equity Fund

We are currently looking at using a proportion of the loan fund as an equity fund (although this would be preferable if done on an international or at least national basis). Capital would be invested in cooperatives as either non-voting preference shares or as long term debentures (loans not repayable until maturity). This could enable cooperatives to raise sufficient finance for up-to-date technology and equipment or simply to expand into larger premises or markets.

3. Marketing Loans

These will be short term loans with a low rate of interest (probably 6%) tied to a practical marketing training course, during which existing cooperatives devise and cost a marketing plan tailored to their cooperative. The repayments will be flexible and related to the results

expected/achieved once the plan is implemented, although we would expect full repayment within no more than three years where feasible.

4. Employee Share Ownership plans (ESOPs)

Employee Share Ownership Plans were originally developed in the USA as a means of integrating and involving employees in share ownership of their own companies. In the UK several 100% employee owned models have been developed and successfully implemented mainly in the 'privatisation' of local authority-controlled bus companies. Trade unions now recognise that they have a positive role to play in ESOPs and their existence should encourage the development of a more successful and cooperative environment to the benefit of all.
