

The Industrial and Provident Societies Acts, (IPSA) are the statutory system which regulates the formation and general operation of co-operative societies in Ireland. They are being reviewed in connection with the Governments Better Regulation Programme.

Among the subjects concerning co-operative societies which are dealt with in the consultation paper are:

- Restrictions on the raising of funds, including share capital
- Financial reporting requirements of societies
- Governance of societies

The paper seeks to identify any practical difficulties for co-operatives in the Industrial and Provident Societies Acts and what action should be taken to deal with them. Views are invited from the public concerning the operation of the current legislation.

The consultation paper entitled 'Co-operative Societies: Consultation paper on the Industrial and Provident Societies Acts 1893 – 2005' is available on the Department's website at: <http://www.entemp.ie/commerce/cooplaw/publications.htm>

Submissions should be marked "IPS Legislation Review" and sent by email to cooplaw@entemp.ie or by post to the address below, **not later than 30th June 2009.**

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In the pages below you will find an effective response to the consultation paper that addresses the potential of co-operative social enterprise in the delivery of public services. Specifically we draw attention to the lack of necessary capital available to co-operatives, to finance expansion that would enable them to tender competitively for public service delivery contracts. Highlight successful case studies of the co-operative business model in the provision of public services. Finally we make recommendations for the development of a co-operative venture capital fund and the ability of co-operatives to raise funds through share capital.

1 The potential of co-operative social enterprise in the delivery of public services

With regard to question 17(c), in the Consultation Paper on the Industrial and Provident Societies Acts 1893 – 2005:

Q17. Do you wish to offer views or observations on: (c) any other matters relevant to this review of the IPS Acts

We would like to bring to the attention of the Co-operative Legislation Unit the potential of co-operative social enterprise in the delivery of public services.

1.1 Opportunities

There are several public service areas in which there may be opportunities for co-operative social enterprise to play a role including,

- Domiciliary, intermediate and extra care
- Children's services - nursery & childcare
- Environment & waste
- Health
- Voluntary & community sectors
- Other contracts - including school cleaning, catering etc
- Transport

1.2 Public Service Delivery

The co-operative business model can offer several advantages against competing profit driven business models in the delivery of public services including,

- Strong links with local communities
- Knowledge & staff retention

Staff turnover is costly in terms of training new staff and the loss of the skills & knowledge base of leavers. Co-operatives by their nature engender a sense of belonging and pride in the company and therefore find it easier to retain staff.

- Understanding the needs of specific client groups
- Independence from Organisational (profit-driven) Pressures

Co-operatives are able to balance profitability alongside other more socially orientated objectives for example to employ people with disabilities, or for a manufacturer to commit to sourcing raw materials from sustainable sources. Private businesses are primarily concerned with the maximisation of profit, and in the case of the PLC model it is a legal duty to shareholders. Not having to focus on external shareholders means that social enterprises can concentrate on other objectives such as providing a high quality of service.

- Responsiveness
- Trust

Co-operatives have an advantage over other business models in providing trustworthy public services. This is especially the case where some or all of the users of the service are members of the co-operative, for example childcare co-ops.

However, even in situations where the service users are not members co-operatives will have an advantage if they operate according to the ethical values (defined in Annex I of the Consultation Paper under, ICA Statement of Co-operative Identity - values) of honesty, openness, social responsibility and caring for others.

1.3 Case Studies

1.3.1 Health care

a. Harness GP co-operative (established in February 2006) is a co-operative based in Harlesden and Willesden, London, UK.

The co-operative, working under the principles of a co-operative non profit making social enterprise, commissions health care for Harlesden/Willesden residents, ensuring they receive value for money, clinical efficacy, accessible social care and equitable health care.

The co-operative works closely with residents, voluntary organisations, NHS Brent and the local authority to provide local health services that cover 10 practices serving approximately 60,000 residents.

The initial benefits from co-operative working have been to reduce the isolation of some practices who are now being assisted to take advantage of shared learning and individual support from experienced practice management at no direct cost. The use of funding, that some practices would not have accessed, also enables individual practices to bid to provide additional services.

Patients are benefiting from a cohesive approach to raising the level of chronic disease management for example, agreed guidelines for chronic kidney disease management

b. SELDOC (South East London Doctors' Co-operative) was formed in 1996 by GPs in the London boroughs of Southwark, Lewisham and Lambeth who were concerned that the out of hours service their patients were receiving was often from private practices, by GPs the patients didn't know and was not of sufficiently high quality. The GPs established the co-operative to ensure that between them they could provide a high-level of out of hours care.

SELDOC is now one the largest social enterprise healthcare providers in the UK – it is owned, managed and financed by nearly 500 GPs and provides out of hours care to tens of thousands of patients across South East London.

1.3.2 Education

NEMCO, Newcastle, UK

The North East Music Co-operative grew out of Newcastle City Council's musical instrument teaching service. In 1995, Newcastle Local Education Authority, facing budget cuts, was being forced to make all peripatetic music teachers redundant.

The LEA wanted to continue to offer the peripatetic music service to its schools but could no longer afford to directly employ the music teachers. With support from the City Council and the Musicians Union, the teachers grouped themselves together as a marketing co-operative, which contracts directly with the schools.

The number of hours now being taught in schools has increased by about 10% per year, whilst the number of teacher members has increased from 16 to 32. Furthermore, the range of musical instruments available has also broadened.

NEMCO have managed this success by introducing a wider range of instrument teaching options, staggered payment plans and a number of additional services including a discount scheme with local musical instrument shops.

1.3.3 Waste Management

a. Community Recycling and Resource Recovery, California, USA

Community Recycling and Resource Recovery (CRRR) carries out large-scale organic waste composting in the Sun Valley area of Los Angeles. It is an offshoot of Community Recycling, a social enterprise established in 1974, which owns two other recycling operations.

CRRR collects grocery waste and cardboard packaging waste from over 1,000 supermarkets and grocery stores in Los Angeles. It receives over 2,000 tonnes of grocery waste, as well as municipal green waste, every day. This is composted to produce around 300,000 tonnes of certified organic compost a year, making it one of the largest organic compost producers in the world.

The compost is sold to farmers across the sub-region, and this has supported a programme to promote agricultural uses for municipal compost. Specific end-markets now include grape, cotton and strawberry farms.

a. ECT Recycling, London, UK

ECT Recycling is the UK's largest not-for-profit recycling company, with 360 employees, providing recycling services to eight London Boroughs and eight other local authorities in the Midlands and the West Country. It has also recently won the full refuse collection contract for Ealing. Different recycling services are offered including kerbside collection, civic amenity sites, composting, green waste collections, estates recycling, public recycling sites and commercial recycling services.

ECT believes that its not-for-profit status allows it to provide a higher quality service, since it does not have to pay dividends to shareholders and all its surplus can be retained for reinvestment.

1.4 Recommendations

In our recommendations we would like to address question 6 in the consultation paper,

Q6. Should the restrictions on the raising of funds by societies, as summarised in paragraphs 18-21 above be retained, varied or removed? Give reasons for your views.

Co-operatives often lack the necessary capital to finance expansion to the extent required for them to tender competitively for public service delivery contracts. A 2004 two-year research project commissioned by the New Ventures Panel of Co-operatives^{UK} (Brown et al, 2004) reported these findings and made several recommendations for Government policy measures to improve access to investment capital for co-operatives. These recommendations could work equally as well within an Irish political framework. To this extent we are making the following recommendations that we consider to be relevant within the context of this consultation paper,

a. Co-operatives should work with the Financial Services Authority to allow co-operatives to issue shares to external investors within the Industrial and Provident Societies Acts, (IPSA) model, in excess of the current restriction of €12,700 in any period of six months, or to raise funds in any other form (except bank loans) of any amount.

b. We further recommend that the Government could support the ethnic co-operative sector by helping to develop a co-operative venture capital fund, a launch size in the region of 5million Euros, which could be used as an alternative source of finance for the ethnic co-operative sector.

c. There is a clear case of under-representation of ethnic minority communities within the Government agencies and statutory bodies charged with the responsibility of administration of Co-operatives. We there request the Department of Trade & Enterprise to co-opt any member of the ethnic communities into the Dept of Trade & Enterprise. This will be one way of promoting social inclusion and integration of the new communities considering the vital role of co-operatives in socio-economic regeneration.

d. We ask that the Government could join forces with CSS to develop a promotional campaign

targeted at the voluntary sector, local public services to raise awareness about the advantages of the ethnic co-operative business model as a vehicle for delivery of public services. Alongside this, there should be a promotional campaign aimed at professional business services providers such as accountants, business link advisors, bankers and consultants to raise the profile of ethnic co-operatives business as genuine alternative to the private sector.

e. Finally, we ask for separate legislation specifically dedicated FOR CO-OPERATIVES AND REGISTRAR FOR CO-OPERATIVES APPOINTED to administer the legislation.