



All-Party Parliamentary  
Group for Mutuals

# **BUSINESS WITH A PURPOSE**

The UK Mutual Economy  
Report 2019



## **A STATEMENT FROM THE ALL-PARTY PARLIAMENTARY GROUP FOR MUTUALS**

The purpose of the Group is to discuss and support mutuals.

This publication was authored by Peter Hunt of Mutuo, in the interest of furthering the general understanding of the issues raised and facilitating a contribution from Parliamentarians.

Mutuo has not been paid to produce this Report. Mutuo acts as administrative secretary to the Group.



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# FOREWORD

Mutuals exist in every sector of the economy, from financial services to housing, to retailing, to public services and sport.

Whether it is through providing rewarding work, strengthening community enterprise, or supplying affordable and sustainable services to consumers, a strong network of co-operative and mutual businesses can play an important part in a diverse and modern British economy.

The purpose of the All-Party Parliamentary Group for Mutuals is to bring MPs and Peers together with a wide range of co-operatives and mutual enterprises, including Co-operatives, Building Societies, Mutual Insurers and Housing Associations, to facilitate better support for the sector through public policy.

**Gareth Thomas MP**  
**Chair, All Party Parliamentary Group for Mutuals**



# 1

## PREFACE

Mutuals help to create an economy and society that works in the interests of the widest number of people by sharing ownership and the rewards of business.

They spread wealth and prosperity and provide commercial services that work in the interests of consumers and organisations that protect the public interest.

By its actions, the Government can help to grow this sector, enabling these businesses to fulfil their potential and thereby deliver a wide range of public policy objectives, such as:

- Strengthen a UK owned business sector
- Spread wealth more broadly and fairly throughout the country
- Provide competition and choice for consumers in a range of markets especially those for essential goods and services
- Create diversity in business, which will act as a counterbalance to mitigate systemic risk to the economy

- Establish business strategies for a healthy, balanced economy with businesses that take a longer term view
- Create business structures for public service providers that keep them accountable to their users and taxpayers, reducing centralisation and bureaucracy
- Provide more than just an economic benefit to local communities by aiding social bonding and stakeholder empowerment
- Rebuild and maintain public trust in business

Each political party should embrace this agenda as its own – and commit to the actions necessary for mutual businesses to make their full contribution to our economy and society.



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## **EXECUTIVE SUMMARY**

## Mutuals are businesses with a purpose

Mutuals have played an important part in the development of the UK economy. From the earliest days, citizens have co-operated in business, combining self-help, with the common sense to work together for the common good.

Mutuals have been in business for the long-term, focused on their core purpose of serving their members and the wider community. They are important. They are home grown. They deliver competition and choice, and spread the benefits of business far beyond investor shareholders into the wider population.

Mutuals are owned by UK citizens, pay their taxes in the UK and contribute to our nation's prosperity.

Yet too often their contribution to the UK economy and society has been overlooked. As a result, the level of appreciation of mutual business by government is surprisingly low, which has made doing business harder for these firms.

The UK needs the corporate diversity that these businesses bring, helping to spread risk, and build resilience. There is a new opportunity for economic policy to be re-cast in order to better manage markets, protect consumers and taxpayers as well as to promote sustainable wealth creation, for a fairer country.

## Facts about mutuals

Mutuals exist when groups of individuals come together to achieve an objective that they could not achieve alone. They are a rational alternative to investor owned business when the objective is different from maximising return to shareholders.

Broadly speaking, there are three types of mutual – customer owned, worker owned and producer owned.

The point of a mutual is different from mainstream investor-owned businesses. It is focused on delivering its mission to its members, rather than maximising return to investor shareholders through profit distribution and capital growth. The members are participants in the business as customers, suppliers or workers.

Because the co-operative business purpose is different, these firms behave differently, pursuing business plans that aim to secure long term success for their members. As a result, they positively affect the markets in which they operate, often by restricting the profit taking of investor owned firms that must compete with them.

## Mutuals in action – how they work across UK Business

Mutuals operate across much of the UK economy. From farming to finance, health to housing, education to manufacturing, they deliver trusted products and services in some of the most competitive domestic and international markets.

Their purpose is to serve their members, who are also their customers, suppliers, their employees or a mixture. They do not exist to serve external capital investors, which means that they can concentrate directly on the products or services that they exist to provide, instead of the economic reward for shareholders. It is a different way of doing business – with a different purpose.

This way of doing business works well. With good management it is efficient, with no leakage of value from the business, and provides a systemic advantage over investor owned firms.

Co-operatives and mutuals can be found in the following sectors of the UK economy:

### **Enterprise:**

- Consumer owned co-operatives
- Worker owned co-operatives
- Co-operative consortia
- Agricultural and fishing co-operatives
- Energy co-operatives

### **Financial services:**

- Building societies
- Friendly societies and mutual Insurers
- Credit Unions

### **Community activities:**

- Clubs & Societies
- Supporter Trusts

### **Public services:**

- Housing co-operatives
- Housing Associations
- Co-operative Schools
- NHS Foundation Trusts
- Public Service Mutuals

## What mutuals deliver for the UK & its people

Mutuals help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

They have the potential to help create growth, prosperity and fairness through enterprises that spread wealth and prosperity.

As part of a mixed economy, mutuals:

- Help to build an economy with a diversity of business types
- Provide competition and choice for consumers in a wide range of markets
- Are businesses that plan for the long term rather than short term
- Are businesses that treat customers fairly and honestly
- Share the benefits of business and wealth throughout the country
- Provide quality local employment opportunities
- Provide services to communities that are valued and needed



## **What mutuals need from Government to help deliver a fair economy and society**

Government sets the tone for the UK business environment through its business policies and related fiscal measures.

The fundamental starting point for mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.

This means that policy, legislation and regulation needs to work for mutuals, and not place them at a disadvantage to other types of firms.

The mutual sector is united in seeking:

- Greater recognition and policy understanding of the sector by national and devolved politicians;
- An introduction of and commitment to an enabling legislative environment for the sector in the UK and
- An understanding of where inappropriate regulation affects the sector and a commitment to address this where it occurs

In order to achieve this, it is necessary to ensure not only that politicians from all political parties are aware of the contribution made by the sector to the UK society and the economy, but that they are focused on ensuring the sector is able to continue delivering and providing diversity of business models and opportunity for all citizens.

**A fair society needs competition between business models, not just competition between businesses.**





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**MUTUALS ARE  
BUSINESSES  
WITH A PURPOSE**

Mutuals have played an important part in the development of the UK economy, where people have co-operated in business, both out of necessity and from a shared sense of purpose.

By bringing together the natural inclination towards self-help, with the common sense to work together for the common good, mutually owned business has formed part of the bedrock of the UK economy.

These mutuals have been in business for the long-term, focused on their core purpose of serving their members and the wider community. Member owned businesses exist in every part of the UK.

Mutual firms are successful. They are important. They are home grown. They deliver competition and choice, and spread the benefits of business far beyond investor shareholders into the wider population.

Mutuals have succeeded without outside help but too often their contribution to the UK economy and society has been overlooked. As a result, the level of appreciation of mutual business by government is surprisingly low, which has made doing business harder for these firms.

Demutualisation completely changed the face of the sector since the 1980s. It carved a hole through financial services mutuals by slicing off many of the largest firms as they converted to listed companies. This inclination towards shareholder owned business as the 'norm' has had a damaging effect on the mutual sector and the way it is perceived.

The global financial crisis of 2008 exposed the risk to leading economies of having markets dominated by similarly structured businesses that were essentially focused on the same short to medium term economic outcomes.

The lesson is that there is a real need to address the risk that a single dominant corporate form, dependent on market fluctuations, can pose to the health of our economy and society.

The UK needs the corporate diversity that these businesses bring, helping to spread risk, and build resilience. There is a new opportunity for economic policy to be re-cast in order to better manage markets, protect consumers and taxpayers as well as to promote sustainable wealth creation.

In government, this bias is seen in the binary debate which has divided people between public ownership and privatisation. The opportunity now is to choose a real alternative – mutual ownership which is independent of government but committed to a public purpose.

For public service provision, all parties should now consider how best to maintain government owned business in the public interest whilst freeing it to act commercially within the revitalised mutual sector.

This is the opportunity in which mutuals can play a vital part, in financial services, business growth and public service provision.



# **4**

## **FACTS ABOUT MUTUALS**

## What is A Mutual?

Mutuals exist when groups of individuals come together to achieve an objective that they could not achieve alone. They are a rational alternative to investor owned business when the objective is different from maximising return to shareholders.

Mutuals often come about as a response to the failure of a market to adequately serve the interests of groups of customers, workers or producers, such as where services and products are unavailable or otherwise not accessible to groups of people.

Once established, these types of businesses have proven to be highly successful and long-lived, with many having existed for over 150 years.

Broadly speaking, there are three types of mutuals – customer owned, worker owned and producer owned.

**Customer owned:** The objective is service quality and price, rather than profit maximisation. Examples of these businesses exist in banking, insurance, and food retail.

**Worker owned:** The objective is high quality employment that properly rewards employees, provides work place democracy and shares wealth. Such co-operatives exist in most industrial sectors.

**Producer owned:** The objective is to enable smaller groups of businesses to work together to operate in markets that would otherwise be dominated by large investor owned firms. Many such co-operatives exist in agricultural production, where co-ops enable small producers to combine their efforts to effectively compete.

## What is the purpose of mutuals, and why are they different?

The point of a mutual is different from mainstream investor-owned businesses. It is focused on delivering its mission to its members, rather than maximising return to investor shareholders through profit distribution and capital growth. The members are participants in the business as customers, suppliers or workers.

Because the co-operative business purpose is different, these firms behave differently, pursuing business plans that aim to secure long term success for their members. As a result, they positively affect the markets in which they operate, often by restricting the profit taking of investor owned firms that must compete with them.

## The size and scope of the mutual sector

Co-operatives and mutuals can be found in the following sectors of the UK economy:

### Enterprise:

- Consumer owned retail co-operatives
- Worker owned co-operatives
- Co-operative consortia
- Agriculture and fishing co-operatives
- Energy co-operatives

### Financial services:

- Building societies
- Friendly societies and mutual Insurers
- Credit Unions

### Community activities:

- Clubs & Societies
- Supporter Trusts

### Public services:

- Housing co-operatives
- Housing Associations
- Co-operative Schools
- NHS Foundation Trusts
- Public service mutuals

### Mutuals touch millions of lives in the UK

Mutuo estimates that **1 in 3** of the adult population is a member of at least one mutual.

### Mutuals are businesses, big and small

Mutuals represent a serious contribution to the UK economy, accounting for over £133.5 bn of income annually.

# MUTUALS ARE BUSINESSES, BIG AND SMALL

CO-OPERATIVES

**£36.1** BN

BUILDING  
SOCIETIES

**£5.8** BN

FRIENDLY  
SOCIETIES &  
MUTUAL  
INSURERS

**£19.6** BN

HOUSING  
ASSOCIATIONS

**£20** BN

NHS  
FTS

**£52** BN

**Total  
Annual  
Income**

**£133.5** BN



## MUTUALS TOUCH MILLIONS OF LIVES IN THE UK

Mutuo estimates that 1 in 3 of the adult population is a member of at least one mutual.

Figures for co-operatives are published by Co-operatives UK (<https://www.uk.coop>), for Building Societies by the Building Societies Association (<https://www.bsa.org.uk>) and for Financial Mutuals by the Association of Financial Mutuals (<http://www.financialmutuals.org>) Other figures have been estimated by Mutuo.



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**MUTUALS IN ACTION  
– HOW THEY WORK  
ACROSS UK BUSINESS**

## THE PURPOSE AND VALUE OF MUTUALS IN DIFFERENT BUSINESS SECTORS

Mutuals operate across much of the UK economy. From farming to finance, health to housing, education to manufacturing, they deliver trusted products and services in some of the most competitive domestic and international markets.

Mutuals are important to the prosperity of the UK. They help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

Each type of mutual is defined by its own history, legal framework and market experience. Each has responded differently to changes in the size and impact of the sector but many share common challenges.

Their purpose is to serve their members, who are also their customers, suppliers, their employees or a mixture. They do not exist to serve external capital investors, which means that they can concentrate directly on the products or services that they exist to provide, instead of the economic reward for shareholders. It is a different way of doing business – with a different purpose.

Where there is a proper alignment between the products and services and the interests of the member-owners of the mutual, this way of doing business works well. With good management it is efficient, with no leakage of value from the business, and provides a systemic advantage over investor owned firms.

Mutuals are owned by citizens, pay their taxes in the UK and contribute to our nation's prosperity.

### Enterprise mutuals come in various forms:

- Consumer owned retail co-operatives
- Worker owned co-operatives
- Co-operative consortia
- Agriculture and fishing co-operatives
- Energy co-operatives

### Consumer owned retail co-operatives

A co-operative owned by its customers to achieve better prices or quality in the products that they purchase. Although food retail remains the area consumer co-operatives are best known for, this model functions in various other sectors too, notably in healthcare, travel, and legal services.

#### Co-operatively owned shops...

- Provide best value to customer members
- Provide competition and choice in the wider market
- Support a range of community activities
- Share wealth with its customers through sharing profits through dividend

#### Provide best value to customer members

Consumer co-operative shops are driven to provide the best possible products at the lowest price to customers, rather than to maximise profits to investor shareholders.

#### Provide competition and choice in the wider market

The different business focus from competitors means that co-operatives are often pioneering in providing different choices to customers, such as local sourcing, fair trade products or environmentally friendly packaging. These can have a profound effect on the general market by changing consumer behaviours.

#### Support a range of community activities

As community owned businesses, co-operatives will focus on helping the people that the businesses belong to by providing additional services to local people.

#### Share wealth with its customers through sharing profits through dividend

The original Rochdale co-operative model led the way with profit sharing by returning money to customers in proportion to their purchases, and this is continued today through cash dividend payments that share the success of the business with customers who have made it happen.

## Worker owned co-operatives

Worker co-operatives are businesses where the members and beneficiaries work for the co-operative and have direct ownership and control.

### Worker owned co-operatives...

- Help tackle inequality
- Build local wealth
- Create high quality jobs

### Help tackle inequality

By bringing more people in to share in the success of the business, worker co-operatives can help to address inequality. By placing workers' needs before investors' profits, successful worker cooperatives democratise wealth rather than concentrating it.

### Build local wealth

At a worker co-operative, profits do not go to investors, but instead directly to workers. As a result, money stays grounded in the local economy, helping to build community wealth.

### Create high quality jobs

Workers have a meaningful role in the business, as they contribute to and benefit from the success of a business they co-own. Jobs at worker co-operatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies. Worker co-operatives offer opportunities for more participation in management and governance decisions.

## Co-operative consortia

A co-operative consortium may be a collection of self-employed individuals or groups of companies. It provides services such as marketing, administration and management for its members in order to allow them to be more efficient and effective than if they worked alone.

### Co-operative consortia...

- Facilitate independent business owners to benefit from economies of scale
- Support and encourage entrepreneurship
- Lower input costs: improve business productivity and efficiency
- Lower production costs: pass on better value to consumers
- Provide access to finance for small business
- Profit sharing spreads the benefits of business: wealth is distributed more widely.

### Facilitate independent business owners to benefit from economies of scale

Co-operative consortia are able to benefit from economies of scale in procurement and throughout their supply chain which enables them to operate in sophisticated, crowded markets whilst simultaneously maintaining their focus on their locality.

### Support and encourage entrepreneurship

The existence of co-operative business consortia enable independent business owners to run and operate businesses in competitive marketplaces where they would otherwise be squeezed out by pressure from large listed firms. They help to foster a spirit of entrepreneurship in a marketplace where such zeal could otherwise be pushed out.

### Lower input costs: improve business productivity and efficiency

Shared procurement and operating costs help to improve the productivity and efficiency of businesses which benefit small businesses without creating a monolithic enterprise which can leave people overcharged and underserved.

### Lower production costs: pass on better value to consumers

Economies of scale enable co-operative enterprise consortia to help lower the costs of production which helps drive value for the consumer.

### **Consortia provide access to finance for small business**

The co-operative enterprise consortia model is extremely successful at producing access to finance for smaller, regional businesses who would otherwise struggle to compete in developed markets.

### **Profit sharing spreads the benefits of business: wealth is distributed more widely**

Co-operative business consortia facilitate profit sharing which means that wealth is more widely spread amongst people. In a co-operative, ownership and the ensuing benefits are spread more widely than is typically the case for listed businesses.

## **Agriculture & Fisheries**

Co-operatives are formed to enable independently owned businesses to achieve economies of scale.

### **Co-operatives of farms and fishing producers...**

- Help to maintain the domestic ownership of strategic food assets, thus increasing food security
- Help to generate significant export earnings
- Facilitate independent farmers to compete by providing access to markets
- Facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain
- Enable smaller farmers and fishermen to stay in business and remain independent
- Maintain a traditional way of life whilst providing economic growth to strengthen the regions
- Employ locally
- Spread wealth back to farmers through produce rebates and profit sharing

### **Help to maintain the domestic ownership of strategic food assets, thus increasing food security**

Co-operatives are domestically owned, unlike their listed competitors which may be bought by overseas investors. Co-operative ownership ensures that the production of strategic food assets remain in the control of the UK.

### **Help to generate significant export earnings**

Agriculture and fishery co-operatives are net exporters, making a positive contribution to the UK's balance of trade.

### **Facilitate independent farmers to compete by providing access to markets**

Agricultural co-operatives are groups of independent small businesses, who are working together to provide logistics, marketing and infrastructure in order to access markets in ways that they cannot alone.

**Facilitate economies of scale by enabling individual businesses to jointly own and control their supply chain**

Family owned farms invest in plant, machinery and processing facilities operated through their co-operative, to ensure that their produce gets to market in as cost effective a way as possible.

**Enable smaller farmers and fishermen to stay in business and remain independent**

When independent businesses co-operate in this way, they can meet global competition from large corporates head on. Wealth is distributed more widely.

**Maintain a traditional way of life whilst providing economic growth to strengthen regions**

Individual farm businesses all contribute to their regional way of life, maintaining business presence and contributing taxes through the success they generate from their co-operative membership.

**Employ locally**

Individual farms employ locally, for both seasonal and long-term work. This is important in rural and regional areas where jobs are scarce.

**Spread wealth back to farmers through produce rebates and profit sharing**

Co-operatives are not set up to maximise profits – instead they share wealth equitably among their farmer members in proportion to their contribution to the co-op.

**Energy retailing and generation  
Energy Co-operatives**

- Create collective purchasing power which can lower costs
- Put customers at the centre of the business
- Reinvest locally and benefit communities
- Focus on the long-term

**Create collective purchasing power which can lower costs**

The collective purchasing power created by individuals coming together through an energy co-operative returns control back to people and can help to drive down costs.

**Put customers at the centre of the business**

Customers are put at the centre of the business and help take decisions about how energy is provided in their town or locality. For example, groups of individuals can decide to collectively own and control a solar array or wind turbine.

**Reinvest locally and benefit communities**

Any surplus is made locally and can be retained locally. That surplus can be redirected back to the community that owns it. There is a rational economic reason to join the co-operative and this can help give people a stake in the renewable energy transition.

**Concentrate on the long-term**

Like other types of co-operative, energy and utility co-operatives can concentrate on the long-term, without the need to focus on short-term results. This is particularly important in a sector such as energy where a consistent energy supply and a sustainable approach to the provision of electricity is essential.



### **Financial services mutuals operate in the banking and insurance markets:**

- Building societies
- Friendly societies and mutual Insurers
- Credit unions

## **Banking and financial services**

Building Societies are a type of financial mutual that provide savings and loan services to consumers, particularly in the fields of savings and mortgage lending.

### **Building societies...**

- Offer better value financial services products
- Provide price competition against profit maximising competitors
- Provide better customer service
- Are more ethical/demonstrably honest businesses
- Operate different business strategies, helping to mitigate against the overall risk of the sector to the economy
- Remunerate their executives reasonably
- Share a higher percentage of their profits with their community

### **Offer better value financial services products**

Over time, mutuals consistently provide better value products to their customers because their businesses are focussed on long term plans rather than short term market disruption.

### **Provide price competition against profit maximising competitors**

The existence of building societies in a market dominated by large profit maximising banks means that they are able to provide the only meaningful competition on the basis of service proposition and price.

### **Provide better customer service**

Customer service is the focus for building societies and they consistently provide high quality service and greater customer satisfaction in comparison to the biggest banks.

### **Are more ethical/demonstrably honest businesses**

In a market where trust is generally low, building societies provide an alternative to the profit maximising banks by consistently focussing on the needs of customers rather than shareholders.

### **Operate different business strategies, helping to mitigate against the overall risk of the sector to the economy**

In an economy hit hard by the global financial crisis, building societies acted as a bulwark against large banks all operating the same failing business strategy. The fact that they were less damaged by the crisis helped to mitigate risk in those economies and ultimately costs to the taxpayer.

### **Remunerate their executives reasonably**

Spiralling executive remuneration in listed banks has become a problem in the UK, with the added agency risk of short term performance being linked to pay. This has driven behaviours that are not present in building societies, where salaries are cash based rather than incentivised by shareholding.

### **Share a higher percentage of their profits with their community**

Building societies are smaller than shareholder owned banks but still manage to return a higher proportion of their profits to communities, charities and member supported activities.

## Life and General Insurance

Friendly societies and mutual insurance companies are firms that are owned by their policyholders. The absence of a need to distribute money to shareholders enables them to offer better services to their customers, as they can afford to take a longer-term view in managing risk.

### **Friendly societies and mutual insurers...**

- Increase customer trust and accountability
- Give consumers more choice and increase competition in insurance markets
- Contribute to corporate plurality and diversity
- Promote economic resilience and sustainability

### **Increase customer trust and accountability**

Because of their different purpose, mutual insurers help to increase customer trust and drive greater accountability. Their members are their owners and they have a degree of influence over the way in which the insurer operates.

### **Give consumers more choice and increase competition in insurance markets**

Mutual insurers provide additional choice in the marketplace. They do not pursue short term goals and are able to provide stability and consistency in a highly-developed market. They focus on delivering high-quality products, often designed with and for their customers/members.

### **Contribute to corporate plurality and diversity**

Mutual insurers' different business purpose permits them to pursue different business objectives which helps them contribute to corporate plurality and diversity. This contrasts with listed firms that require shareholder-led short and medium-term business strategies.

### **Promote economic resilience and sustainability**

The evidence of the economic downturn is that mutuals and co-operatives have generally been more resilient than listed firms. Mutual insurers play an essential role in the global economy, especially in time of crisis, by combining profitability with solidarity; creating high-quality jobs; strengthening social; economic and regional cohesion; and generating social capital.

## Credit Unions

A credit union is a member-owned financial co-operative, controlled by its members and operating on the principle of people helping people.

### **Credit Unions...**

- Provide mutual and ethical savings
- Provide affordable loans
- Are run by members, for members
- Put members first

### **Provide mutual and ethical savings**

Credit unions offer a range of savings accounts. Individuals can choose to save as little or as much as they can afford.

### **Provide affordable loans**

Credit unions offer loan products suited to individual needs and at rates that are easily affordable.

### **Are run by members, for members**

Credit union members are in control of their own finances and have a say in how the co-operative provider is run.

### **Put members first**

Credit unions serve 'the member' by listening to their needs and developing the products and services they want.



### **Mutuals are at the heart of many community activities:**

- Clubs & Societies
- Supporter Trusts

### **Clubs & Societies**

Many of the clubs and societies that exist for leisure purposes are mutualised, and are usually registered as co-operatives or community benefit societies. The sector has a large presence in the UK. It is estimated that over 10,000 such clubs exist in the UK, with over 7 million members, and over 20,000 employees.

#### **Member owned clubs...**

- Are at the heart of communities, providing a framework for a wide range of activities and interests.

### **Are at the heart of communities**

Community is at the heart of UK and it is no surprise that millions of citizens participate in mutually organised recreation activities every week in social clubs, sporting clubs, hobby clubs, trades union and political clubs.

### **Supporter Trusts**

Supporters Trusts are not for profit organisations democratically run by groups of supporters, with the goal of influencing their club. Over 140 such trusts exist throughout the UK, primarily in football. Most hold a stake in their club, and in five cases, own it outright.

#### **Supporter Trusts...**

- Provide a practical response for fans in failed markets
- Harness the enthusiasm and support of supporters for the benefit of all
- Add to the sporting and cultural life of the UK

#### **Provide a practical response for fans in failed markets**

Professional football has been seen to be a classic example of a failed market, with owners showing little regard for the paying customers whilst exponential wage inflation has separated the interests of players from those of ordinary supporters. Supporter Trusts provide a means for fans to organise and take a responsible role in working with clubs.

#### **Harness the enthusiasm and support of supporters for the benefit of all**

Membership is a reciprocal relationship between clubs and their supporters. The entertainment and sense of community provided to the fans is balanced by the financial support and community involvement that the supporters provide the club.

#### **Add to the sporting and cultural life of the UK**

Members play a vital role sustaining their club. Members are the guaranteed vocal supporters in their sports and give life to club activities. This is financial, both directly via payments and indirectly via drawing in sponsor attention; and it is non-financial, through important voluntary activities and contributions. In this way, the vast range of sporting activities are maintained in the UK.

**Mutuals today directly provide a range of public services, including:**

- Housing Associations
- Housing co-operatives
- Co-operative Schools
- NHS Foundation Trusts
- Public service mutuals

## Housing

Housing Associations are independent, non-profit businesses that provide homes to those in need. Though they are not part of the public sector, they receive public funding, and many tenants have their rates set by the government.

Housing Co-operatives are a collection of residential buildings that are owned and run by tenants on the principle of 'one person, one vote'.

**Housing associations and housing co-operatives...**

- Are affordable housing providers
- Housing co-operatives are efficient
- Provide decent homes for key workers and first time buyers
- Is a model of housing that pools people's resources and builds strong communities
- Puts tenants in control of their homes

**Are affordable housing providers**

They provide social housing to millions of people unable to buy their own home.

**Housing co-operatives are efficient**

Housing co-operatives have been effective financial managers of housing for decades because tenants have a sense of ownership and control in their management.

**Provide decent homes for key workers and first time buyers**

Develop affordable housing to deliver new dwellings for key workers and other moderate income earners.

**Is a model of housing that pools people's resources and builds strong communities**

The long-term involvement of tenants with their homes and their community is beneficial to people providing a sense of place and commitment. In addition, the skills developed in operating their own enterprise assist with confidence building that often leads to employment and a more varied income stream.

**Puts tenants in control of their homes**

In addition to social benefits, housing co-operatives can deliver services effectively and efficiently while increasing consumer choice and control.

## Co-operative Schools

Co-operative Schools operate under two models. Most tend to be part of 'foundation trusts,' that run multiple schools as part of a wider network. However, a minority are run as 'co-operative academies', that operate under a variant of the academy model that incorporates co-operative principles. '.

### Co-operative Schools ...

- Promote the values of democracy, equity and fairness across the school
- Create a governance model that directly engages key stakeholders
- Provide opportunities with partner organisations

### Promote the values of democracy, equity and fairness across the school

Because these schools are rooted in co-operative ideals, the values of democracy, equity and fairness are applied right across the school.

### Create a governance model that directly engages key stakeholders

Membership includes parents and staff, the local community and pupils themselves who are directly involved with the governance of the school. This a governance model that puts the school right at the heart of local communities, which in turn have a direct input in how their school is run.

### Provide opportunities with partner organisations

Co-operative schools partner with local organisations and this can bring benefits. Co-operative schools are encouraged to team up with other local co-ops social enterprises, or other schools. This allows schools to collaborate, pool resources and save money.

## NHS Foundation Trusts

NHS Foundation Trusts exist to provide local and specialist NHS healthcare services whilst remaining directly accountable to their patients, staff and local communities. They are independent health organisations that upholding the basic principle of the NHS that care should be free at the point of use.

### NHS Foundation Trusts ...

- Are owned by patients and operate to serve the community's interests
- Enable public and staff engagement

### Are owned by patients and operates to serve the community's interests

NHS Foundation Trusts are mutually owned. Because they are owned by their members they can focus on the local interests of particular communities which can be informed through dialogue with their members.

### Enable public and staff engagement

Anyone living in the area that that a foundation trust operates, or works for a Trust, may be a member, and can participate in its governance, through voting for the Board of Governors.

## Public Service Mutuals

The government defines a public service mutual as an organisation which has left the public sector (also known as ‘spinning out’) yet continues to deliver public services and aims to have a positive social impact and has a significant degree of staff influence or control over the way it is run

### **Public service mutuals...**

- Are a new expression of public interest ownership
- Build trust and confidence in service providers through participative ownership

### **Are a new expression of public interest ownership**

Mutuals are focussed on the services they exist to deliver, affording a direct relationship between service providers and users, rather than through public authority bureaucracies or private sector operators.

### **Build trust and confidence in service providers through participative ownership**

By engaging staff and service users directly, mutuals provide a voice for all stakeholders, ensuring that services are co-produced and trusted by all.

### **Enable staff to reach their full potential**

Employee owned mutuals deliver superior business performance because employees tend to be more entrepreneurial and committed to the company and its success.





# **6**

## **WHAT CO-OPERATIVES & MUTUALS DELIVER FOR THE UK**



## Helping to deliver a fair economy

Mutuals help to create an economy and society that works in the interests of the widest number of people by sharing power in, and the rewards of, business.

They have the potential to help create growth, prosperity and fairness through enterprises that spread wealth and prosperity.

Mutuals:

- Help to build an economy with a diversity of business types
- Provide competition and choice for consumers in a wide range of markets
- Are businesses that plan for the long term rather than short term
- Are businesses that treat customers fairly and honestly
- Share the benefits of business and wealth throughout the country
- Provide quality local employment
- Provide services to communities that are valued and needed

## Help to build an economy with a diversity of business types, that is not dominated by corporations that only act in their own interests, creating systemic risks to the economic system.

All advanced economies benefit from a range of corporate forms. Mutuals have a different purpose to their competitors – they are focused on service and price rather than extracting the most profit.

This safeguards UK business from over-reliance on short term profit maximising firms by ensuring that no business sector is entirely prone to dramatic changes in the stock market.

## Provide competition and choice for consumers in a range of markets

Mutuals are good for the markets that they operate in. Their presence means that there is a permanent competitive pressure on profit maximising firms, keeping prices lower for consumers. In financial services in particular, mutuals promote competition to the big banks, through a range of diverse business options and products.

## Businesses that plan for the long term rather than short term

Without the need to respond to short term stock market pressures, mutuals are able to adopt

longer term business strategies. They are stable, reliable businesses that behave well in a mixed economy.

Their success is clearly shown by the longevity of mutual businesses, many of which have traded continuously for over 150 years.

al and committed to the company and its success.

## Businesses that treat customers fairly and honestly

Research consistently shows that the public trusts mutuals more than other types of business. This is because they have been established to serve their customers or members, rather than investing shareholders. This means that not only do they have an in-built advantage in not having to pay dividends to outside shareholders, but they can concentrate on running the business in a way that best meets the needs of their customers, whether that is through lower costs it better/more diverse service offerings.

## Share the benefits of business and wealth throughout the country

Mutuals are successful businesses that share their profits through lower prices to customers and dividends to members so that more people can benefit. They reward loyalty and hard work for their members' contribution in making their businesses a success. They provide employment opportunities across the country and are good for agriculture, bringing back fairness and equity to market supply chains.

## Provide quality local employment opportunities

Member-owned businesses offer significant benefits for employees, consumers and small businesses across the nation. Increasingly, sole traders and micro enterprises are turning to collaborative strategies to maximise the efficiencies of their office functions to compete with larger entities. Freelance workers are turning to jointly-owned online businesses as a viable alternative to standard internet business platforms to safeguard working conditions.

## Provide services to communities that are valued and needed

Mutuals are very well suited to providing public services where trust is paramount. The inclusive way that they are managed and operate insures that they reflect the needs of the people they are serving as well as those who work for them.



**7**

**WHAT MUTUALS NEED  
FROM GOVERNMENT  
TO HELP DELIVER A  
FAIR ECONOMY AND  
SOCIETY**



The government will set the tone for the business environment through their business policies and related fiscal measures.

The fundamental starting point for mutual businesses is that they should receive the same attention, encouragement and support from governments as other corporations, so that they can compete on a level playing field.

This means that policy, legislation and regulation needs to work for mutuals, and not place them at a disadvantage to other types of firms.

### **What does the sector need?**

The mutual sector is united in seeking:

**Greater recognition and policy understanding of the sector by national and devolved politicians;**

**An introduction of and commitment to an enabling legislative environment for the sector in the UK and**

**An understanding of where inappropriate regulation affects the sector and a commitment to address this where it occurs**

**The UK needs competition between business models, not just competition between businesses.**

