



The Social, Cooperative and Community Economy

All-Party Parliamentary Group

Progress on Growing Diverse Business Models – Inquiry Findings

Background

The APPG for Social, Cooperative and Community Economy supports the contribution of mission-led and diverse business models to growing an inclusive economy. This paper summarises findings from an inquiry into progress on the Labour Party's 2024 Manifesto commitment to “support diverse business models which bring innovation and new products to the market,” and to “double the size of the UK's cooperative and mutuals sector and remove barriers such as access to finance”.

This inquiry aligns with the Government's mission to “Kickstart Economic Growth”, with good jobs and productivity growth in every part of the country. Diverse business models are vital contributors to inclusive and sustainable growth, innovation, and community resilience. The inquiry explored practical steps to turn this ambition into reality by hearing from practitioners, funders, local leaders and government.

The evidence

The APPG heard how diverse businesses play a critical role in strengthening local economies and addressing market failures. Social enterprises, cooperatives and community businesses often operate in ‘broken’ markets, where traditional business models fail to deliver. They create fair employment for people who face barriers to work, bring community assets back into use, innovate in health and social care, develop sustainable products and services, generate clean energy, retrofit homes, and reduce waste to landfill. They address inequality, foster diverse leadership and reinvest profits locally. However, they face challenges:



Business support – sector bodies, Combined Authorities, councils, and peer networks are supporting leadership development, capacity and capability. Yet national, place-based and peer-to-peer networks and intermediaries are fragile and patchy, especially those dedicated to marginalised entrepreneurs.



Funding – various funds have helped create and grow cooperatives, social enterprises and community businesses. But they are often time limited, and many have closed.



Investment – many frontline businesses report that accessing finance remains too complex, expensive or time consuming, and too much like investment-as-usual.



Public procurement – new procurement regulations move beyond cost and focus towards more people-centred models but the Social Value Act still needs strengthening for public/social partnerships to achieve their potential.



Access to markets – there is untapped potential to grow the customer base of social enterprises and cooperatives, through market readiness, brokerage and support.



Legal and fiscal frameworks – Community Right to Buy offers promise, while areas like the apprenticeship levy and business rates need reform. The collective capacity of regulators in the Financial Conduct Authority (FCA) and Companies House needs modernising and aligning.

The UK has been a leader in support for diverse business models, catalysed by the last Labour Government. However, after over a year in power, key departments are not yet aligned - DBT's new team is issuing a call for evidence in late 2025, DCMS are largely focused on finance, and a new cooperatives unit in MHCLG is not yet in place. There is a risk that policymakers default to business-as-usual, excluding diverse businesses, unknowingly and unintentionally working against the Government's own manifesto commitment.

Recommendations

Joined-up government working

Despite considerable cross-party support and the ongoing growth of diverse businesses themselves, government action has been slow and in need of joined-up strategy across key departments - DBT, DCMS, MHCLG, DHSC, HMT and Cabinet Office^[1]. New initiatives to provide this must provide an enabling platform for departmental plans and more tailored, place-based actions, growing the scale and impact of diverse businesses across the country, to meet manifesto targets.

Sector leads and champions

Diverse business model sector leads and champions need to be better embedded across government departments to strengthen awareness and coordination in order to highlight and build upon best practice.

Improved use of existing funds and programmes

DBT and DCMS, through ensuring their existing programmes are open to diverse businesses, can expand support for start-ups, growth and replication, and enterprise development.

Increased access to patient and affordable finance

DCMS, HMT and DBT and cross-government initiatives should work with specialist and mainstream finance providers - and through their own programmes - to open up more affordable, patient, risk-sharing models, with an aim to better understand the relationship between the work social enterprises, cooperatives and diverse businesses do and the finances they often require.

Routes to market and the public purse

The Procurement Act consultation should lead to joined-up integration of support for VCSEs in public procurement, and strengthening the Social Value Act can expand public/social partnerships and secure greater value for money from existing public budgets.

Market readiness support and brokerage

Market readiness support and brokerage can help address the massive untapped potential to grow the customer base of social enterprises and cooperatives.

Legal and fiscal frameworks

Ensure legal and fiscal frameworks do not, even unintentionally, discriminate against diverse businesses.

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¹ Department for Business and Trade; Department for Culture, Media & Sport; Ministry of Housing, Communities & Local Government; Department of Health and Social Care; HM Treasury.



Evidence Annex: Scan the QR code to access the evidence annex.