

Co-Ops & Mutuals Call for Evidence: SEUK Response

February 2026

Q1. If the co-operative and mutuals sector were to grow, what do you expect the key impacts would be? Please draw on evidence, where possible.

Research from the Future Economy Alliance (2024) demonstrates that mission-led businesses, including co-operatives, mutuals, and social enterprises, represent around 5% of UK businesses, creating around 4 million jobs and 10% of GDP while reinvesting more than £1 billion of profits into communities. Research by DEMOS (2023) concludes that if all businesses were mission-led:

- *UK GDP would be 7% larger*
- *The lowest paid workers could receive an average £44/week pay rise*
- *Investment as a percentage of GDP could increase by 3%*
- *R&D expenditure could increase by £135 billion.*

Increasing the proportion of social enterprises and co-operatives within the UK economy from 3% to 12% of GDP would increase UK investment by £14 billion (Social Enterprise UK, 2024).

As the UK's national voice for social enterprises, Social Enterprise UK leads the world's largest network of businesses with a social purpose. Our membership includes large public services providers, many of which span-out of the public sector and are classified as public service mutuals.

Public service mutuals are a key part of the NHS family. They are social enterprises that deliver over £2 billion worth of NHS services across the country and over a third of all community health services, often serving the most vulnerable populations. The 60 largest healthcare social enterprises deliver £2.4 billion worth of services annually, with the biggest 15 employing nearly 12,000 staff. These organisations deliver urgent care for two-thirds of the UK population, as well as a third of community services.

The care delivered by social enterprise public service mutuals is, on average, of a higher quality and greater affordability than that delivered by NHS trusts. Research from Social Enterprise UK, Baxendale, and The King's Fund (2025) finds that these organisations are more likely to deliver services rated 'Good' or 'Outstanding' by the Care Quality Commission and demonstrate a leaner and more efficient model than NHS Community Trusts.

A greater proportion of these non-profit distributing, financially responsible, and flexible organisations delivering NHS services would support government in realising its ambitions to shift care from hospitals to the community, and from sickness to prevention.

Growing co-operatives, mutuals, and social enterprises would reduce the extraction of public money from the UK's care system, which is currently damaging communities and the UK economy (CLES, 2025). Retaining investment in the system by supporting the growth of cooperatives, mutuals and social enterprise to deliver key public services would not only support the growth of the local economy - in the health and social care system, it will lead to improvement of the quality-of-care people receive and better meet the needs of the communities they serve (Hall, 2023).

Q2. We are interested in reliable data sources that evidence the impact of co-operatives and non-financial mutuals on economic growth. What data sources are available that show the impact - positive, neutral, or negative - of co-operatives and mutuals on economic growth?

Economic growth, for the purpose of this question, refers to the long-term increase in the productive capacity of the economy, typically measured by real (inflation-adjusted) growth in gross domestic product (GDP).

If you are not aware of the data, feel free to skip this question. Anecdotal insights are welcome, but please indicate if your response is based on personal experience.

Social Enterprise UK leads the world's largest network of businesses with a social purpose. Many of our members are employee or member-owned.

Our Social Enterprise Knowledge Centre is the UK's most comprehensive repository of sector information and insight. Our State of Social Enterprise Survey, published every two years, provides insight into sector-wide trends and attitudes. The latest report, Backbone of Britain (2025), demonstrates how despite tough economic circumstances, mission-led businesses are still delivering for society against the odds, with an increased focus on supporting vulnerable people and serving local communities, addressing the challenges of our times like the mental health of the nation, paying fair wages, investing in staff development, and creating employment opportunities for those furthest from the job market.

Social Enterprise UK's latest State of Social Enterprise research shows social enterprises, many of which are employee or member-owned, contribute around £78bn in turnover and 2.3 million jobs, reinvesting in people and communities.

Economic growth is also delivered through improved public sector productivity. Recent evidence collected by Social Enterprise UK, Baxendale, and The King's Fund (2025), outlines the significant contribution public service mutuals make to healthcare, and the systemic barriers they continue to face.

Financial Performance & Productivity:

Baxendale took a sample of 20, randomly selected Community Service Trusts (including mental health) and analysed their financial accounts for the FY22/23 and FY23/24 to benchmark some key financial, efficiency and productivity indicators. They found social enterprises:

- *delivering NHS-funded community healthcare demonstrate a leaner and more efficient model compared to NHS Community Trusts.*
- *have lower average staff costs, possibly indicating more creative and resourceful approaches to the skills mix within teams.*
- *spend less on bank and agency staff as a percentage of the staff bill — indicating stronger workforce stability and better staff engagement.*
- *operate with lower overhead costs relative to their total spend, indicating lean management and prioritising spend on patient care.*

Staff Sickness Absence:

Baxendale analysis found that the 12 social enterprises with publicly available data had a lower average staff sickness absence during that period. A difference of ~0.8-1% can have significant implications for organisations. For a 2,000-person organisation, the difference between a 4.6% and 5.4% sickness rate equates to 3,344 fewer sickness days per year. According to an NHS Report which found the average cost of sickness is £182.50 per day, this could equate to total cost savings of c. £600,000 per year.

CQC Data by NHS Organisation Type:

Analysis of the latest CQC report data, by overall organisation rating shows that social enterprises on average performed marginally better across the board compared to non-social enterprise community services. They performed significantly better than all NHS Organisations, with 23% less organisations being rated as “Requires Improvement”

Just two of the case studies included in the report demonstrate the improvements in productivity:

City Healthcare Partnership: Their proactive campaign to reach the 3,000 people with severe frailty in Hull resulted in a 50% reduction in emergency admissions for the most frequent hospital attenders and a 10- 25% reduction in GP visits for the rest of the group. Work with a wider cohort with less severe frailty led to a 13.6% reduction in A&E admissions for people over 80, an 18% reduction for care home residents and reduced medicine costs of £100 per person per year.

Navigo: Navigo provides mental health services on behalf of the NHS in North East Lincolnshire. 94% of emergency mental health referrals under Navigo are seen within four hours compared with just 50% across England.

Q3. How do different types of co-operatives and non-financial mutuals drive economic growth differently?

Consider worker, producer, consumer or multi-stakeholder co-operatives, as well as different legal structures for co-operatives e.g. co-operative society or company limited by guarantee.

Evidence from Co-operatives UK (2025) tells us that consumer and community co-operatives are often the fastest growing co-operatives. They also conclude that multi-stakeholder, enterprise and employee ownership trust models are significantly over-represented among the fastest growing co-operatives, measured by change in employees between 2021 and 2025.

One critical role these businesses play is in creating jobs. Co-ops UK report that consumer co-operatives create more jobs by turnover than the average enterprises in the UK. WPI research published in 2023 found that labour productivity in UK worker co-operatives (within a wider cohort of employee-owned businesses) was 8-12% higher than in control groups of comparable firms. Analysis by Co-operatives UK in 2022 found that up to a point, worker co-operatives have a propensity to achieve a greater degree of scale and to create more jobs than UK businesses generally.

They also contribute beyond jobs and direct economic output, in how they enable the businesses and organisations they serve to be more productive, profitable, resilient and impactful. For example, co-operation among growers in UK horticulture has enabled a tenfold increase in production volumes over 27 years. The worker co-operative model, for instance, combines these contributions to growth with very strong impacts in terms of worker income, wellbeing, progression, job and firm resilience and very low (often equal) top-bottom and gender pay ratios.

The number of community co-operatives in the UK grew by 20% from 2021 to 2025, but their combined turnover grew by 56% and combined employees grew by 33%. This is faster than growth in the UK economy more widely.

Again, they also bring inclusive and sustainable economic impacts in enabling place-based regeneration, supporting local enterprise, and local people in relation to wellbeing, resilience, skills and opportunity.

Another example of their significant contribution to growth is through their role in supporting the nation's health. The Government's own 10 Year Plan for the NHS sets out an ambition to transform the NHS into an engine for economic growth. Independent analysis commissioned by the NHS Confederation (2022) has quantified the positive relationship between the NHS and improved health outcomes, labour productivity and economic activity. Public service mutuals at the forefront of productivity in the NHS

therefore play a critical role in supporting the underlying conditions for the UK's economic prosperity.

Q4. What data, if any, is available on the demographic characteristics – such as age, gender, ethnicity, disability, and socioeconomic status – of the management and workforce of individual co-operatives and non-financial mutuals in Great Britain?

If you are not aware of the data, please feel free to skip this question. Anecdotal insights are welcome, but please indicate if your response is based on personal experience.

Evidence from Co-Operatives UK (2025) demonstrates that:

- *Women lead 24% of the UK's top 100 cooperatives, compared to just 9% of FTSE 100 companies (2025)*
- *The gender pay gap in co-operatives is 7.5%, compared to the UK average of 12%.*
- *In the top quartile of earners across the economy, only 41.8% are women, compared with 56% in cooperatives.*

Evidence from the State of Social Enterprise Survey (2025) finds that social enterprises, which often have a degree of employee or member ownership, consistently have workforces that are significantly more female than those of traditional businesses, as well as being representative of the wider population in terms of ethnicity, disability and sexuality.

Around 65% of the social enterprise workforce are female. Among social enterprises with paid employees, 78% report that at least half of their workforce are women, with 18% stating their entire workforce is female. Around 22% of social enterprise staff are from minoritised ethnicity backgrounds.

60% of social enterprises have at least one staff member from a Black, Asian, or other ethnic minority background, with 20% reporting that at least half of their workforce are from these groups. 7% say their entire workforce is made up of people from ethnic minority backgrounds.

Social enterprises are also more likely to be female-led than other forms of business, and three-quarters are led by people with lived experience of the social issues the business is seeking to address.

Q5. Thinking about starting a business in the co-operative and non-financial mutual sector, to what extent do you agree or disagree with the following statements:

- 1) **those starting a business are not aware they can use a co-operative or mutual business model**
- Agree
- 2) **it is more difficult for new co-operatives and non-financial mutuals to qualify for start-up capital support schemes than for other business models** – Agree
- 3) **aspiring co-operative and non-financial mutual founders often lack the necessary skills to get started**
- Disagree
- 4) **business advisors lack awareness and understanding of co-operative or mutual business models**
- Agree
- 5) **investors lack awareness and understanding of co-operative or mutual business models**
- Agree
- 6) **there are not enough visible success stories to inspire or guide co-operative and non-financial mutual start-ups**
- Agree
- 7) **new co-operative and non-financial mutual founders lack access to peer support networks**
- Agree
- 8) **relative to other business founders, aspiring founders do not know where to find clear, accessible guidance and advice on starting up a co-operative or non-financial mutual**
- Agree
- 9) **the rationale for starting-up a co-operative or non-financial mutual is different to starting-up another kind of business**
- Agree
- 10) **the process to start-up a co-operative or non-financial mutual is complex**
– Disagree

Q5a. Why did you agree and/or disagree with the previous statements?

The skills required to set up a cooperative or mutual are not fundamentally different to starting any other business. The survival rates referenced by Co-operatives UK (2025) report that 82% of co-operative start-ups are still trading after 5 years, compared with just under 40% of UK companies overall, is clear evidence of this. If there was a skills deficit among founders of cooperatives and mutuals founders, we would expect to see poorer outcomes.

However, social enterprises more broadly report general skill shortages, though these are not explicitly linked to founders and are instead seen as a barrier to social enterprise

growth. 61% of respondents to SEUK's most recent State of Social Enterprise Survey (2025) report a general shortage of skills, for example in relation to finance and marketing.

Barriers to entry for new founders can largely be attributed to a lack of awareness, knowledge, system design and a lack of tailored support.

As outlined in detail in response to question 6, there are unique barriers to start-ups which impact the size of the UK's cooperatives and mutuals sector, including financial barriers, inequality in local ecosystems and a lack of appropriate business support.

We agree with Co-ops UK that a lack of awareness and practical understanding of co-operative options, in communities and among mission-led entrepreneurs, existing businesses/organisations, and those who advise them, is a major barrier. We also believe this lack of awareness also transpires in terms of peer networks and support services – it is not that these are unavailable, but that awareness-raising should be a priority in order to strengthen overall ecosystems.

Q6. In general, do co-operatives or non-financial mutuals face any unique barriers to starting-up that other types of business don't face? Please explain your answer.

You may wish to consider barriers to accessing capital, market share, business support, investment, public awareness, or competition with other types of business.

As well as awareness of the available options, there are wider barriers around culture (in institutions and the education system, for instance), the business support ecosystem, access to finance, which largely caters for 'conventional' shareholder business forms, and a raft of legal, institutional, policy and fiscal barriers in the UK.

Q7. Do different types of co-operatives and mutuals face different barriers to starting-up? Please explain your answer.

You may wish to consider consumer, worker, producer, multi-stakeholder and community co-operatives, as well as trusts, clubs and societies, and direct and indirect employee-owned businesses.

You could also consider different legal structures for co-operatives and non-financial mutuals e.g., co-operative society or company limited by guarantee.

Registered societies face a range of challenges around ambiguities and uncertainty in registration, challenges raising capital, confusing and burdensome audit requirements, administrative frictions and costs. Registering a co-operative with the FCA is generally more expensive than other registration processes. There is also misleading information

from Companies House, among the business support community, and in parts of government, where this model is not always well understood.

Companies and CICs can sometimes also struggle with a lack of capacity and expertise in Companies House and the CIC Regulator, as well finance barriers.

Q8. Are there industry or sector-specific barriers to starting a co-operative or non-financial mutual? Please explain your answer.

You may wish to consider industries and sectors such as healthcare, energy, manufacturing, retail, and agriculture etc.

The Right to Request, which enabled staff of Primary Care Trusts to vote to ‘spin-out’ of the public sector and form social enterprises and public service mutuals, has slowly been dropped by government, despite not formally being scrapped. It is not clear if this mechanism still exists, and government clarity in this area is needed.

Q9. Is the rationale and process for growing a co-operative or non-financial mutual the same or different for growing a business which is not a co-operative or non-financial mutual?

Often, founders have clear motivations for choosing this business model – whether it is to facilitate joint ownership of a valuable community asset, to deliver a competitive public service, or to deliver social impact, prioritising social, environmental, or community benefit (Social Enterprise UK, 2023).

Social Enterprise UK represents several large public service mutuals which deliver billions in NHS services annually. Public service mutuals were first established under the NHS ‘Right to Request’ programme, which allowed staff to ‘spin out’ of Primary Care Trusts and establish social enterprises to deliver NHS services. The rationale behind Right to Request was to generate greater competition and choice in the provision of health commissioning and empower staff to improve patient care (National Audit Office, 2011).

The process of spinning out required employees to identify social enterprise as a possible organisational form in their area of service delivery and then submitting an expression of interest to their Primary Care Trust board. Most of these projects were led by groups of clinicians. These requests were then evaluated to ensure they would deliver sufficient quality, efficiency, and sustainability, before going live and being supported by bespoke financial and business support. There was previously a Social Enterprise Unit in the Department of Health and Social Care to support these initial ‘spin-outs’.

The Right to Request was a successful initiative in improving the diversity of healthcare provision; the largest 60 healthcare ‘spin-outs’ now deliver over £2 billion worth of

services and make up over a third of community service providers. These providers routinely deliver high-quality, financially sustainable care, embedded in the communities they serve.

Q10. To what extent do you agree or disagree with the following statements about growing and sustaining a co-operative or non-financial mutual

- 1) **growing and sustaining is too capital intensive for many co-operatives and non-financial mutuals**
- agree
- 2) **it is too difficult for co-operatives or non-financial mutuals to meet the eligibility criteria for capital support**
- agree
- 3) **it is too difficult to maintain co-operative and mutual principles at scale**
- disagree
- 4) **co-operatives and non-financial mutuals looking to grow and sustain lack access to peer support networks**
- agree
- 5) **co-operatives or non-financial mutuals do not know where to find clear, accessible guidance and advice on growing and sustaining**
- agree
- 6) **co-operative or non-financial mutual founders often lack the necessary skills to grow and sustain**
- neither agree nor disagree

Q10a. Why did you agree and/or disagree with the previous statements?

A shortage of skills is not necessarily a significant problem for co-operative and mutual founders specifically, as the skills required to set up cooperatives and mutuals are not fundamentally different to starting any other business. However, some social enterprise organisations do report skill shortages generally, for example in relation to finance and marketing. 61% of respondents to SEUK's most recent State of Social Enterprise Survey (2025) report a general shortage of skills.

What is lacking is awareness from support providers and appropriate provision of the tailored support needed by founders of diverse businesses.

Diverse business models require capital that is patient, long-term, and non-repayable, especially in the start-up phase.

They also require tailored advice around issues such as business planning, accounting, and legal support. Mainstream business support and established pathways act as a

barrier to exploration, adoption, and growth. While there are providers that deliver these services specifically for diverse businesses, they are few and far between, and there are often barriers to entry depending on locality and background.

Improving awareness across government is also necessary; despite cross-party support for growing diverse business models, government understanding and action is fragmented and lacks a joined-up approach. DBT, DCMS, MHCLG, DHSC, HMT, and Cabinet Office should adopt a joined-up strategy to supporting start-up diverse businesses, including systems of support, place-based actions, and targets in line with manifest commitments to grow the sector (Social, Co-operative, and Community Economy APPG, 2025).

Q11. Are there unique barriers to growing and sustaining a co-operative or non-financial mutual which other types of business don't face? Please explain your answer.

You may wish to consider barriers to accessing capital, market share, business support and investment; public awareness; or competition with other types of business; and/or regulatory challenges.

The following barriers were identified by the APPG for the Social, Co-operative, and Community Economy's 2025 inquiry into growing diverse business models, which took evidence from diverse business leaders, including co-operatives and non-financial mutuals, diverse business network leaders, support organisations, and government stakeholders.

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. Red tape and lack of access to good business support are less cited as barriers in SEUK's most recent state of social enterprise survey.

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

Finance and Investment – many frontline businesses report that accessing finance remains too complex, expensive, or time consuming, and too much like investment-as-usual. For example, some report limited options for using an overdraft from banks, who are unable/unwilling to assess their business risk as a social enterprise. They require a broader spectrum of finance options to be made available. Short-term grant cycles remain barriers and there is a need for long-term finance to grow.

In SEUK's 2025 State of Social Enterprise survey, financial challenges were the most frequently cited obstacles to growth, with 68% of social enterprises reporting difficulties in securing grant funding, up from 48% in 2023, and 54% highlighting cash flow issues, up 10% from the last survey. 51% of social enterprises don't think there is enough suitable finance available. Just 31% think external finance is well sign-posted, and over three-quarters disagree that application forms are easy to navigate.

Risk aversion and fear of rejection have also increased as reasons for not applying for finance, with less confidence about the amount and suitability of forms of finance available.

Public procurement – 37% of respondents to SEUK's State of Social Enterprise survey noted accessing procurement. They also cited issues around meeting the procurement criteria. 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.

Legislation – legislation can create perverse incentives when diverse businesses are not explicitly included – for example, public sector healthcare providers were protected from increases in Employer's National Insurance, but social enterprises were not, resulting in unnecessary pressures on budgets and services.

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 like the FCA and Companies House needs modernising and aligning.

Lack of awareness - Social Enterprise UK's most recent State of Social Enterprise report identifies a lack of awareness as a key barrier. Of the 29% who cited barriers related to being a social enterprise, two thirds said lack of or poor understanding/awareness of social enterprise among general public/customers was a problem, and the same proportion (66%) mentioned lack of or poor understanding/awareness of social enterprise among banks and support organisations, also up from the previous survey.

Question 12 removed

Q13. Are there industry-specific barriers faced by co-operatives and non-financial mutuals when trying to grow and sustain? Please explain your answer.

Public service mutuals delivering health and social care face significant barriers to their growth and sustainability, which is of particular concern given the scale of the services they deliver (Social Enterprise UK and The King's Fund, 2025).

Despite routinely delivering quality, community-led, financially sustainable services, these organisations are not sufficiently understood as part of the healthcare system, and therefore often forgotten when decisions are made around funding, commissioning, workforce support, and access to capital.

Below are some key examples:

- *All NHS staff employed on Agenda for Change terms were told explicitly they would receive the 'backlog bonus' for working through the pandemic, social enterprises employing staff on these terms were not funded until Social Enterprise UK launched a Judicial Review.*
- *Increases to employers' National Insurance contributions were announced in the 2024 Autumn Budget. Public providers were explicitly told they would be protected from this increase, but Public Service Mutuals were not provided with the same reassurance.*

Failure to understand and recognise the role of these organisations has also resulted in their exclusion from government funding, such as the Frontline Digitalisation Fund (worth £2 billion), the NHS workforce plan (worth over £2 billion), as well as access to NHS initiatives such as resources to support international nurse recruitment and access to PPE during the pandemic.

These decisions are not necessarily a deliberate attempt to exclude social enterprise providers – rather, they stem from a lack of understanding and awareness about the contribution of these providers to delivering quality care.

Decisions such as these bring about unnecessary unintended consequences, arbitrary inequalities, and create perverse incentives which work contrary to the ambitions of the Government and the Department of Health and Social Care's ambitions to support the shifts from hospital to community, and from sickness to prevention.

Social enterprise is already delivering the shift in health and social care set out in the Government's 10 Year Plan for the NHS - addressing market failure, supporting preventative, community-based, upstream approaches in health and care. Public service mutuals present a huge opportunity to deliver the government's change agenda, if provided with a fair playing field and opportunities to grow.

Question 14 removed

Q15. What do you think the impact would be of more businesses mutualising?

You may wish to consider:

- **Short, medium, and long-term implications of increased conversion into a co-operative or mutual model**
- **The potential impact on individual businesses (such as performance, resilience, employee engagement) and on the wider economy (such as productivity, innovation, regional development)**
- **Any risks, challenges, or unintended consequences that might arise**

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Public Service Mutuals are a key part of the NHS family. They are social enterprises that deliver over £2 billion worth of NHS services across the country and over a third of all community health services, often serving the most vulnerable populations. The 60 largest healthcare social enterprises deliver £2.4 billion worth of services annually, with the biggest 15 employing nearly 12,000 staff. These organisations deliver urgent care for two-thirds of the UK population, as well as a third of community services.

The care delivered by social enterprise public service mutuals is, on average, of a higher quality and greater affordability than that delivered by NHS trusts. New research from Social Enterprise UK and Baxendale finds that these organisations are more likely to deliver services rated 'Good' or 'Outstanding' by the Care Quality Commission and demonstrate a leaner and more efficient model compared to NHS Community Trusts.

A greater proportion of these non-profit distributing, financially responsible, and flexible organisations delivering NHS services would support government in realising its ambitions to shift care from hospitals to the community, and from sickness to prevention.

The impact of more businesses mutualising would reduce the extraction of public money from the UK's care system, which is currently damaging communities and the UK economy.

Retaining investment in the system by supporting the growth of cooperatives, mutuals and social enterprises to deliver key public services would not only support the growth of the local economy - in the health and social care system, it will lead to improvement of the quality-of-care people receive and better meet the needs of the communities they serve (Social Enterprise UK and The King's Fund, 2025).

Q16. To what extent if at all do you agree or disagree with the following statements:

- 1) **there is a lack of awareness of co-operative and mutual models among business leaders**
- agree
- 2) **there aren't enough visible success stories of businesses that have mutualised**
- agree
- 3) **there's not enough clear information or advice on how to mutualise**
- agree
- 4) **there are many reasons why businesses mutualise**
- agree
- 5) **the process to mutualise is complex**
- disagree
- 6) **there is a lack of awareness of co-operative or mutual models by employees**
- agree
- 7) **the landscape is too complicated for businesses looking to mutualise**
- disagree, it's not complicated but it is messy, with patchy and flawed business support
- 8) **there are insufficient incentives to encourage businesses to mutualise**
- agree

Q16a. Why did you agree and/or disagree with the previous statements?

The landscape for businesses looking to mutualise is not too complicated; rather, support is patchy and flawed and this can impact negatively on those considering alternative business models. The issue is a lack of awareness raising, suitable support, and supportive legislation, such as Community Right to Buy.

Questions 17-23 removed

Q24. Is there enough tailored support for co-operatives and non-financial mutuals?

Existing support, especially financial support, is often not suitable for those setting up diverse businesses including co-operatives, mutuals, and social enterprises. These organisations often require patient, blended, long-term finance to be able to grow, and short-term grant cycles and inaccessible investment options are not only unsuitable for

diverse businesses – they also force organisations to shift focus to chasing funding, rather than delivering impact.

While tailored and patient support does exist in some cases, there are still significant provision gaps in quality support for diverse businesses. The Social, Co-operative, and Community Economy APPG's 2025 inquiry into growing diverse business models found that 'one-size-fits-all' approaches to business support are exclusionary, and that even when diverse businesses leaders can access this support, they are often given advice which is not suited to them or their business model. There is a significant scarcity of accountants, lawyers, and consultants who understand the diverse business sector, resulting in poor advice which needs to be remedied later.

Procurement is another area where support for social enterprises, cooperatives, and mutuals is often lacklustre. Engagement on procurement and commitment to social value varies greatly between local authorities, and the guidance and legislation that surrounds public sector commissioning is not always implemented in a way which fosters transparency and accountability. A co-designed common social value framework, as well as the appointment of an accountable officer for social value in every public body, would support organisations capable of delivering quality, non-extractive public services to scale their delivery and grow their impact.

Q25. Is there support or advice you think is missing for co-operatives and non-financial mutuals?

The Social, Co-operative, and Community Economy APPG's 2025 inquiry into growing diverse businesses found several gaps in support for social and cooperative business models, which are restricting the potential of the diverse business sector.

Across the board, contributors to the inquiry noted that awareness and practical support are lacking, and that local authority commissioners and business support services, even those who are keen to contract social enterprises, do not have the sector knowledge necessary to practically support diverse businesses.

Contributors also noted that support is especially lacking for those from marginalised backgrounds, and that government must adapt systems and processes to empower those without the usual access, schooling, or business training of other mission-led founders, but are nonetheless delivering vital services in their communities. It was recommended that this support is delivered as part of multi-year agreements, rather than being tied to specific projects.

In addition to racial discrepancies, there are regional discrepancies in advice and support for diverse business leaders. These discrepancies also persist throughout the nations of the UK; Scotland, for example has a 10-year Social Enterprise Strategy and several

adjacent programmes which deliver business and financial support. The inquiry found that place-based organisations build trust in their communities, and can grow diverse, supportive infrastructure to support their local social economies. However, these support networks vary in strength – a formalised network of infrastructure bodies, like the existing CVS model, could deliver more tailored, specific support to diverse businesses operating in their communities.

Q26. What do you think is working well and what is working less well when it comes to how co-operative and non-financial mutual businesses access capital in Great Britain? You may wish to comment on:

- **access to and types of capital (e.g. loans, equity, grants, community shares)**
- **how accessible these are for co-operatives and non-financial mutual models compared to other business models**
- **examples of good practice or persistent difficulties**

Traditional financial support is often not suitable for diverse businesses, including social enterprises, cooperatives and mutuals. Evidence from the Social, Co-operative, and Community Economy APPG's 2025 inquiry into growing diverse businesses found that existing financial support is often too complex, expensive, and time consuming. The availability of patient, long-term, blended finance – the kind of finance diverse businesses often require – is limited, impeding the growth of diverse organisations, especially those from ethnic minority backgrounds, as outlined in the Adebowale Review of Social Investment (2023).

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

Evidence from Co-Ops UK (2025) also identifies the following issues:

- *The standard angel investor>venture capital>IPO/private exit route does not cater to co-operatives*
- *Lack of understanding of co-operatives among lenders and investors, results in reluctance to invest, inaccurate risk assessment and inappropriate pricing, while the rarity of co-operatives results in ‘volume penalties’ for these businesses*
- *Policies and processes in high street banks impede access to products and services, including not recognising a co-operative as legitimate in onboarding checks and the widespread requirement for personal guarantees for start-up loans*

- *Deficiencies in automated systems and public registers used by lenders and credit reference agencies regarding co-operatives and mutual data*
- *Ill-fitting accounting standards may lead to a further misreading of cooperatives by finance providers*
- *Ambiguities and limitations within the Co-operative and Community Benefit Societies Act, and related registrar policy, are a major barrier to some forms of capital raising*

Q27. What further support would co-operative and non-financial mutual businesses benefit from when starting, growing and sustaining, scaling or mutualising?

From your experiences of navigating business support, you may wish to consider what forms of public, private or community support would help overcome existing barriers to starting, growing and sustaining/scaling or mutualising and whether there are specific types of guidance, funding or broader support that would make a difference.

The Social, Co-operative, and Community Economy APPG's 2025 inquiry into growing diverse business models, which took evidence from diverse business leaders, local diverse business ecosystems, diverse business support providers, and government stakeholders, outlines several recommendations of necessary support to grow cooperatives, mutuals, and other diverse business models.

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. 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 affordable finance – *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.

Q28. Is there anything else you would like to share?

“Social enterprise” is a term that exists alongside, overlaps with, and is adjacent to other terms associated with ‘alternative business’ models. These businesses distinguish themselves from ‘conventional’ business models, which assume shareholder primacy and profit maximisation motives.

Conventionally, many have used a spectrum to explain social enterprise with profit driver at one end and social at the other. However, the reality is more multi-dimensional. Cooperatives, social enterprises, mutuals and others are often defined by how they exhibit distinct characteristics. We can explore how different business terms exhibit these characteristics. For instance:

Co-operatives – owned and controlled by members democratically, (workers, consumers, investors or others).

Social enterprises – committed to a social or environmental mission. In most cases and contexts, they also direct all, or the majority of, profits towards their mission. But they may not be democratic, as such.

The Government has committed to doubling the size of the co-operative and mutual economy, and there is now also an Office for the Impact Economy. The Government must recognise that these terms overlap and sometimes a business may be a social enterprise, a co-operative, a mutual, and employee-owned all at the same time. This is indeed the case with most of the public service mutuals working in the NHS. A co-ordinated and truly cross-departmental strategy is required to ensure effective policy making. The Government being consistent, considered and inclusive in its use of terms will be critical to effective policy making to meet the government's own objectives.

Employee ownership, cooperation, and social enterprise are converging in practice – but diverging in policy and data. There is growing policy and practitioner interest in employee

ownership and co-operative business models, alongside a large and established Community Interest Company (CIC) sector. However, the UK currently lacks any systematic way of identifying or tracking when CICs are employee-owned, co-operatively governed, or transitioning into democratic ownership models. This creates a major evidence gap at the intersection of social enterprise, employee ownership and mutuals policy.

Government ambitions to grow employee ownership, expand co-operatives and mutuals, strengthen social enterprise, and promote inclusive growth are currently pursued through separate policy lenses, despite significant overlap in practice. The alignment of social enterprise support, co-operative development, and employee ownership transition support, facilitated by DBT and the CIC Regulator, and supported by sector bodies, could make visible the existing links between Community Interest Companies, employee-owned, and co-operative business models. A small, proportionate intervention would allow government to see what is already happening, design better support, and accelerate inclusive growth.

Quote from Baroness Glenys Thornton of Manningham: “If we are to grow or even double the size of the cooperative sector, we must ensure that the whole social enterprise ecosystem is maintained and supported. Without the seeds of social enterprise, an increasing number of which transition to co-op and mutual models, this noble ambition will be much harder to realise.” (2026)

RELATED TERMS

Community business

Around 11,000 community businesses are established and run by the community, trading to generate income that is reinvested locally, and working to improve the place in which they are based. Estimates suggest these businesses contribute around £1.5 billion to GVA in the UK.

Co-operatives

A co-operative is a business or organisation that's owned and controlled by its members (workers, consumers, investors or others), to meet their shared needs. There are over 9,000 in the UK, generating £87bn of revenue and with over 400,000 employees.

Employee-owned business

Employee ownership is when employees have a say and a stake in the company they work for. If a limited company is more than fifty percent owned by its employees, it is usually described as 'employee-owned'. Where employees hold a significant stake in a company, but less than fifty percent, this is often referred to as co-ownership. There are two main types of employee ownership - direct and indirect (through a trust) employee ownership. Since 2014, the number of employee-owned businesses in the UK have skyrocketed to more than 1,650 businesses. The sector is estimated to be worth £25 billion annually.

Social enterprise

Social enterprises are independent businesses which trade with primarily social or environmental objectives and whose surpluses are principally directed towards their mission. There are around 131,000 social enterprises in the UK, with a collective turnover of £78bn and employing around 2.3 million people. The World Economic Forum reports that there are an estimated 10 million social enterprises globally, generating around \$2 trillion in revenue annually and creating nearly 200 million jobs.

Charity

Charity is a specific status, not a legal structure. In England and Wales, a charity is an organisation that is established for charitable purposes only. To be charitable, your charity's purposes must fall within the descriptions of purposes and be for the public benefit. There are around 170,000 charitable organisations in the UK. UK charities generate around £100 billion per year.

Mutual

A mutual is a business owned by and run for, the benefit of its members (employees, suppliers, or the community or consumers it serves) rather than being owned and controlled by outside investors. NB Conservative Minister Francis Maude used the term “public service mutuals” to describe organisations which have left the formal public sector, continue to deliver public services and aim to have a positive social impact, and have a significant degree of employee ownership, influence or control in the way the organisation is run. Mutual businesses are estimated to generate over £133.5 billion of income annually.

LEGAL FORMS / STATUSES

For more detail on legal forms and statuses, see [A guide to legal forms for social enterprise](#) by Department for Business, Innovation and Skills, as well as [A guide to mutual ownership models](#) also by the Department.

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