OUR RESPONSE TO THE DBT

CALL FOR EVIDENCE

Call for evidence on business support for co-operatives and non-financial mutuals

Submitted to the Department for Business and Trade
February 2026

Mutuo has prepared this document to share its submission to the DBT Call for Evidence.

We recognise that others may agree with some of the points we make and disagree with others — particularly in terms of emphasis. That diversity of perspective is both expected and welcome.

We hope that sharing our response is helpful to those preparing their own submissions, and we encourage as many organisations and individuals as possible to respond to the questions they feel best placed to address.

https://www.gov.uk/government/calls-for-evidence/business-support-for-co-operatives-and-non-financial-mutuals/call-for-evidence-on-business-support-for-co-operatives-and-non-financial-mutuals#next-steps

The deadline for responses is **18 February 2026**.

DBT Call for evidence questions: data and experiences of co-operatives and non-financial mutuals

1. If the co-operative and non-financial mutuals sector were to grow, what do you expect the key impacts would be? Draw on evidence, where possible.

You may wish to consider:
- **short, medium, and long-term implications**
- **the economic, social, and environmental impact**
- **national and local impacts**
- **place-based impacts such as impacts in rural, urban and coastal areas**
- **any risks, challenges, or unintended consequences that might arise**

For the purpose of this question, growing the co-operative and non-financial mutuals sector in GB may be interpreted or measured as it is most relevant to your sector. Specify, how you have interpreted or measured this.

In the short term, growth in co-operatives and mutuals would increase competition in essential markets, create quality local jobs and recycle value more quickly back to members and communities. These effects would be felt most immediately in places experiencing market failure, where mutual models often step in to provide services that are otherwise unavailable or unaffordable.

Over the medium term, a larger mutual sector would contribute to a more resilient and balanced economy, strengthening UK-owned productive capacity and spreading economic benefits more fairly. Mutuals' embeddedness in local economies would support innovation in public services, accelerate community-led decarbonisation, and deliver distinct benefits across rural, urban and coastal areas.

In the long term, wider adoption of co-operative and mutual models could support a structural shift away from extractive business practices towards long-term stewardship, democratic ownership and economic stability. By reinforcing civic participation and enabling sustained investment in environmental transitions, mutuals would help build stronger institutions, more resilient communities and a more sustainable economic system overall.

Short term (0–2 years): more competition, local job creation, and faster "member-value" recycling

Economic impacts

- **More competition and consumer choice** in "essential goods and services" markets where co-ops and mutuals operate (food retail, housing, community services), with a dampening effect on "profit-taking" by investor-owned firms competing with member-owned models.
- **Immediate gains from expanding an already sizeable base**: Even marginal growth on the existing sector base can have visible macro effects.

Social impacts

- **Quality local employment** and stronger "stakeholder empowerment" through member governance and local anchoring.
- **Stronger trust in service delivery** where legitimacy matters (housing, local services), because governance is designed to keep providers accountable to users/members rather than external shareholders.

Place-based / local impacts

- Quick wins are most plausible where co-ops solve "market failure" problems (services/products "unavailable or otherwise not accessible" to groups of people), which often shows up first in underserved places.

Medium term (2–7 years): productivity and resilience gains, stronger "UK-owned" capacity, and service innovation

Economic impacts

- **Broader, more resilient business mix**: Corporate diversity reduces systemic risk (a lesson reinforced by the 2008 financial crisis) and supports a "healthy, balanced economy" with firms taking a longer-term view.
- **Greater UK-owned economic capacity**: mutuals are "home grown," owned by UK citizens and paying taxes in the UK—so growth increases the share of economic activity anchored domestically.
- **Economic activity and employment:** The sector is already large in employment and turnover terms, so scaling tends to compound through supply chains and procurement.

Social impacts

- **Fairer distribution of value**: as member-owned businesses, mutuals "share ownership and the rewards of business," spreading wealth "more broadly and fairly throughout the country."
- **Better-designed public service delivery**: mutual structures can reduce centralisation/bureaucracy while keeping providers accountable to users and taxpayers.

Environmental impacts

- **Growth in energy co-operatives** and community enterprise can accelerate local decarbonisation by expanding participation and acceptance.
- Mutuals in insurance (while not strictly "non-financial") also address major societal challenges; the sector narrative supports broader resilience thinking (risk prevention, long-term stewardship).

Place-based impacts (rural, urban, coastal)

- **Rural**: producer/agricultural co-ops help smaller producers access markets and counterbalance buyer power—supporting local incomes and continuity of rural enterprise.
- **Urban**: housing co-ops/associations and worker co-ops can strengthen affordability, retention of wealth locally, and job quality (especially in service sectors).
- **Coastal**: fisheries and community co-ops an help stabilise seasonal/local economies by pooling resources, marketing and investment.

Long term (7–20+ years): structural change—less extractive business norms and stronger civic institutions

Economic impacts

- **A durable shift toward long-termism**: mutuals' core purpose of serving their members and the wider community supports business strategies built for longevity rather than short-term financial engineering.
- **Reduced systemic vulnerability** by lowering reliance on one dominant corporate form.

Social impacts

- **Stronger civic fabric**: Mutuals contribute beyond economics through "social bonding" and local empowerment, which can accumulate over time into higher community capacity and participation.

Environmental impacts

- **Institutional support for sustainable transitions**: member-owned models can make it easier to pursue sustainability investments with longer payback periods (because purpose and member benefit can outweigh short-term profit extraction), especially relevant in energy, housing retrofit, and local infrastructure.

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

GDP is a poor measure of economic growth for co-operatives and mutuals because it captures the volume of market transactions, rather than how economic value is created, distributed and sustained over time — all of which are central to the way co-operatives and mutuals operate. GDP measures economic activity, not economic wellbeing.

In a mutual economy, better outcomes often result in fewer transactions, not more. As a result, GDP systematically understates the true economic contribution and progress of co-operatives and mutuals.

For this reason, we argue for broader measures of economic success that reflect member value, resilience, participation and long-term sustainability, rather than relying on GDP alone.

GDP measures activity, not purpose or outcomes

GDP records monetary transactions, regardless of whether they improve long-term welfare, resilience, or service quality. Co-operatives and mutuals are designed to:

- meet member needs;
- improve service quality and affordability;
- build long-term resilience.

Many of these outcomes do not increase transaction volumes and may even reduce them. For example:

- lowering prices for members,
- reducing churn,
- preventing service failure,
- investing in prevention rather than remediation.

These are successes in mutual terms, but they do not show up as higher GDP.

Mutuals deliberately minimise extractive flows

GDP rises when money changes hands more often, including through:

- dividends to external shareholders,
- interest payments,
- management fees,
- repeated contracting and outsourcing.

Co-operatives and mutuals retain and recycle value internally:

- surpluses are reinvested or returned to members;
- profits are not extracted to distant shareholders;
- transactions are simplified or internalised.

As a result, less "measured" economic activity can coincide with greater real value creation, making GDP a misleading proxy for progress in a mutual economy.

Democratic efficiency is invisible to GDP

Mutual ownership aligns incentives, reducing:

- costly monitoring,
- adversarial regulation,
- complex contractual relationships.

This governance efficiency lowers transaction costs. However, GDP counts transaction costs as positive output. When mutuals reduce these costs through trust and alignment, GDP may grow more slowly—even though the economy is functioning better.

Long-term resilience and stability are undervalued

GDP is a short-term flow measure**.** It does not capture:

- balance-sheet strength,
- institutional durability,
- capacity to absorb shocks.

Mutual ownership is linked to:

- long-term investment,
- lower risk appetite,
- greater stability during downturns.

A mutual economy may grow more slowly in GDP terms but be less prone to crises—a benefit GDP cannot register.

Member benefit often substitutes for market transactions

Co-operatives and mutuals often deliver value through:

- lower prices,
- better terms,
- higher wages,
- improved working conditions,
- stronger local services.

These benefits replace market transactions rather than expand them. For example:

- better employment conditions reduce turnover costs;
- affordable housing reduces speculative rent inflation;
- community energy lowers household bills.

GDP sees lower spending**,** not higher welfare.

Non-market and relational value is excluded.

Co-operatives and mutuals generate:

- trust,

- social capital,
- participation,
- local institutional strength.

These are core economic assets in mutual thinking, but GDP excludes them entirely. Ironically, GDP can increase when trust collapses (more enforcement, litigation, regulation), while mutual success reduces these costs.

Scale in mutuals is often qualitative, not quantitative

Growth in co-operatives and mutuals is about:

- deeper member engagement,
- better services,
- broader inclusion,
- stronger local anchoring.

This is qualitative growth, not simply more output. GDP only recognises the latter.

GDP misrepresents "success" in mutual sectors

In sectors where mutuals are prominent (finance, housing, utilities, health-adjacent services), GDP:

- rewards churn, risk and volume;
- undervalues prevention, affordability and continuity.

Mutuals often lower system-wide costs—which GDP treats as a negative.

3.	**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 and non-financial mutuals, for example co-operative society or company limited by guarantee.**

The Benefits of Co-operative and Mutual Growth

Co-operatives and mutuals play a significant yet under-recognised role in building a more resilient, accountable and purpose-driven economy. Evidence from across a wide range of sectors shows that these business models combine commercial effectiveness with strong social outcomes.

Co-operatives and mutuals demonstrate that it is possible to achieve commercial success while maintaining accountability, long-term thinking and a clear social purpose. They are therefore essential components of a fair, resilient and sustainable economy.

Purpose-led ownership

The defining feature of co-operatives and mutuals is that they are owned by their members — whether customers, employees, communities or service users — rather than by external investors. This ownership structure fundamentally reshapes business decision-making by aligning it with the long-term interests of those who depend on the organisation.

As a result, purpose is embedded directly into governance. This reduces tensions between profit-seeking and service quality and ensures that organisational objectives remain focused on delivering value for members.

Long-term resilience and stability

Co-operatives and mutuals tend to prioritise long-term sustainability over short-term financial returns. Surpluses are reinvested to strengthen balance sheets, improve services and build organisational resilience. This long-term approach has been associated with greater stability, particularly during periods of economic stress, and contrasts with the vulnerabilities exposed by demutualisation and short-term shareholder pressure.

Accountability, trust and good governance

Because members are both owners and users, co-operatives and mutuals benefit from strong internal accountability. Democratic governance structures — typically based on the principle of one member, one vote — provide direct mechanisms for scrutiny, engagement and voice.

These features are closely linked to higher levels of trust, particularly in sectors where legitimacy and confidence are critical, such as health, housing and other essential public services.

Strong economic contribution with social value

Co-operatives and mutuals are economically significant enterprises operating at scale. They generate substantial income, employment and investment across the UK economy. Crucially, they do so while delivering social value as a core outcome rather than an optional add-on.

The absence of external shareholders allows value to be reinvested in the business or shared directly with members, rather than extracted, supporting both economic performance and social outcomes.

Protecting essential services and the public interest

Co-operatives and mutuals have proved effective in safeguarding essential services, including health care, housing, postal services and community assets. Mutual ownership helps prevent asset-stripping, supports continuity of service, and keeps organisations rooted in the communities they serve.

In this way, co-operatives and mutuals offer a credible alternative to both full privatisation and highly centralised state control.

Fairer distribution of value

Co-operatives and mutuals distribute value more equitably than investor-owned firms. Members benefit directly from organisational success through improved services, lower costs, dividends or enhanced job quality. In employee-owned businesses, this alignment has been linked to higher motivation, productivity and engagement.

At a local level, mutuals help retain wealth within communities, supporting inclusive and place-based economic development.

A more balanced and plural economy

Co-operatives and mutuals contribute to a healthier and more plural economic system. By broadening ownership and governance models, they reduce systemic risk, encourage innovation and strengthen competition based on service quality, trust and long-term value rather than capital dominance alone.

4.	**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, feel free to skip this question. Anecdotal insights are welcome but indicate if your response is based on personal experience.**

Not applicable.

5.	**Thinking about starting a business in the co-operative or non-financial mutual sector, to what extent do you agree or disagree with the following statements:**
5a. Why did you agree and or disagree with these statements?	

- **those starting a business are not aware they can use a co-operative or mutual business model**

Assessment: Strongly agree

Co-operatives and mutuals are 'hidden in plain sight' within the economy. While the sector is large in aggregate, awareness among start-ups is low, particularly outside agriculture and retail. Many people become members of mutuals without recognising them as a distinct business model, limiting their visibility as a start-up option.

- **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**

Assessment: Strongly agree

Mutuals and co-operatives have a structural disadvantage in access to capital**.** Because co-operatives and mutuals do not issue conventional equity, they are often excluded from mainstream start-up finance schemes designed around shareholder-owned firms. Public and private support mechanisms frequently fail to recognise member-owned capital instruments, making qualification more difficult despite comparable risk profiles.

- **aspiring co-operative or non-financial mutual founders often lack the necessary skills to get started**

Assessment: Partly agree

We do not argue that founders lack entrepreneurial ability per se, but that additional and different skills are required. Founders must understand democratic governance, member engagement, and collective decision-making alongside standard business skills. The evidence suggests the gap is not motivation or competence, but access to tailored training and support relevant to mutual models.

- **business advisors lack awareness and understanding of co-operative or mutual business models**

Assessment: Strongly agree

This is a recurring theme. Business advisers—particularly those funded through mainstream enterprise support—are typically trained around investor-owned company structures. As a result, co-operative or mutual options are often not presented at all or are discouraged as "unusual" or "complex", even where they may be well suited to the business purpose.

- **investors lack awareness and understanding of co-operative or mutual business models**

Assessment: Strongly agree

There is a mismatch between investor expectations and mutual ownership structures. Many investors equate investment with equity ownership and control, and are unfamiliar with capped-return, member-controlled instruments. This lack of understanding restricts capital flows and reinforces the perception that mutuals are "hard to finance", even where appropriate instruments exist.

- **there are not enough visible success stories to inspire or guide co-operative or non-financial mutual start-ups**

Assessment: Partly agree

Many large and successful co-operatives and mutuals exist, but they are rarely framed publicly as start-up success stories. The problem is less absence than poor storytelling and visibility, particularly for newer or smaller organisations. The dominance of investor-led start-up narratives crowds out alternative ownership stories.

- **new co-operative or non-financial mutual founders lack access to peer support networks**

Assessment: Partly agree

There are strong sector bodies in some areas, funded by the businesses within their membership, but there is uneven access across sectors and regions. Early-stage founders outside established networks often struggle to find peers with relevant experience, especially compared with the dense ecosystems supporting conventional start-ups.

- **relative to other business founders, aspiring founders do not know where to find clear, accessible guidance and advice on starting a co-operative or non-financial mutual**

Assessment: Strongly agree

Guidance exists, but it is fragmented, technical, or poorly signposted, and often separate from mainstream start-up support channels. As a result, founders face higher search costs and uncertainty, reinforcing perceptions of complexity.

- **the rationale for starting-up a co-operative or non-financial mutual is different to starting-up another kind of business**

Assessment: Agree

We can clearly distinguish the motivations of mutual founders. While financial viability is essential, the primary rationale typically includes:

- meeting unmet needs.
- protecting services or assets.
- giving users or workers control.
- embedding long-term purpose.

This does not make co-operatives "less commercial", but it does mean success is defined more broadly than short-term financial return.

- **the process to start-up a co-operative or non-financial mutual is complex**

Assessment: Partly agree

Although legal incorporation itself is not inherently more complex, the overall process can feel harder because:

- advisers are unfamiliar with the models available.
- capital routes are less straightforward.
- founders must design governance and membership systems from the outset.

Where specialist advice and appropriate finance are available, start-up processes can be comparable to other business models.

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

The main barriers to co-operative and non-financial mutual start-up are not lack of demand or entrepreneurial capability, but systemic gaps in awareness, advice, finance, and visibility**.** These barriers are largely institutional rather than intrinsic to the model.

Where ecosystems have been deliberately built—through tailored finance, informed advisers, peer networks, and clear guidance—co-operative and mutual start-ups can form, grow and succeed at scale.

7.	**Do different types of co-operatives or non-financial mutual models face different barriers to starting-up? 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, for example co-operative society or company limited by guarantee.**

While all co-operatives and non-financial mutuals face some common barriers — notably limited awareness, access to capital and adviser capability — different models encounter distinct and uneven challenges at the start-up stage. These differences reflect variations in capital requirements, governance complexity, stakeholder composition, sector context and legal form.

Different types of co-operatives and non-financial mutuals therefore face different start-up barriers, shaped in particular by:

- capital intensity and the design of finance.
- the number and diversity of stakeholders involved.
- governance complexity.
- sector-specific regulation.
- the level of recognition and understanding of different legal forms.

Crucially, these barriers are institutional rather than intrinsic to the co-operative or mutual model. Where tailored finance, informed advisers, clear guidance and strong peer networks are in place, all models can be established successfully. While diversity of models brings different challenges, it also delivers greater economic resilience and social value.

Common barriers across all models

Before turning to differences, we can identify several barriers shared across the sector:

- limited awareness of mutual models among founders and advisers.
- finance and grant systems designed primarily for shareholder companies.
- fragmented guidance and support infrastructure.
- lack of recognition of member-owned capital instruments.

These systemic issues affect all models, but their impact varies significantly by type.

Consumer co-operatives

Consumer co-ops face strong financial barriers early on, even though they may become capital-rich once established and trusted by members.

Distinct barriers

- High start-up capital requirements, particularly in retail and service delivery, combined with limited access to equity-style finance.
- Difficulty mobilising sufficient member capital at the outset when individual members contribute small amounts.
- Adviser bias towards conventional company models for consumer-facing businesses.

Worker co-operatives

Worker co-ops face cultural and advisory barriers more than legal ones, rather than unusually complex incorporation processes.

Distinct barriers

- Income and risk exposure for founders, as early surpluses are typically reinvested rather than extracted.
- Requirement for skills in collective governance, democratic decision-making, and conflict resolution, in addition to standard business skills.

- Persistent misconceptions among advisers that democratic workplaces are inefficient or slow.

Producer and agricultural co-operatives

Distinct barriers

- Coordination challenges in aligning multiple independent businesses at formation.
- Sector-specific regulatory complexity (e.g. agriculture, fisheries, food standards).

Mitigating factors

- This is one of the least disadvantaged models, because:
    - the economic rationale is clear (market access, scale, bargaining power).
    - there is strong historic precedent.
    - advisers and finance providers are more familiar with the model.

Community co-operatives (including housing, energy, community assets)

Community co-ops face procedural and capacity barriers, rather than lack of demand or legitimacy. These barriers can slow or prevent start-up, particularly in disadvantaged places.

Distinct barriers

- Complex and time-consuming finance structures, often combining grants, community shares, loans and public funding.
- Heavy reliance on volunteer capacity in early stages.
- Planning, regulatory and land-use barriers, especially acute in housing and energy.

Multi-stakeholder co-operatives

Barriers are primarily advisory and institutional, not inherent to the model itself.

Distinct barriers

- Governance design complexity, as multiple stakeholder groups (e.g. workers, users, communities) must be balanced.
- Lack of standard templates and adviser familiarity.
- Perceived legal uncertainty, even though workable structures exist.

Trusts, clubs and societies

These forms are often easier to establish legally but can struggle to evolve into robust trading organisations without restructuring.

Distinct barriers

- Limited trading flexibility for trusts and clubs compared to co-operative societies.
- Asset locks can deter lenders or limit growth options.
- Risk of weak member engagement if governance defaults to trustee or committee control.

Employee-owned businesses

Indirect models are less accessible for start-ups, despite being well suited to transitions.

Direct employee ownership

- Faces the same barriers as worker co-ops (see above).

Indirect employee ownership (e.g. employee ownership trusts)

- More commonly used for succession rather than start-up.
- High reliance on specialist legal and financial advice.
- Debt-funded structures can constrain early cashflow.

Legal structure differences

Co-operative and community benefit societies

- **Strengths**: clear mutual identity; democratic ownership; appropriate capital instruments.
- **Barriers**: low familiarity among advisers; exclusion from some mainstream finance and grant schemes.

Companies limited by guarantee

- **Strengths**: adviser familiarity; access to some public funding.
- **Barriers**: weaker ownership clarity; greater risk of drifting from mutual purpose without deliberate governance design.

The law itself is not the main barrier (apart from deficiencies in suitable capital instruments); rather, it is how different legal forms are treated by funders, advisers and policymakers.

8.	**Are there industry or sector-specific barriers to starting a co-operative or non-financial mutual? Explain your answer.** **You may wish to consider industries and sectors such as healthcare, energy, manufacturing, retail, and agriculture, and so on.**

Alongside economy-wide barriers such as limited awareness, access to finance and adviser capability, distinct sector-specific barriers can significantly affect the feasibility and pace of establishing co-operative and non-financial mutual enterprises. These barriers typically stem from differences in regulatory frameworks, capital intensity, procurement rules, professional norms and market structures across sectors.

Industry- and sector-specific barriers therefore both exist and matter. They arise less from the co-operative or mutual model itself, and more from the way regulation, finance, procurement and professional practices are structured differently across industries. Government policy can play a critical role in shaping outcomes across all parts of the sector.

In summary:

- **Low-barrier sectors:** agriculture, some areas of retail, and community services with relatively low capital requirements.
- **Medium-barrier sectors:** retail, manufacturing niches and local services.
- **High-barrier sectors:** healthcare, energy, housing and other infrastructure-intensive industries.

Where sector-specific barriers are addressed through tailored finance, procurement reform and informed regulation, co-operatives and non-financial mutuals can not only start but thrive across all sectors.

Below is a sector-by-sector assessment.

Cross-cutting sectoral issues

Before looking at individual sectors, there are several issues that apply unevenly across industries:

- **Regulatory regimes designed for investor-owned firms or the state**, with limited recognition of mutual ownership.
- **Procurement systems** (especially in public services) that privilege scale, track record, and balance-sheet strength, disadvantaging new mutuals.
- **Capital intensity mismatches**, where sectors requiring high upfront investment clash with mutual capital constraints.
- **Professional and institutional norms** that default to conventional ownership models.

These factors combine differently in different sectors.

Healthcare and social care

While mutual models are well-suited to health services, institutional commissioning frameworks significantly raise entry barriers. Barriers are high at start-up, despite strong alignment between mutual ownership and healthcare values.

Sector-specific barriers

- **Complex regulation and commissioning**: Healthcare mutuals face regulatory oversight, clinical governance requirements, and contracting systems not designed for new member-owned providers.
- **Public procurement hurdles**: Commissioning processes often favour large incumbents with proven scale.
- **Risk aversion**: High perceived service risk leads commissioners to prefer established providers.

Energy (including community and renewable energy)

Energy is a high-impact but high-barrier sector, where success depends heavily on tailored finance and supportive policy. Energy co-operatives are strategically important but constrained by finance and regulation rather than demand.

Sector-specific barriers

- **High capital requirements** for generation, grid connection and infrastructure.
- **Complex planning and regulatory processes**, which are resource-intensive for volunteer-led or early-stage groups.
- **Policy instability** (e.g. subsidy changes), increasing financial risk for community-owned projects.

Manufacturing and industrial production

Worker and producer co-operatives in manufacturing are viable but rare, largely due to capital and scale constraints rather than governance limitations. Barriers are primarily financial, not legal or organisational.

Sector-specific barriers

- **Capital-intensive plant and equipment** requirements.
- **No availability of mutual capital instruments** to finance large, fixed assets.

- **Limited awareness of co-operative models** outside niche industrial traditions.

Retail (consumer-facing sectors)

Retail is one of the most successful co-operative sectors, demonstrating that start-up barriers can be overcome with scale and brand trust. Barriers are moderate at start-up but reduce significantly once member loyalty and scale are achieved.

Sector-specific barriers

- **High competition from large investor-owned chains**, with economies of scale.
- **Upfront costs** for premises, stock and systems.
- **Thin margins**, making early-stage resilience harder without patient capital.

Agriculture and food production

Agriculture is one of the least disadvantaged sectors for co-operative start-up. Barriers are relatively low, particularly compared with other capital-intensive sectors.

Sector-specific barriers

- **Co-ordination challenges** in aligning multiple producers.
- **Sector regulation** related to food safety, standards and trade.

Mitigating factors

- Strong historic precedent and cultural familiarity with co-operative models.
- Clear economic benefits in market access and bargaining power.

Housing and community assets

Housing co-operatives face significant procedural and financial barriers, despite strong social benefits. Barriers are high but surmountable with targeted policy support. Large scale stock transfers have demonstrated that policy can have a positive impact on the size of the co-operative and mutual housing sector.

Sector-specific barriers

- **Access to land and property finance**, often the single biggest obstacle.
- **Planning and regulatory delays**.
- Reliance on mixed funding models (grants, loans, member investment).

Sports, culture and community services

Supporter-owned clubs face structural barriers despite strong community backing. Barriers are institutional and financial, rather than due to lack of community support.

Sector-specific barriers

- **Asset acquisition costs**, especially where community groups seek to buy existing facilities.
- **Weak balance sheets** at start-up.
- Limited specialist advice.

9.	**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?**

The rationale and the process are both different in important ways, although they share some common commercial foundations. Co-operatives and non-financial mutuals grow for different reasons, and must therefore often grow in different ways, even while meeting the same tests of financial viability, competitiveness and efficiency as other businesses.

The rationale and process for growing a co-operative or non-financial mutual are distinct but not incompatible with mainstream business growth.

- **Rationale**: growth is driven by member benefit, service quality and long-term sustainability, rather than shareholder value or exit.
- **Process**: growth is member-led, capital-disciplined, governance-intensive and often organic or federated rather than acquisition-driven.

These differences do not make mutuals less capable of growth, but they do make their growth more resilient, more accountable and more aligned with long-term economic and social value.

Rationale for growth

1. Purpose-driven rather than investor-driven growth

Co-operatives and mutuals grow primarily to:

- better serve existing and potential members.
- improve service quality, accessibility or resilience.
- secure long-term sustainability.

- protect assets or services from external pressures.

By contrast, investor-owned businesses typically pursue growth to:

- maximise shareholder returns.
- increase market valuation.
- enable exit or acquisition strategies.

Growth in co-operatives is instrumental, not an end in itself. Expansion is justified only where it enhances member benefit and organisational purpose.

2. Broader definitions of success

Success in mutual growth is measured across multiple dimensions:

- member satisfaction and participation.
- service continuity and quality.
- resilience and long-term viability.
- social and local economic impact.

This differs from the narrower financial metrics that often dominate growth strategies in non-mutual firms.

Process of growth

1. Capital-led growth versus member-led growth

One of the clearest differences concerns capital:

- Investor-owned firms typically fund growth through equity issuance, venture capital, or private equity.
- Co-operatives and mutuals must rely on:
    - retained surpluses.
    - member capital contributions.
    - debt.
    - bespoke mutual capital instruments.

This makes growth in co-operatives and mutuals:

- more incremental.
- more disciplined.
- more closely tied to underlying performance.

While this can slow rapid expansion, it also reduces risk and discourages speculative growth.

2. Governance and member consent

Growth in co-operatives requires:

- member understanding and support.
- democratic approval for major strategic decisions.
- investment in communication and participation as organisations scale.

This contrasts with non-mutual firms, where growth decisions can often be taken by a small group of executives and investors.

As a result, the growth process in mutuals can appear slower, but this is a feature rather than a flaw, helping to preserve legitimacy and trust.

3. Organic growth and federation over acquisition

Co-operatives and mutuals are more likely to grow through:

- organic expansion.
- replication and franchising.
- federation and collaboration between independent co-ops.

By contrast, investor-owned firms frequently grow through mergers and acquisitions driven by capital markets.

Mutual growth strategies preserve local accountability and avoid excessive centralisation.

Risk profile and resilience

1. Lower tolerance for value-extractive risk

Because mutuals cannot easily externalise losses or rely on exit-driven investment, they tend to adopt:

- more cautious financial strategies.
- lower leverage.
- stronger balance-sheet discipline.

There is strong evidence of greater resilience and stability over economic cycles.

2. Protection against mission drift and demutualisation

Growth itself can create risks for mutuals:

- dilution of member voice.

- pressure to compromise governance to attract capital.
- increased vulnerability to demutualisation.

As a result, mutuals must invest in:

- governance capacity.
- member engagement.
- legal and constitutional protections.

These concerns do not arise in the same way for non-mutual firms.

What is the same?

Co-operatives and mutuals are not exempt from commercial realities. Like any business, they must:

- operate efficiently.
- manage costs and risk.
- innovate.
- respond to competition and changing markets.

The difference lies not in whether they must be commercial, but in how commercial discipline is balanced with purpose and democratic control.

10.	**To what extent do you agree or disagree with the following statements about growing and sustaining a co-operative or non-financial mutual:**
10a.	**Why did you agree and or disagree with these statements?**

1.	**Growing and sustaining is too capital intensive for many co-operatives or non-financial mutuals**

Assessment: Partly agree

Capital intensity is a real constraint, particularly in sectors such as housing, energy, manufacturing and retail. Because co-operatives and mutuals cannot issue conventional equity, growth must usually be financed through retained surpluses, member capital, debt or bespoke instruments.

However, we do not argue that growth is inherently unviable. Instead, we emphasise that:

- growth tends to be more incremental and disciplined.
- capital intensity becomes a barrier primarily where policy and finance systems fail to recognise mutual capital.

In other words, growth is challenging under current conditions, rather than intrinsically “too capital intensive”.

2.	**It is too difficult for co-operatives or non-financial mutuals to meet the eligibility criteria for capital support**

Assessment: Strongly agree

Capital support schemes — both public and private — are typically designed around:

- shareholder equity.
- investor control.
- exit-based returns.

Co-operatives and mutuals are often excluded by design, even when they are equally financially sound and socially valuable. Eligibility criteria frequently fail to recognise member-owned capital instruments or democratic governance structures, creating systemic disadvantage.

3. It is too difficult to maintain co-operative and mutual principles at scale

Assessment: Disagree

We reject the idea that scale is incompatible with mutual principles — pointing to large, long-established mutuals as evidence. However, it acknowledges that scaling does introduce risks, including:

- dilution of member voice.
- professionalisation that distances leadership from members.
- pressure to compromise governance to attract capital.

The difficulty lies not in scale itself, but in the need for deliberate investment in governance, member engagement and constitutional protections as organisations grow.

4.	**Co-operatives or non-financial mutuals looking to grow and sustain lack access to peer support networks**

Assessment: Partly agree

Peer support exists but is uneven:

- some sectors have well-developed networks.
- others, particularly newer or hybrid models, have limited access to experienced peers.

Compared with the dense ecosystems supporting high-growth investor-owned firms, mutual peer networks are less visible and less consistently funded, making growth more difficult for some organisations.

5.	**Co-operatives and non-financial mutuals do not know where to find clear, accessible guidance and advice on growing and sustaining**

Assessment: Agree

While guidance exists, it is:

- fragmented across organisations.
- often technical or legalistic.
- poorly integrated with mainstream business support.

As a result, many growing co-operatives and mutuals face higher search costs and uncertainty than comparable non-mutual businesses, particularly at transition points such as scaling, diversification or succession.

6.	**Co-operative or non-financial mutual founders often lack the necessary skills to grow and sustain**

Assessment: Partly agree

We do not argue that founders lack entrepreneurial ability. Rather, we would highlight that growing a mutual requires additional skills, including:

- advanced governance design.
- member engagement at scale.
- managing democratic accountability alongside commercial growth.
- balancing purpose and performance.

Where these skills are not supported through training or advisory services, growth can stall. The issue is therefore skills support and development, not founder capability per se.

11.	**Are there unique barriers to growing and sustaining a co-operative or non-financial mutual which other types of business don't face? 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.**

While co-operatives and non-financial mutuals face many of the same commercial challenges as other businesses, they also encounter a distinct set of structural and institutional barriers that are largely unique to member-owned models. These barriers arise not from any limitation in the viability of the model itself, but from the way capital markets, business support systems, regulation and public narratives are structured around investor-owned firms.

As a result, co-operatives and non-financial mutuals face a set of unique and systemic barriers to growth and long-term sustainability that other businesses do not, including:

- structural exclusion from equity-based finance.
- policy and support systems designed primarily for investor ownership.
- the need to protect democratic control and organisational purpose while scaling.
- competitive disadvantage when competing with capital-intensive growth strategies.
- lower visibility within mainstream growth narratives.

Crucially, these barriers are institutional rather than intrinsic. Where capital instruments, policy frameworks, advisory capacity and public narratives are adapted to recognise and support mutual ownership, co-operatives and non-financial mutuals are fully capable of growing and sustaining at scale — often delivering greater resilience, trust and long-term value than conventional businesses.

1. Structural barriers to accessing growth capital

Why this is unique

Access to capital is the most significant distinctive barrier. Co-operatives and mutuals:

- do not issue conventional equity.
- have limited options to issue member and non-member equity instruments.
- cannot offer investor control or exit-based returns.
- often cap returns to protect member ownership.

As a result, mainstream growth finance — venture capital, private equity, equity-linked grants — is structurally inaccessible or inappropriate.

Consequences

- Growth must rely on retained surpluses, member investment, debt or bespoke instruments.
- Expansion is typically slower and more incremental.
- Mutuals can be excluded from otherwise suitable public support schemes.

This is not a reflection of higher risk, but of misalignment between financial system design and mutual ownership.

2. Eligibility bias in public and private business support

Why this is unique

Many grants, investment funds, accelerator programmes, and innovation schemes are designed with shareholder companies in mind, embedding assumptions about equity, ownership and governance.

Consequences

- Co-operatives and mutuals must "translate" themselves into inappropriate frameworks or are excluded outright.
- Growth opportunities are delayed or foregone.
- Administrative burden is higher than for conventional firms.

This bias is rarely faced by investor-owned businesses, which are the default model for policy design.

3. Maintaining democratic ownership and purpose at scale

Why this is unique

Only co-operatives and mutuals must grow while:

- preserving democratic control.
- sustaining meaningful member engagement.
- protecting collective ownership from dilution or conversion.

Consequences

- Growth requires deliberate investment in governance systems, participation and constitutional safeguards.
- There is ongoing risk of mission drift or demutualisation if growth pressures are not carefully managed.

Investor-owned businesses do not face equivalent constraints, as control and profit extraction are inherent to their model.

4. Market competition with capital-backed firms

Why this is unique

Co-operatives and mutuals often compete with:

- heavily capitalised, investor-backed firms.
- businesses willing to operate at a loss to gain market share.
- organisations able to extract value through consolidation or data monetisation.

Consequences

- Mutuals may struggle to match rapid scaling, pricing strategies or marketing spend.
- However, mutuals often compete successfully on trust, loyalty and service quality rather than price alone.

This imbalance in access to "patient" or loss-leading capital is largely unique to member-owned firms.

5. Lower visibility and weaker growth narratives

Why this is unique

Large and successful mutuals exist but are rarely framed as growth or scale success stories.

Consequences

- Mutuals are under-represented in mainstream entrepreneurship narratives.
- This affects founder ambition, investor interest and policy attention.
- Growth pathways appear less visible than for investor-led firms.

This narrative gap does not affect conventional businesses to the same extent.

6. Specialist knowledge gaps in business advice and investment

Why this is unique

Many advisers, funders and investors lack understanding of mutual governance and capital structures and therefore default to advising conversion to company form as a condition of growth.

Consequences

- Mutuals face higher advisory costs and limited choice.
- Poor advice can undermine governance or lead to inappropriate restructuring.

Investor-owned firms benefit from an advice ecosystem built specifically around their needs.

7. Regulatory and legal complexity arising from institutional unfamiliarity

Why this is unique

While co-operative and mutual legal forms are not inherently complex, institutional unfamiliarity can create:

- slower regulatory approvals.
- inconsistent treatment by regulators or procurement bodies.
- reluctance to engage by lenders or partners.

This friction is rarely encountered by standard company structures.

12.	**Do different types of co-operatives and non-financial mutuals face different barriers to growing and sustaining? 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 or indirect employee-owned businesses.**

While all co-operatives and non-financial mutuals face some common challenges in growing and sustaining their activities — notably access to capital, adviser understanding and public visibility — different models encounter distinct and uneven barriers as they scale and mature. These differences are shaped by variations in capital intensity, governance complexity, sector context, stakeholder composition and legal form.

Different types of co-operatives and non-financial mutuals therefore face different barriers to growth and sustainability, influenced in particular by:

- capital intensity and reinvestment capacity.
- the number and diversity of stakeholders involved.
- governance and participation demand.
- sector-specific regulation and competitive conditions.
- recognition and understanding of different legal forms.

Crucially, these barriers are structural and institutional rather than intrinsic to mutual ownership. Where growth finance, business support, governance expertise and policy frameworks are adapted to recognise and support different mutual models, all types of co-operatives and non-financial mutuals can grow and sustain successfully — often with greater resilience, accountability and long-term value than conventional businesses.

Below is a model-by-model assessment.

Common growth and sustainability challenges across all models

Before considering differences, we can identify several challenges that affect most mutuals as they grow:

- **Restricted access to growth capital**, due to the absence of conventional equity and misalignment with mainstream finance.
- **Policy and support systems designed around investor-owned firms**, disadvantaging mutuals at scale as well as start-up.
- **Governance and participation pressures**, as organisations become larger and more complex.
- **Lower visibility of growth pathways**, compared with investor-led businesses.

These challenges affect all models, but their intensity and nature vary significantly.

Consumer co-operatives

Consumer co-ops can grow to large scale successfully, but sustaining democratic accountability alongside capital-intensive expansion is a key challenge.

Distinct barriers to growth and sustainability

- Capital intensity at scale, particularly in retail, logistics and infrastructure.

- Pressure to compete with highly capitalised investor-owned chains able to subsidise prices or expand rapidly.
- Risk that rapid growth can weaken member engagement if governance systems are not strengthened.

Worker co-operatives

Worker co-ops are often well suited to steady, organic growth, but face barriers to rapid scaling unless supportive finance and governance structures are in place.

Distinct barriers

- Limits on retained surplus, as profits are also wages, constraining reinvestment.
- Scaling requires managing growth in workforce size while maintaining democratic decision-making.
- Difficulty accessing external finance without personal guarantees or dilution of control.

Producer and agricultural co-operatives

Producer co-ops face relatively fewer barriers to growth, though governance complexity increases with scale.

Distinct barriers

- **Co-ordination and alignment** of many independent member businesses as scale increases.
- Managing tensions between larger and smaller members over pricing, investment and strategy.

Mitigating factors

- Strong economic rationale and long-established sector norms.
- Better recognition by lenders and policymakers compared with other models.

Community co-operatives (including housing, energy and community assets)

Community co-ops face ongoing sustainability barriers, not just start-up challenges, particularly where long-term revenue is uncertain.

Distinct barriers

- **High capital requirements** for assets and infrastructure.

- Reliance on complex, blended funding models.
- Sustaining volunteer and community capacity over time.
- Planning, regulatory and land constraints that persist beyond start-up.

Multi-stakeholder co-operatives

Multi-stakeholder co-ops can scale effectively, but only with deliberate investment in governance capability and clarity of purpose.

Distinct barriers

- **Increasing governance complexity** as multiple stakeholder groups grow.
- Higher demands on leadership, facilitation and conflict resolution.
- Lack of standardised governance models and adviser expertise.

Trusts, clubs and societies

These forms are often stable but less adaptable and may struggle to grow without structural change.

Distinct barriers

- Limited commercial flexibility for trading growth.
- Asset locks and charitable constraints can restrict access to finance.
- Risk of governance becoming overly trustee- or committee-led, reducing member engagement.

Employee-owned businesses

Indirect employee-owned models are effective for sustainability, but less flexible for transformational growth.

Direct employee ownership (e.g. worker co-operatives)

- Face the same barriers as worker co-ops, with additional challenges in financing expansion while preserving employee control.

Indirect employee ownership (e.g. employee ownership trusts)

- Better suited to **succession and continuity** than to rapid growth.
- Debt-financed transitions can constrain future investment capacity.
- Growth depends heavily on management capability and cultural alignment.

Legal structure considerations

The evidence suggests that institutional treatment of legal forms, rather than the law itself, is the main source of differential barriers.

Legal form affects growth barriers:

- **Co-operative and community benefit societies**
    - Strengths: strong mutual identity, appropriate capital instruments.
    - Barriers: lower familiarity among advisers and funders; exclusion from some growth finance.
- **Companies limited by guarantee**
    - Strengths: better recognised by funders and regulators.
    - Barriers: weaker ownership clarity; higher risk of mission drift as organisations scale.

13.	**Are there industry-specific barriers faced by co-operatives and non-financial mutuals when trying to grow and sustain? Explain your answer.**

While co-operatives and non-financial mutuals face common growth challenges across the economy, industry-specific barriers can significantly affect their ability to grow and sustain. These barriers arise from regulatory regimes, capital requirements, procurement rules, competitive dynamics and professional norms, which vary widely by sector and often assume investor-owned or state-run organisational models.

Industry-specific barriers to growth and sustainability therefore clearly exist for co-operatives and non-financial mutuals. Crucially, these barriers are not inherent to mutual ownership, but instead reflect sector-specific market structures, regulatory frameworks and capital requirements that have been designed around investor-owned or public-sector models.

In summary:

- **Lower-barrier sectors:** agriculture, some retail and consumer services.
- **Moderate-barrier sectors:** manufacturing niches and local services.
- **High-barrier sectors:** healthcare, energy, housing and other infrastructure-intensive industries.

Where industry-specific barriers are addressed through tailored regulation, procurement reform and appropriate finance, co-operatives and non-financial mutuals can grow and sustain successfully across all sectors — often delivering greater resilience, trust and long-term value than conventional business models.

Below is an industry-based assessment.

Cross-cutting industry factors

Across sectors, we can highlight several mechanisms through which industry structure shapes growth barriers:

- **Capital intensity versus mutual capital models** – industries requiring heavy upfront or continuous capital investment pose greater challenges.
- **Regulatory and licensing frameworks** – often designed for large corporate or public bodies.
- **Public procurement and commissioning rules** – especially significant in public services.
- **Market concentration and competitive behaviour** – capital-backed firms can grow aggressively in ways mutuals cannot.
- **Professional cultures and norms** – which may undervalue or misunderstand mutual ownership.

These factors combine differently across industries.

Healthcare and social care

Although mutual models align strongly with healthcare values, growth is constrained by commissioning systems rather than organisational capability. Healthcare presents high growth and sustainability barriers, despite strong suitability for mutual ownership.

Industry-specific barriers

- Complex commissioning and contracting frameworks, favouring large incumbent providers.
- High regulatory compliance costs, which persist as organisations scale.
- Risk aversion among commissioners, limiting contract growth for newer or smaller mutuals.

Energy (including community and renewable energy)

Energy is a high-barrier industry for growth, requiring bespoke finance and stable policy Energy co-operatives are strategically important but capital-constrained, with growth highly sensitive to regulatory design.

Industry-specific barriers

- Very high capital requirements for generation, networks and storage.
- Regulatory complexity and planning risk, which scale with project size.

- Policy instability, creating uncertainty for long-term investment.

Housing and built environment

Housing poses high, long-term barriers to growth, largely driven by capital and land markets. Housing co-operatives and mutual housing providers face persistent sustainability barriers, even after establishment.

Industry-specific barriers

- Access to land and development finance, the dominant constraint at scale.
- Planning and regulatory processes that lengthen development timelines.
- Long payback periods that do not align with standard lending models.

Manufacturing and industrial sectors

Manufacturing presents moderate to high barriers depending on capital intensity and scale ambitions. Worker and producer co-operatives in manufacturing can be successful, but growth is constrained primarily by finance rather than governance.

Industry-specific barriers

- Capital-intensive fixed assets and machinery.
- Difficulty financing expansion without equity dilution.
- Global competition and thin margins limiting reinvestment capacity.

Retail and consumer services

Retail presents moderate barriers, which reduce as organisations reach scale. Retail is one of the largest and most successful co-operative sectors, showing that growth barriers are surmountable with scale and member loyalty.

Industry-specific barriers

- Intense competition from large, investor-owned chains with scale advantages.
- Pressure to match pricing strategies enabled by external capital.
- High ongoing investment in logistics, digital systems and marketing.

Agriculture and food production

Growth barriers are relatively low, especially compared with other capital-intensive industries.

Industry-specific barriers

- Coordination challenges as co-ops grow and membership diversifies.
- Sector-specific regulation affecting food safety and trade.

Mitigating factors

- Strong tradition and institutional familiarity with co-operatives.
- Clear economic benefits from scale.

Sports, culture and community assets

These sectors face institutional and financial sustainability barriers rather than lack of demand. Supporter-owned clubs struggle to scale despite strong community support.

Industry-specific barriers

- Asset acquisition and maintenance costs.
- Limited revenue diversification.
- Weak balance sheets that restrict borrowing.

14.	**If you have considered mutualising, or have already mutualised, what prompted you to explore this option?**

Not applicable.

15. 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
Cite evidence where possible.

More businesses mutualising (i.e., converting from investor-owned or state-run structures into co-operative or mutual ownership) would likely have material impacts on firm behaviour and outcomes, and—at scale—on the wider economy.

The likely impact of more businesses mutualising is a shift toward purpose-led governance, greater member value retention, and potentially higher trust and resilience, with positive spillovers for fairness and place-based economic development—but only if capital access, governance capacity, and the policy/support environment evolve to fit mutual ownership.

Short term impacts (0–2 years)

On individual businesses

- **Governance and purpose reset:** Mutualisation explicitly shifts corporate purpose from prioritising investor returns toward delivering value for members (customers, employees, communities). This purpose shift as the key difference between mutual and investor-owned models.
- **Transition costs and complexity:** Expect one-off costs (legal restructuring, member governance design, communications, systems). Governance and member rights are central to the model, which means conversion requires deliberate institutional design.

On the wider economy

- **Immediate broadening of "purpose-led" capacity:** Mutuals are a substantial existing part of the economy; increasing conversions would expand that share relatively quickly without needing entirely new firm formation.

Medium term impacts (2–7 years)

On individual businesses (performance, resilience, employee engagement)

- **More reinvestment capacity for service quality and resilience:** Investor-owned businesses must "service shareholder capital" (dividends/returns), which reduces money available for customer/member benefit; mutualising reverses that logic, increasing the share of surplus available for service improvement and resilience building.
- **Potential employee engagement and productivity gains in employee-owned conversions:** Employee ownership can strengthen commitment and participation, with implications for motivation and performance.
- **More disciplined growth pathways:** Mutuals typically can't rely on conventional equity markets ("no shares to sell"), which tends to push growth toward retained earnings, member capital and debt—often slower, but potentially less speculative.

On the wider economy (productivity, innovation, regional development)

- **Broader distribution of wealth and decision-making:** Mutuals support a fairer economy by sharing power in, and the rewards of, business. If more firms mutualise, this effect scales.
- **Place-based anchoring:** The sector's wide membership base and employment footprint (e.g., "more than one in three" members; large employment), suggests that expanding member-owned firms can strengthen local economic embeddedness—especially where profits/surpluses are recycled locally rather than extracted.

Long term impacts (7–20+ years)

On individual businesses

- **Sustained purpose and trust advantages:** Demutualisation often harms members over the longer term because shareholder servicing eventually outweighs one-off windfalls; the inverse implies that *staying mutual* protects long-run member value and trust.
- **Stronger institutional resilience through ownership diversity:** Mutual ownership is economically consequential; a larger mutual sector would increase diversity in corporate forms, potentially reducing systemic vulnerability compared with a more uniform investor-owned landscape.

On the wider economy

- **A bigger "mutual economy" with measurable macro weight:** Broad conversion could shift a meaningful share of national output into member-owned governance, with knock-on effects on competition, consumer outcomes and long-term investment patterns.

Risks, challenges, unintended consequences

1. **Capital constraints could limit post-conversion investment**
   - Because mutuals "have no shares to sell," growth and large-scale investment can be harder to finance under mainstream capital models—especially for capital-intensive sectors (housing, infrastructure, energy). Without tailored instruments/policy, mutualised firms could underinvest versus investor-owned peers.
2. **Governance dilution and member disengagement at scale**
   - Mutualisation increases the need for robust member democracy and accountability. If participation is weak, governance can drift toward managerialism—reducing the benefits mutualisation aims to achieve.
3. **Regulatory and support systems may not fit mutual forms**

- If grant schemes, procurement rules, or business support remain designed around shareholder companies, mutualised firms may face friction (eligibility barriers, misunderstandings, higher advisory costs), slowing growth or reducing competitiveness.

4. **Conversion incentives could create perverse outcomes**
    - If policy introduces strong financial incentives to mutualise without safeguards, some actors might pursue conversions for short-term benefit rather than genuine member-value creation—raising risks of weak governance design or later remutualisation/demutualisation cycles.

16.	**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.**

Assessment: Strongly agree

Co-operatives and mutuals are 'hidden in plain sight': economically significant yet poorly understood as ownership models by senior business leaders. While many leaders interact with mutuals as customers or members, they often do not recognise them as viable strategic ownership options, particularly for growth, succession or restructuring.

2.	**There aren't enough visible success stories of businesses that have mutualised**

Assessment: Partly agree

Successful mutuals do exist at scale, including long-established and economically significant organisations. However:

- these are rarely framed publicly as *mutualisation* success stories.
- media, advisory and policy narratives focus overwhelmingly on investor-led growth, mergers and exits.

The issue is therefore not absence of success, but low visibility and weak storytelling, especially around conversions rather than start-ups.

This is partly because of the lack of a consistent brand label for what has already happened. Confusing, multiple terminology has been used to describe new

3.	**There's not enough clear information or advice on how to mutualise**

mutuals, in particular around public sector mutualisations: for example, NHS Foundation Trusts, Public Service Mutuals, Community Housing Mutuals, Co-operative Academies.

Assessment: Strongly agree

While technical guidance exists, it is:

- fragmented across organisations.
- often legalistic and difficult to navigate.
- poorly integrated into mainstream business support.

As a result, businesses considering mutualisation face higher information and advisory barriers than those pursuing conventional ownership changes.

4.	**There are many reasons why businesses mutualise**

Assessment: Strongly agree

We can identify multiple, legitimate rationales for mutualisation, including:

- protecting long-term purpose and independence.
- improving employee engagement and retention.
- strengthening customer or community trust.
- securing succession where trade sale or IPO is unattractive.
- anchoring businesses locally or nationally.
- avoiding value-extractive ownership models.

Mutualisation is therefore not a single-issue choice, but a strategic response to diverse business challenges.

5.	**The process to mutualise is complex**

Assessment: Partly agree

Mutualisation is not inherently more complex than other ownership transitions, such as private equity buyouts or mergers. However, in practice it can feel more complex because:

- advisers are less familiar with mutual routes.
- capital structures are less standardised.
- governance design must be explicit and robust from the outset.

Complexity is therefore institutional rather than intrinsic.

6.	There is a lack of awareness of co-operative or mutual models by employees

Assessment: Agree

Work on employee ownership and mutualisation suggests that many employees:

- are unfamiliar with ownership models beyond conventional employment.
- may underestimate their collective role as owners.
- require structured engagement and education to participate meaningfully.

Without deliberate communication and capability-building, employee awareness does not automatically follow conversion.

7.	The landscape is too complicated for businesses wanting to mutualise

Assessment: Partly agree

The landscape appears complicated because:

- multiple legal forms exist.
- finance routes are fragmented.
- advice is dispersed across specialist providers.

However, this complexity largely reflects lack of coordination and signposting, not excessive legal or organisational burden. With clearer pathways, the process could be significantly simplified.

8.	There are insufficient incentives to encourage businesses to mutualise

Assessment: Strongly Agree

While mutualisation delivers public and economic benefits, policy incentives are weak compared with those supporting other ownership changes. In particular:

- tax, finance and advisory systems typically favour investor-led transactions.
- few incentives reward long-term stewardship, democratic ownership or value retention.
- the success of tax incentivised succession in employee ownership demonstrates that this can have a major positive impact on the growth of the sector.

This imbalance reduces the attractiveness of mutualisation even where it may be strategically and socially beneficial.

17.	**If you have de-mutualised, can you explain why you did this and how the process went?**

Not applicable

18. In the last 3 years, have you sought out external advice or business support?

- **information relating to the day-to-day running of my business**
- **strategic advice to help grow my business**
- **both of the above**
- **other (specify)**
- **I have not used external advice or information**

Not applicable

19. What did you seek advice or support on?

- **business growth and scaling**
- **mutualisation**
- **digitalisation**
- **e-commerce**
- **human resources**
- **exporting**
- **financial advice**
- **legal issues**
- **management and leadership development**
- **marketing**
- **training or skills needs**
- **transition to net zero**
- **industry or sector specific support**
- **starting-up**
- **succession (including closing or selling business)**
- **other**
- **do not know**

Not applicable

20. Which of the following support best describes your business at the time you sought external advice or support? • **starting (just launched or preparing to launch)** • **growing (expanding operations)** • **scaling (growing rapidly)** • **sustaining (maintaining steady operations or refining processes)** • **transitioning (moving into a co-operative or non-financial mutual model)** • **other (specify)**

Not applicable

21. Where did you receive the external advice or information from? • **accountant** • **bank** • **business networks or trade associations** • **Business Growth Service** • **consultant or business adviser** • **combined authority** • **chamber of commerce** • **GOV.UK website** • **Growth Hubs (England only)** • **internet search** • **local council or authority** • **solicitor or lawyer** • **tax agent** • **universities or other educational institution** • **other (specify)**

Not applicable

22. In what format (such as written, in-person, virtual, hybrid) was this information delivered to you and how did you find that experience?

Not applicable

23. What was your experience of accessing and using the support or advice and how useful was it?

Not applicable

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

No — tailored support exists, but it is insufficient, fragmented and unevenly distributed.

While co-operatives and non-financial mutuals benefit from some specialist support, this provision falls well short of what is required for the sector to start, grow, mutualise and sustain at scale. Co-operatives and non-financial mutuals are fully capable of starting, growing and sustaining successfully, but only if the support environment is reshaped to recognise their distinctive characteristics.

This requires:

- embedding mutual expertise within mainstream business support.
- developing tailored capital and finance solutions.
- providing clear and accessible guidance for start-up, growth and mutualisation.
- sustained investment in peer networks and leadership development.
- consistent recognition of mutual legal forms across policy and regulatory frameworks.

At present, there is not enough tailored support for co-operatives and non-financial mutuals. What does exist is valuable, but insufficient, fragmented and too often reliant on short-term initiatives rather than a coherent, long-term support infrastructure.

Addressing this gap would unlock significant economic, social and regional benefits, reflecting the proven scale, resilience and public value of the mutual sector.

1. Nature of existing support

We acknowledge that tailored support does exist, including:

- sector bodies and federations.
- specialist legal and governance expertise.
- pockets of peer support and mentoring.
- some bespoke capital instruments and community finance mechanisms.

However, this support is:

- uneven by sector and geography.
- often small-scale, project-based or time-limited.
- largely separate from mainstream business support systems.

2. Key gaps

a. Start-up and growth advice

Most publicly funded business support is designed around shareholder-owned companies, meaning:

- advisers lack confidence in co-operative and mutual models.
- founders and leaders receive inconsistent or inappropriate advice.
- mutual options are often not presented at all.

Specialist advice exists but is hard to find, oversubscribed, and poorly signposted.

b. Capital and financial support is poorly tailored

- eligibility criteria often exclude mutual legal forms.
- member-owned capital instruments are misunderstood or ignored.
- growth finance options are limited and fragmented.

This creates a structural disadvantage compared with investor-owned firms, despite mutuals' proven resilience.

c. Support for mutualisation and succession

There is a particular gap in support for businesses considering mutualisation, including:

- lack of clear, end-to-end guidance on conversion processes.
- limited availability of advisers experienced in mutual transitions.
- weak financial and tax incentives compared with other ownership changes.

As a result, many viable mutualisation opportunities are missed.

d. Governance and leadership development

As mutuals grow, they require specialist governance and leadership skills, including:

- member engagement at scale.
- democratic accountability.
- balancing purpose and performance.

Systematic leadership development for mutuals is under-provided, increasing the risk of governance strain or mission drift.

3. Sectoral and regional unevenness

The evidence shows that:

- some sectors (e.g. agriculture, housing) have relatively mature support ecosystems.
- others (e.g. services, manufacturing, community enterprise) have very limited tailored support.
- access varies significantly by region, disadvantaging some places and communities.

This unevenness reinforces inequality within the sector.

4. Consequences of insufficient tailored support

The lack of adequate tailored support leads to:

- slower start-up and growth rates for co-operatives and mutuals.
- missed opportunities for mutualisation and succession.
- higher failure risk at key transition points.
- under-representation of mutuals in high impact sectors.
- continued dominance of investor-owned models by default.

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

While some specialist support exists, there are significant gaps in the type, accessibility and continuity of support and advice available to co-operatives and non-financial mutuals. These gaps are most acute at key transition points, including start-up, scaling, governance at scale, and mutualisation or succession.

The principal gaps in support and advice are not about whether co-operatives and non-financial mutuals can succeed, but whether the support environment adequately recognises and responds to their distinctive needs.

In particular, what is most lacking is:

- joined-up, end-to-end support rather than fragmented specialist provision.
- tailored growth and mutualisation advice, rather than approaches retrofitted from shareholder-owned models.
- system-wide adviser capability, rather than isolated pockets of expertise.

- sustained, long-term investment in peer networks and leadership development.

Addressing these gaps would unlock significant untapped potential within the co-operative and mutual sector, supporting more resilient businesses, stronger local economies, and broader participation in ownership and wealth creation.

Below are the main areas of missing or under-provided support identified:

1. Clear, end-to-end guidance on mutualisation and succession

What is missing

- Plain-English, step-by-step guidance on converting an existing business into a co-operative or mutual.
- Integrated advice covering legal structure, finance, governance design, tax, and employee/member engagement.
- Support that treats mutualisation as a mainstream business transition option, not a niche alternative.

Why it matters

Many businesses suitable for mutualisation (e.g. owner-managed firms approaching succession) do not pursue it because the pathway is unclear and poorly supported, even compared with trade sale or private equity routes.

2. Tailored growth and scale-up support

What is missing

- Growth advice designed specifically for member-owned organisations, not adapted from shareholder models.
- Support on scaling democratic governance, maintaining member engagement, and protecting mutual purpose at size.
- Strategic guidance on federation, replication and collaboration as alternatives to merger or acquisition.

Why it matters

Mutuals can grow successfully, but the process and risks differ from investor-owned firms. Without tailored support, growth can stall or undermine mutual principles.

3. Specialist capital and finance advice

What is missing

- Independent advisory support on mutual capital instruments, including member investment, debt structuring and hybrid finance.
- Better integration between finance providers and business advisers so that capital options are understood early.
- Support to navigate public funding and grant schemes that are not designed for mutual legal forms.

Why it matters

Capital is the most persistent structural constraint on mutual growth. The absence of trusted, specialist finance advice increases risk and reduces confidence.

4. Business adviser capability and accreditation

What is missing

- Systematic training and accreditation for mainstream business advisers on co-operative and mutual models.
- Clear referral pathways from general business support into specialist mutual expertise.
- Consistent treatment of co-operative and mutual legal forms across advisory ecosystems.

Why it matters

Founders and leaders often receive poor or misleading advice simply because advisers lack familiarity with mutual models. This gap increases costs and discourages adoption.

5. Governance, leadership and member-engagement development

What is missing

- Structured leadership programmes focused on governing and leading at scale in member-owned organisations.
- Practical support for boards on democratic accountability, representative systems and long-term stewardship.
- Tools and training for sustaining meaningful member participation over time.

Why it matters

Governance capacity is critical to long-term success. Weak governance support increases the risk of mission drift, disengagement or demutualisation.

6. Peer support networks for growth and transition stages

What is missing

- Stage-specific peer networks (e.g. for scaling, succession, or post-conversion integration).
- Cross-sector forums that allow mutuals in different industries to share learning on common challenges.
- Stable funding for peer support rather than short-term project-based initiatives.

Why it matters

Peer learning is powerful but uneven. Many mutuals lack access to experienced peers at exactly the points where risk and complexity increase.

7. Better visibility and dissemination of mutual success stories

What is missing

- Systematic documentation of mutual growth and conversion case studies.
- Practical lessons on what worked, what failed, and how challenges were overcome.
- Stronger integration of these stories into mainstream entrepreneurship and policy narratives.

Why it matters

Lack of visible pathways reduces ambition and confidence among potential founders and businesses considering mutualisation.

Questions for general response:
For the following questions, you may wish to consider what forms of public, private, or community support would help overcome existing barriers to starting, and whether there are specific types of guidance, funding, or broader support that would make a difference.

26. 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 (for example, loans, equity, grants or community shares)** • **how accessible these are for co-operatives and non-financial mutual models compared with other business models** • **examples of good practice or persistent difficulties**

Overall, co-operatives and non-financial mutuals can and do access capital, but too often on harder terms, with higher friction, and fewer options than conventional businesses, because the capital system is still designed around investor-owned structures rather than member-owned ones.

Working well:

- debt for established mutuals,
- reinvested surpluses and member capital,
- community shares in the right contexts,
- sector ecosystems where they exist.

Working less well:

- equity/growth capital availability,
- scheme eligibility and institutional bias,
- the “missing middle” of patient mutual-friendly capital,
- capital access in asset-heavy sectors,
- and uneven adviser/investor understanding.

What’s working well

1) Debt finance for established mutuals with strong cashflows

For mature co-operatives and mutuals with stable revenues, mainstream loan finance can work reasonably well, because lenders can underwrite against cashflow and assets rather than equity. Many long-standing mutuals have sustained themselves through retained surplus plus debt, indicating debt is a workable route once credibility and track record are established.

Why it works: lenders understand debt, and it does not require ownership dilution.

2) Member capital and retained surpluses support long-term, disciplined investment

Mutuals can fund growth through:

- retained surpluses, and
- member contributions (withdrawable or non-withdrawable member share capital, membership fees, etc., depending on legal form).

This tends to encourage long-termism and financial discipline—because growth must be tied to real performance and member support rather than speculative equity. This is a resilience feature of mutual ownership.

3) Community shares and place-based capital (where applicable)

While not always available to every mutual type, community share offers are one of the clearest examples of "capital that fits the model": they can mobilise local member investment while keeping democratic ownership intact. A place-based framing of mutuals (local anchoring, member value retention) aligns strongly with community shares as an appropriate instrument for community co-ops and asset-based ventures.

Why it works: it matches the governance model and can build legitimacy alongside finance.

4) Targeted sector ecosystems in some areas

Some sectors have stronger capital ecosystems than others (e.g., areas with long-standing co-operative tradition like agriculture, some retail and parts of housing). Where there are specialist lenders, sector bodies, and experienced advisers, mutuals find it easier to assemble blended packages (loans + member capital + sometimes grants).

What's working less well

1) Equity-style growth capital is structurally misaligned with mutual ownership

Mutuals' core challenge: co-operatives and mutuals typically cannot issue conventional equity and do not offer investor control or exit returns. This creates a structural disadvantage relative to investor-owned firms that can access venture capital, private equity, and equity-linked growth schemes.

Persistent difficulty: many 'growth capital' products assume equity or quasi-equity, which mutuals either cannot use or can only use with complex safeguards. Bespoke mutual capital instruments, which exist in other juridictions must urgently be made available in the UK.

2) Public capital support eligibility criteria often exclude mutual legal forms

Public schemes are frequently designed around:

- company share structures,
- investor ownership assumptions,
- standard balance sheet templates.

Even where mutuals are eligible in principle, they often face higher friction—more explanation, more legal review, more uncertainty. This is a major barrier for start-ups and scaling mutuals compared with conventional SMEs.

3) Capital instruments that *could* fit mutuals are not consistently available or understood

Mutual-friendly capital instruments can exist, but are underdeveloped, inconsistently applied, or poorly understood by:

- mainstream investors,
- business advisers,
- and sometimes regulators.

This leads to a "missing middle" problem: mutuals often have:

- loans (sometimes),
- small grants (sometimes),
  but limited options for patient, scalable capital that preserves mutual control.

4) Asset-heavy sectors face disproportionate barriers

Co-operative and mutual models are particularly attractive in housing, energy and parts of public service delivery—but these are also capital intensive. Without tailored instruments and supportive policy, mutuals in these sectors can face:

- slower growth,
- underinvestment,

- or pressure to adopt non-mutual ownership forms to raise capital.

5) Advisory gaps increase cost and reduce access

There is low adviser and investor awareness of mutual forms. In capital terms this means:

- mutuals spend more time and money "educating" funders,
- face inconsistent decisions,
- and may be steered toward inappropriate structures.

This is a competitive disadvantage relative to standard company forms.

Good practice examples

Good practice in capital access would include:

- **Capital that preserves member control** (member shares/community shares; retained earnings; debt aligned to cashflow).
- **Blended finance approaches** for community and asset-based mutuals (grants + member investment + loans).
- **Supportive enabling environments** (clear recognition of mutual legal forms, consistent guidance, and advisers trained to structure mutual finance).
- **New mutual-specific capital frameworks** (mutual capital instruments that protecting mutual purpose).

27.	**What further support would co-operative and non-financial mutual businesses benefit from when starting, growing and sustaining or mutualising?** **From your experiences of navigating business support, you may wish to consider what forms of public, private of community support would help overcome existing barriers to starting, growing and sustaining or mutualising, and whether there are specific types of guidance, funding or broader support that would make a difference.**

Co-operatives and non-financial mutuals would benefit most from systemic, joined-up support that is designed around member-owned models rather than retrofitted from shareholder businesses. The greatest gaps are not in motivation or viability, but in capital, adviser capability, clear pathways, and continuity of support across the business lifecycle.

Co-operatives and non-financial mutuals would benefit most from:

- clear, accessible pathways for start-up, growth and mutualisation.

- tailored capital and finance support that fits member-owned models.
- adviser capability and system-wide understanding.
- governance and leadership development for growth and scale.
- strong, funded peer networks and visible success stories.

With the right support infrastructure, co-operatives and non-financial mutuals could play a significantly larger role in the UK economy, delivering more resilient businesses, stronger local economies, and broader participation in ownership and wealth creation.

A. Support needed at start-up

1. Clear, visible entry points into business support

What would help

- A clearly signposted "front door" within mainstream business support that explicitly includes co-operative and mutual options.
- Early-stage diagnostic tools that help founders choose ownership models aligned with purpose.

Why
Founders are often unaware that co-operative or mutual models are available, and that advisers rarely present them as default options.

2. Adviser capability and accreditation

What would help

- Training and accreditation for mainstream business advisers on co-operative and mutual models.
- Funded referral pathways from generalist advisers to specialist mutual expertise.

Why
Poor or misinformed advice is one of the most persistent barriers, increasing cost and discouraging adoption.

3. Start-up finance that recognises mutual legal forms

What would help

- Public start-up schemes that explicitly recognise co-operative societies, community benefit societies and companies limited by guarantee.
- Small-scale, patient capital and grant-loan blends designed for member-owned start-ups.

Why
Eligibility criteria often exclude mutuals by default, even where risk profiles are similar to other businesses.

B. Support needed for growth and sustainability

4. Mutual-specific growth and scale-up support

What would help

- Scale-up programmes designed for member-owned growth pathways, including organic growth, replication, federation and collaboration.
- Support for managing democratic governance at scale, not just commercial expansion.

Why
Growth in mutuals follows different logics and risks than investor-owned firms; generic scale-up support is often inappropriate.

5. Tailored growth capital and finance advice

What would help

- Independent advisory support on structuring mutual capital (retained surplus, member capital, debt, hybrid instruments).
- Expansion of patient, purpose-aligned capital that preserves member control.
- Clear guidance for funders on assessing mutual balance sheets and governance.

Why
There is a 'missing middle' in growth capital for mutuals: loans and grants may exist, but scalable, patient capital is limited and fragmented.

6. Governance, leadership and board development

What would help

- Leadership development programmes for executives and boards of growing mutuals.
- Practical support on member engagement, representative democracy and long-term stewardship.
- Peer learning for leaders navigating growth pressures.

Why
Governance capacity is critical to sustaining purpose and performance as organisations grow.

C. Support needed for mutualisation and succession

7. End-to-end mutualisation pathways

What would help

- Clear, publicly available step-by-step guidance on mutualising an existing business.
- Integrated advice covering legal structure, finance, tax, governance and workforce/member engagement.
- Dedicated mutualisation advisers or hubs.

Why
Businesses suitable for mutualisation often do not pursue it because the pathway is unclear compared with trade sale or private equity routes.

8. Financial and fiscal incentives for mutualisation

What would help

- Targeted incentives recognising the public and economic value of mutualisation (e.g. long-term stewardship, local anchoring, employee engagement).
- Capital support for buy-outs that preserve mutual ownership.

Why
Current incentive structures favour investor-led transactions, even where mutualisation may deliver better long-term outcomes.

D. Community and ecosystem support

9. Stronger, funded peer networks

What would help

- Stage-specific peer networks (start-up, scale-up, post-conversion).
- Cross-sector forums for shared learning.
- Long-term funding for peer support infrastructure.

Why
Peer support is powerful but uneven, and often weakest at moments of greatest risk and complexity.

10. Better visibility of mutual success stories

What would help

- Systematic collection and dissemination of case studies on start-up, growth and mutualisation.
- Integration of these stories into mainstream entrepreneurship, investment and policy narratives.

Why
Lack of visible pathways reduces confidence and ambition among founders and business owners considering mutual options.

E. System-level changes

11. Embedding mutuals into mainstream policy and support systems

What would help

- Explicit recognition of co-operative and mutual models in industrial strategy, regional development and public procurement.
- Consistent treatment of mutual legal forms across government departments and agencies.

Why
Many barriers are institutional rather than intrinsic, arising because systems default to shareholder ownership.

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

Not applicable