

newsletter



From council project to
co-operative business

Loan Fund and
Enterprise Hub work
together to support
PEARLS co-op

Chelmsford Star
joins Fund

DIY shops stronger
by co-operating

More and more
community shops

Welcome

Welcome to the 11th issue of The Co-operative Loan Fund newsletter, which aims to keep you informed about just some of the Fund's most recent achievements, and how it is helping to support the growth of the co-operative sector.

The Co-operative Loan Fund exclusively lends to co-ops, and is entirely funded and run by co-ops, so unlike many conventional lenders it truly understands and actively supports democratically owned and controlled enterprises. It also reinvests its surpluses to continue its support.

Loan applications are welcome from new and existing co-operatives that need between £5,000 and £75,000 of loan finance to:

- Set up a new enterprise
- Expand an existing enterprise
- Assist employee buyouts or company successions
- Purchase a property or business
- Purchase capital equipment or create working capital.

The Co-operative Loan Fund is funded by consumer co-operatives The Co-operative Group, Midcounties Co-operative, East of England Co-operative Society and Chelmsford Star Co-operative Society, together with the Co-operative Bank and Co-operative Insurance Society. It is overseen by a board of directors who represent each of the funders.

The fund is managed by Co-operative & Community Finance, which is authorised and regulated by the Financial Services Authority (FSA) in the conduct of investment business.

If you would like further information about The Co-operative Loan Fund, or would like to make a loan application, please see the last page for contact details.



John Pendle (left), chair of the Co-operative Loan Fund, and Lance Gardner, a lay director of Chelmsford Star.

Star donation boosts fund

Award-winning Chelmsford Star Co-operative Society has provided a generous donation to The Co-operative Loan Fund, enabling the fund to increase its support to new and existing co-operative organisations.

The donation has come at a good time for The Co-operative Loan Fund, which is experiencing heavy demand from co-operatives throughout the UK. Over the last eight years it has lent over £2 million and resources are running low. Chelmsford Star, an independent retail co-operative based in Essex, has pledged funds for the next three years.

Chelmsford Star won a national Co-operative Award as part of Co-operatives Fortnight as recognition for its excellent work. It is a well-established independent co-operative, which trades across Essex and has over 50,000 members. It has 45 outlets that include food stores, department stores, travel centres and funeral branches.

Lance Gardner, a lay director of Chelmsford Star, has been co-opted to sit on the Co-operative Loan Fund board of directors as a representative of the organisation.

"It is great news that we are contributing in this way," Lance says. "We have looked into ways to provide support in the last few years, and we are keen to give something back.

"The Co-operative Loan Fund is a great way of supporting small, local businesses and we are very happy to be part of this support. We at Chelmsford Star were particularly impressed by the support provided for community-owned shops and wanted to contribute. I look forward to working alongside my fellow board members for such a worthwhile organisation."

John Pendle, chair of the Co-operative Loan Fund says, "We are absolutely delighted with the donation. It is wonderful that another society can contribute to the Co-operative Loan Fund. We always welcome donations, whatever their size, so that we can provide vital support to other co-operatives."

Innovative, educational and sustainable

An innovative redistribution scheme that encourages community activities through the provision of scrap materials has been transferred from council ownership to a workers' co-operative with advice and finance from The Co-operative Enterprise Hub and The Co-operative Loan Fund.

PEARLS co-operative, which stands for the Play, Education, Arts and Reusable Lending Service, collects scrap and unwanted materials from local businesses and sells them from its warehouse in Rochdale to nurseries and schools, as well as to individuals. The materials can be anything from card to carpet, threads and fabric, pencils and paints. PEARLS also buys in a selection of new arts and crafts materials for resale.

The PEARLS scheme had been run by Rochdale Borough Council since 1989. However, despite the best efforts of the council, recent cutbacks meant that the scheme was forced to shut down. Tina Wright, previously community resource manager for the council, along with four colleagues, took responsibility for establishing PEARLS co-operative in April 2010.

“When the scheme was shut down, four of us decided we wanted to keep it going as a co-operative,” Tina explained. “It was relatively quick and easy to set up a co-operative between us, and the council helped wherever it could. However, technically we were still employees at the council, and so we contacted The Co-operative Enterprise Hub for support.

“The Co-operative Enterprise Hub helped us to negotiate with the council. We needed to buy the fixtures and fittings, as well as operate from the same building we had been in when the council owned the scheme. We also received help drafting legal documents.”

Four months after the transfer, PEARLS received a loan from The Co-operative Loan Fund to help increase the stock and update the IT systems.

“We started with nothing when we established our co-operative, so we were looking for funding and further support,” said Tina. “The loan has supported the buyout of stock of a similar resource centre based in Birmingham. We also purchased a new accounting system, as well as marketing and promotional materials.

Working with the Hub

In the last newsletter we announced that the loan fund was working closely with The Co-operative Enterprise Hub, a nationwide programme, funded by the Co-operative Group, to provide a package of training, advice and finance to help co-operatives become more sustainable businesses.

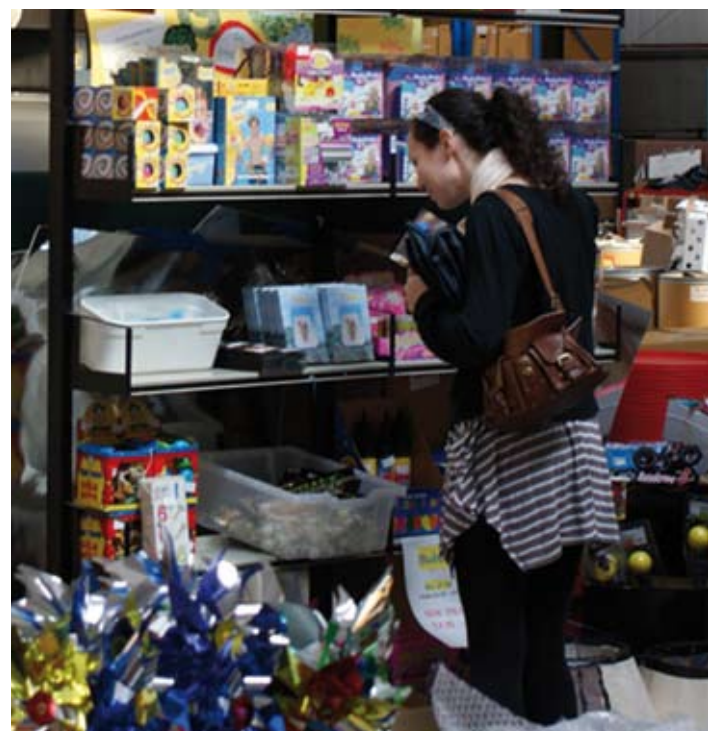
In this issue we report on the first two, very different, co-operatives to draw down loans having previously received advice from the Hub. A third loan has been approved but not yet drawn.

“We had previously approached banks for small amounts – and even these were turned down. It can be difficult to get finance as a new, small business. It can make you lose faith. We are very happy with the loan from The Co-operative Loan Fund. The fact that somebody believes in you and your business enough to support you with this finance is so motivating. The Co-operative Loan Fund has been really good to deal with.”

Ian Taylor of The Co-operative Loan Fund added: “We are pleased to help this new co-operative that has also received assistance from The Co-operative Enterprise Hub. The enthusiastic and very experienced staff have rescued a service previously provided by the council by setting up a co-operative.

“PEARLS is a lifeline for community groups and play groups in an area of high unemployment. They provide low-cost materials and innovative ideas for educational play where it can really make a difference.”

www.pearlscoop.co.uk



DIY stores have the tools to co-operate

The Co-operative Loan Fund is helping independent hardware and DIY stores to hold their own against retail giants such as B&Q and Homebase.

Mica DIY is a co-operative of retailers which provides marketing, joint buying, store development and training for its members. It offers them a support structure, while maintaining their independence.

The organisation was previously a 60% member-owned business, called Mica UK Ltd. A victim of the recession, Mica UK went into administration in 2009. Board members chose to set the organisation up again, and in March 2010 members voted to change the ownership to a 100% member-owned co-operative.

It now has over 60 members with shops across the UK, from the Isle of Skye to the South Coast of England, who all have an equal say in the running of the business.

“When Mica UK went into administration, members quickly decided to set it up again as Mica DIY Ltd,” said Chief Executive Steve Ball. “The members felt that it was the right thing to do, as the organisation was already run with co-operative values. It was a

good decision that it should be entirely member-run.”

The Co-operative Loan Fund provided a loan to help Mica with its working capital. Mica DIY also received advice from The Co-operative Enterprise Hub to assist with its launch as a co-operative.

“We have used the services of Co-operatives UK, The Co-operative Enterprise Hub, and The Co-operative Loan Fund to achieve our co-operative status” said Steve. “All of these organisations have provided useful assistance and resources to us, and we have found their staff to be very helpful.”

Mica is an important example of how support can be provided to retailers without stamping a rigid franchising structure on them.

“Since there has been a dominant presence of large national and international chains such as Homebase and B&Q, smaller independent retailers have been squashed,” said Steve. “Mica DIY supports these independent retailers.

“There is also the problem that many of these retail giants sit in retail parks, outside of city centres. Towns and cities are beginning to suffer because of this. The majority of our members own



Alan Stoddart with customer at Stoddart's Mica Hardware in Renfrewshire

stores in towns, and this goes towards maintaining the local economy.

“Whilst Mica DIY provides the marketing and training, each store is owned by the trader, not Mica. Every store is different; we don't have a prescribed layout for people. Every store is affected by its size and the environment it sits in, for example the local shops around it can affect the stock on offer.”

Mica DIY provides promotional material such as leaflets, which feature products selected by members. The leaflets are a major source of income for the co-operative and are sent to areas around each store.

Ian Rothwell of The Co-operative Loan Fund said: “Mica is different from many of The Co-operative Loan Fund's other customers. It's good to see independent retailers co-operating to take on the big names. This shows the power of the co-operative business model.”

www.micahardware.co.uk



Daves Trade Centre, Finchley, London, uses the Mica branding

More demand for community owned shops and pubs

The increasing trend for community ownership of village shops, reported in the last newsletter, has continued. In addition, some 80 communities are trying to take over local pubs.

The Co-operative Loan Fund has provided loans in recent months to three very different community-owned shops.

The new community shop and cafe in Kirkmichael, South Ayrshire, is the first the fund has lent to in Scotland. It opened in April 2010 immediately after the old shop (in different premises) closed when the owners retired.

Langham community shop in Essex has been running for over five years from a modified steel container located in the car park of the community centre. A loan from The Co-operative Loan Fund is helping to finance the building of an extension to the community centre to provide a permanent home for the popular shop.

Gaydon Village Store in Oxfordshire is using a loan to help to employ a part-time manager and take some of the pressure of the committed team of volunteers who have been running the shop since it opened earlier this year.

Co-operative & Community Finance, which manages The Co-operative Loan Fund, has now lent over £1.3 million (including £470,000 from the fund) to community-owned shops.

With thousands of pubs closing each year, many communities are considering co-operative solutions to save their locals. Earlier this year it looked as though government funding would be available to facilitate this but the programme was cancelled by the coalition government.

In September a 'Co-operative Pubs Summit' was held in the Old Crown in Heskett Newmarket, Cumbria, - the UK's first co-operatively owned pub - which was attended by representatives of The Co-operative Loan Fund, The Co-operative Enterprise Hub, the Plunkett Foundation, Co-operative & Community Finance, Co-operatives UK and other co-operative organisations. They committed themselves to supporting the 82 communities that had already applied for assistance from the cancelled programme.

"We all felt a strong moral duty to help these communities that the government has turned its back on," said Peter Couchman, chief executive of the Plunkett Foundation. "The support will not be at the same level as it would have been, but those choosing to go down the co-operative pub route will receive support from highly experienced co-operative developers."



Gaydon Village Store



Apply for a loan

If you would like to apply for a loan from The Co-operative Loan Fund, please go to www.co-operativeloanfund.co.uk to download and print an application form, or contact the fund managers, Co-operative & Community Finance, on 01179 166 750.

Complete the form, and send it with two copies of your most recent business plan to:

The Co-operative Loan Fund
c/o Co-operative & Community Finance
Head Office
Brunswick Court
Brunswick Square
Bristol BS2 8PE

Further details about the Fund, loan security, and lending terms are available online at

www.co-operativeloanfund.coop

The co-operative loan fund

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