

Setting up a Workers' Co-op

short guide



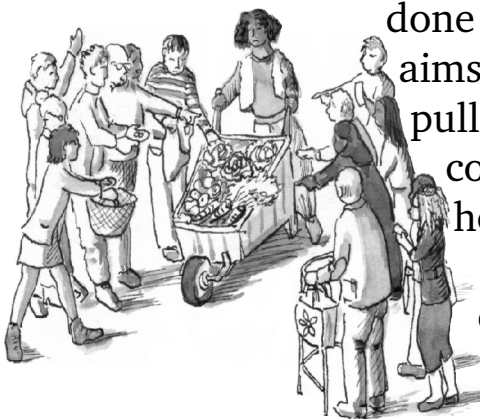
Why put up with a boss when you can set up your own democratic workplace? Taking control of our own lives is the first step in the fight against the massive injustices and ecological devastation facing the world. Big companies and unaccountable governments may rule the planet right now, but it doesn't have to be this way. Workers' co-ops give us a chance to change a small but significant part of how things are. They're one way to gain control over how we work, and the impact our work has on others and our environment.

Workers' co-ops are part of the co-operative family – democratic, member owned enterprises set up for the benefit of the members and the wider community. In a workers' co-op only people who work for the organisation can be members: there are no bosses or shareholders, it's the people doing the work that have the say. All members have an equal say in running the business, including pay and work conditions.

Starting a workers' co-op is exciting and rewarding but also full of challenges. It's like setting up any other business, except you're doing it collectively. Don't underestimate the huge amounts of time, commitment and learning that working collectively and setting up a business can take! The steps below will hopefully give you a guide to what work you need to do to get your co-op up and running.

1. Your idea and the group

The first thing to work on is the foundations that your co-op will be built on. Getting together a group of people who all want to work together for the same things, and who have the right skills and attitudes to get them done can be a real challenge. Develop and test your aims and business ideas together to check you are all pulling in the same direction. Work out whether a co-op is the right way of working together, and how you're going to make decisions – e.g. by consensus or voting. Address these questions early on and you'll have a great collective ready to face the exciting but uncertain year ahead.



2. Your business plan

It's time to put your business head on, and it's a good idea to seek advice on developing your business plan. Do market research: how much can you sell for how much? How will you market your products or service? Where will you make and sell it? What about working conditions: pay, hours, holidays, will you have collective management or a committee? Do the financial planning so you know how much start up capital you need, and when you can expect to break even.

3. Your legal structure, money and paperwork

You'll need to decide on your legal structure and draw up your governing document, choose a name and register. There are organisations that can help you do this, such as Radical Routes, Co-operatives UK and the Co-operative Enterprise Hub. They can also help you sort out your finance – ask them about loanstock, and where to get loans. Make sure you've got your start up money in your new bank account, that premises, equipment and insurance are ready. Tell HMRC when you've started trading and that you are employing people, and if relevant, register for VAT. Double check all the paperwork: membership, co-op policies, employment, accounting etc.

4. Launching your co-op

So now you officially exist, and can start doing what you set out to do, whether that's baking bread, mending bikes or installing IT systems. Get out there and spread the word! You can make a virtue of the fact you're a workers' co-op – and don't forget to buy services and supplies from other co-operatives where you can.

5. At the end of the first year

Once you've survived a year of trading, things will hopefully be settling down, and you'll have a good idea of whether things are going to work out well for your co-op. At the end of the first year you'll need to prepare your accounts and send them with your tax return to HMRC and send your annual return to your regulator (Companies House or the Financial Conduct Authority). Fill in all the employment related forms (PAYE and NI) and send them off to HMRC too. And last, but definitely not least – open a few bottles and celebrate!

Timeline for setting up a workers' co-op

1. The idea and the group



- Develop the idea.
- Work out what your aims are.
- Decide whether a workers' co-op is the right choice for you.
- Get together the people with the right skills and attitude.
- Work out how to make decisions.

2. Your business plan

- Do market research. How much can you sell for how much?
- Work out how the business will be run – working hours, staff needed, pay and working conditions.
- Decide on management and decision-making structure.
- Develop ideas for marketing your product/service.
- Choose a name.
- Look into premises – what do you need, location, costs.
- What equipment will you need and how much will it cost.



- Draw up a financial plan.
- Work out how much start-up capital you need and where to get it from.
- Decide on a legal structure and constitution.
- Draw up policies.

3. Preparation

- Register your co-op.
- Open bank accounts and get insurance.
- Raise the money you need for starting up.
- Sort out premises and equipment.



4. Trading

- Tell HMRC you've started trading and are employing people.
- Register for VAT if needed.
- Advertise and promote your co-op.
- Check you're doing all the



- paperwork (membership, employment, accounting).
- Review your business plan and financial forecasts.

5. At the end of the first year

- Prepare accounts, agree them and minute the agreement.
- Annual Return and fee to your regulator.
- Balance Sheet to your regulator, with the Annual Return.
- Corporation Tax Return (or Income Tax for members of a partnership) with computations and accounts (Balance Sheet and Income and Expenditure accounts) to HMRC.
- PAYE and National Insurance: Forms P14, P35 and P60.
- Open a few bottles and celebrate!



Find out more

You may find the following resources useful:

Radical Routes handbook: *How to Set Up a Workers' Co-op* includes information on ways of making decisions, legal forms, effective co-operation, dealing with bureaucracy and much more.

Download it for free from www.seedsforchange.org.uk, or order it for £7 (including p&p) from www.radicalroutes.org.uk

Seeds for Change offer workshops and advice on working together, including facilitation, consensus and incorporating consensus into your processes and constitution. We have lots of written resources on co-operative working skills: www.seedsforchange.org.uk

Radical Routes' Trading Co-ops Network provides mutual support between workers' co-ops: www.radicalroutes.org.uk

Co-operatives UK, the national umbrella and campaigning organisation for co-ops, publish several very useful guides, including the *Workers' Co-operative Code of Governance*, the excellent *Simply* series, including *Simply Legal*, *Simply Governance*, *Simply Finance* and *From Conflict to Co-operation*. They also provide advice and other services, such as incorporation: www.uk.coop

The **Co-operative Enterprise Hub** provides advice and training on setting up and running your co-op: www.co-operative.coop/enterprisehub

For more briefings and training workshops see:
www.seedsforchange.org.uk

