European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from Co-operatives UK

1 About Co-operatives UK

1.1 Co-operatives UK is the network for thousands of co-ops. We work to promote, develop and unite member owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-ops are everywhere and together they are worth £34.1 billion to the UK economy.

2 About co-operatives

2.1 The definition of a co-operative recognised by the United Nations as provided by the International Co-operative Alliance is as follows:

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.”

International Co-operative Alliance ‘Statement on the co-operative identity’

2.2 It is useful to think of the distinctive features of co-operatives as coming in three parts: mutal purpose, joint or collective ownership, and democratic control.

2.3 Co-ops are mutual businesses, serving the needs of their members and sharing their profits with them as well. They come in all shapes and sizes. While having been around a long time they are constantly being used in new ways.

3 Co-operatives in Scotland

3.1 We actively promote the interests of the 564 co-ops based in Scotland, which have a combined annual turnover of £3.3 billion and are owned and controlled by their 1.7 million members. The most prominent co-op sectors in Scotland are retail, agriculture, housing and credit unions, while in recent years we've seen new community co-ops on the rise in areas as diverse as heritage and renewable energy.

4 Scotland's future relationship with the European Union

4.1 Given the wide-ranging nature of co-ops we will restrict our comments at this stage to the generalities that the decision to leave the EU will have on co-operative enterprises. As the inquiry and situation develops we would be
happy to provide greater detail on the policy and financial implications for the co-operative sector.

4.2 Scottish co-operatives operate in a range of sectors across the economy. The majority of trade is in UK domestic markets but this does not mean they will not be affected by the decision to leave the EU.

4.3 For example agricultural co-ops trade in world markets and do substantial business within the European Single Market. They have sizeable markets in the rest of the UK and within Scotland itself.

4.4 In contrast retail co-ops trade almost exclusively within the UK but source many goods from abroad and are therefore affected by currency fluctuations and tariffs on trade. They will be affected by measures that are taken to mitigate the effects of the decision on the economy.

4.5 Therefore constitutional matters at all levels and the fallout from these have an effect on the sector.

4.6 European markets have always been important to co-operatives not just in terms of trade but in terms of knowledge sharing. There is a clear desire to retain the ability to trade, travel and learn from our European neighbours.

4.7 More widely Brexit will require businesses to co-operate more when it comes to international trade. There may now be a greater need and potential for SMEs and micro enterprises in particular to co-operate on imports and exports.

5 The Process

5.1 Uncertainty is a major problem and this will only increase the longer the path ahead remains unclear. What is needed is clear leadership and regular communication as the process evolves.

5.2 Monetary policy in reaction to Brexit is already having an unintended but detrimental effect on financial co-ops and the general lending environment for co-ops and credit unions.

5.3 There may be opportunities from new trade relationships but until there is a clear government position these will be difficult to take advantage of.

5.4 Two years is not a long time in terms of investment decisions so co-ops are looking for guarantees of policies beyond 2019/2020.

5.5 The impact on co-operatives must be considered early as new policies and legislation are enacted to replace existing EU regulations. Due to the member-owner structure of co-ops the way policies are enacted and their effects can be quite different to shareholder or private-owner enterprises.

5.6 A key issue is whether all powers will remain at the UK level or whether some will be devolved to the Scottish Parliament. Clarity on these types of decisions is required sooner rather than later.
6 The position of EU citizens in Scotland

6.1 There is considerable concern in the co-operative sector in regard to freedom of movement for EU citizens in terms of the right to work and study in Scotland.

6.2 Some co-operatives view seasonal labour as essential to their businesses and there would be real concerns that parts of the Scottish co-operative economy wouldn’t be viable without this seasonal workforce.

6.3 We have also seen EU citizens make important contributions in starting and building new co-operative enterprises and making an overall positive contribution to the Scottish co-operative sector.

6.4 Simply at a human level those who have made Scotland a home for many years and contributed to the success of their chosen home should not have their future livelihood put in doubt.

Other issues

7 European Structural Funds

7.1 The likely form, function and size of whatever replaces EU structural funds is wholly unclear and is of concern to many in the community co-operative sector. Many programmes for the development of the social economy rely at least in part on EU funding and clarity is required in order to ensure this fundamental community economic development is continued.

8 Procurement

8.1 For co-operatives and social enterprises seeking to deliver commissioned public services EU procurement regulations have at times been problematic. Public commissioners often feel EU rules limit their legal ability to support the social economy because they stipulate short term open competitive tendering over social commissioning and the development of ‘public social partnerships.’

A new procurement framework could improve this.

8.2 That said the most recent EU rules for public service contracts specifically allow commissioners to reserve certain contracts for mutuals for 3 year periods and this is something we would like to see implemented.

8.3 EU public procurement rules are designed to create a level playing field for all businesses in the Single Market. Just what opportunities and risks Brexit presents in relation to procurement rules will depend on our new relationship with the Single Market.