



# Submission to Co-operative Societies Bill Public Consultation

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We want to thank the Minister for progressing the highly significant piece of legislation. Historically, Ireland has led the way on the co-operative movement and the credit union movement. Rural co-ops have been key to rural development in Ireland. Many organisations have had their start as co-operatives; the Irish Countrywomen's Association was originally set up as a co-op in 1894.

Co-ops span the entirety of Irish society, and range from huge agrifood co-ops to small cafés and pubs. Co-ops are key to rural and community development but also to achieving other goals such as for renewable energy co-operatives, housing co-operatives and food producer co-operatives.

On the energy side, community-owned renewable energy co-operatives can help to insulate us from the fluctuations in gas prices internationally and provide cheap, clean and secure energy supply for communities. It's so important to get this right.

There is also a crucial role for Approved Housing Bodies and Housing Co-operatives under 'Housing for All' and we need to enable people to help themselves and build themselves. Agricultural co-ops and food producer co-operatives are vital in both urban and rural areas.

From the public consultation, it seems like many of the aspects that stakeholders have been looking for are included. In particular, the statement of the co-operative identity and principles, the audit exemption, and modernisation of the law will be greatly appreciated.

The broadening of the reason for starting a co-op to 'any lawful purpose' rather than solely business reasons will be beneficial for new co-ops, as will the lowering of the number of founding members.

We are also very happy to see how many of the issues will be resolved in other areas, such as financial returns exemptions for micro co-ops, distinctions between distributing and non-distributing co-ops, provision for non-user investor members, the legal reserve and access to financing. The extension of the facility of raising debentures to non-agricultural co-operatives will be hugely beneficial. We also think the current provisions on nomination are satisfactory.

This consultation is a valuable way to engage with stakeholders and we want to thank the Minister for this opportunity to submit our views. While the Public Consultation documents indicate that the Bill will be a positive, modern, progressive framework for co-operative societies, there are certain areas where we would like to put forward our viewpoints in response to the questions asked. These are the following:

## *1. Audit exemption*

The provision of an audit exemption is hugely welcome and will help to level the playing field with small companies. The thresholds proposed in the public consultation document are much lower than small companies (about one sixth of them) and also much lower than the UK. We would ask the Minister to explore alternatives, and whether thresholds could be increased in order to capture as many small co-operatives as possible. In particular, the membership limit of 50 may pose a problem to co-ops serving their community, and it may be helpful to either increase this threshold or to only require three of the four criteria to be met by co-operatives. Consideration should also be given by the drafters of the Bill as to whether thresholds should be set by Ministerial Order, as it would be easier to increase in the future in light of inflation concerns or unforeseen events without having to bring an amending Bill through the Houses.

## *2. Non-User Members*

The inclusion of non-user investor members is very welcome. Consideration should be to excluding these from the membership limit of 50 for an audit exemption if it stays in the Bill.

### *3. Protection of the Co-operative Model*

Consideration should be given to working out a way to prevent non-user investor members from taking advantage of the co-operative model to get huge returns.

### *4. Demutualisation Protection*

The introduction of a legal, indivisible reserve of assets is also welcome. Some co-operatives hold assets built up over generations for a community or a cause, and not for the purpose of any single generation or sub-group of members. Consideration should be given to Italian and Spanish legislation and how co-operatives can be protected from assets being stripped.

### *5. Minimum Number of Directors*

Consideration should be given to increasing the proposed minimum number of Directors, or introducing other safeguards for members in the case of co-operatives that are not required to submit financial returns or audits.

### *6. Grants*

One issue that hinders co-operatives' access to funding is that they may not qualify for either small business funding or social enterprise funding. We want to make sure co-ops don't fall between two stools on grants and we ask that some form of clarity be given in this Bill to ensure that distributing and non-distributing co-operatives can clearly identify themselves for grant schemes and funding opportunities.

### *7. Streamlining the Mutualisation Process*

This Bill should streamline the mutualisation process, where ownership of a business can be transferred to its employees and stakeholders if it is being sold off, to prevent the business from closing. This is particularly appropriate for businesses that may not be able to continue to generate adequate profits to attract outside investment, for example, shops, post offices and other socially important businesses in rural locations. This could also be appropriate for a 'staff buy out' of a branch of a chain that wishes to close that particular branch. In this way, strong co-operative legislation offers a path towards strengthening our towns and villages.