

## The Road to Starting Up a CDA

### 1. Why "CDA" Anywhere?

- "CDA" (Co-operative Development Agency) is a very widely recognised acronym. Although not as successfully adhered to and marketed as, for example, the CAB (Citizen's Advice Bureau), it has been around as long. If it had been as successfully adhered to and marketed as the CAB over the same period of time, it would now be very much more a part of the public awareness. There is now a national and a European trend towards correcting this situation. Besides establishing standards for CDAs, the movement is looking to encourage all CDAs to rename themselves so that the acronym appears before the town or region.
- The purpose of this is to assure that wherever a member of the public may be in the country, they will know to look under "c" in the phone book to find their nearest CDA. This may sound trite, but the bulk of first time enquiries come from people whose first port of call is the phone book or the Yellow Pages. In the West Midlands, they would have to know to look under "b" for Black Country CDA; in Swansea under "w" for West Glam CODA; in Bristol under "a" for Avon CDA. In terms of marketing, a nationally co-ordinated effort to capitalise on the name changes will reap immeasurable benefits in every locality.

## 2. What is a CDA?

- A CDA is a local Enterprise Agency. There are about 45 CDAs throughout the UK. They are funded largely by Local Government and therefore provide a free service to residents of their respective catchment areas. They normally affiliate to the Industrial Common Ownership Movement (ICOM) for centrally resourced legal and other expertise.
- Such an Agency is the first port of call for people thinking about starting up in business but with no clear idea as to how to go about it. A CDA sometimes also offers a free advice service to existing small businesses. This can include help with a broad range of problems such as sales & marketing, book keeping, legal matters, VAT difficulties, etc.
- But primarily, a CDA seeks to establish and support co operative limited companies (or CLCs) or co-operative partnerships. These are companies which are owned and controlled by the people who work in them.
- A CDA is often thought of exclusively as an instrument for defeating unemployment. In fact, it is much more than this. It is also an instrument for bringing a greater proportion of the local economy into local ownership. And for Local Authorities, this means greater local economic stability (see “Localising the Economy” attached). Local economic stability isn’t achieved simply through business start-ups. It is also achieved through conversion of existing business into employee ownership and control. A CDA is therefore a broader instrument for the achievement of local economic stability and for the development of stable, local economic growth.
- Additionally, it is an instrument for regenerating blighted community economies more generally in specifically targeted areas through community businesses, credit unions, and other forms of neighbourhood managed initiatives. Very often, such communities have no appeal for private enterprise. The only way to turn the tide of economic blight is to get the people themselves involved in economic activities.

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## 3. What does a CDA do?

### 3.1 Proselytise:

- The primary task of a CDA is to spread the word of co-operative ethics and economics. As first touched upon by the Rochdale Pioneers 150 years ago, co-operativism is a very viable and very humane system for managing economies in the interests of the majority of the people most of the time. A CDA officer's role is to carry this message to schools, colleges, clubs, associations, and to anywhere else possible.

### 3.2 Start-ups:

- Many CDAs deal with business start-up enquiries of any kind - whether co-operative or not. Support is provided to sole traderships, partnerships, or whatever in the first year or two of their trading life. This is important because it may not always be evident at the outset if a particular proposal is ideally suited to a co-operative structure. CDA officers dealing with a variety of start-ups retain the co-operative option at the backs of their minds and are in a position to suggest it when and if the circumstances dictate. However, many CDAs concentrate solely co-operative business start-ups.

### 3.3 Business Support:

- Support to co-operative limited companies is normally extended for the life of the co-op. In the case of well established, prospering CLCs, charges would normally be made; for ones still in the throes of getting established or experiencing a cash crisis, services would be provided free.

### 3.4 Conversions:

- This is the new and increasingly important area of CDA activities - converting ordinary limited companies into co-operative or employee share owned limited companies. CLCs may be formed from start up, or they be conversions from ordinary limited companies or growing partnerships or sole traders. Conversions may be undertaken because existing proprietors or shareholders wish to retire or because they simply wish to realise some cash value without selling out to a larger concern with different priorities.

- CDAs also work on Employee Share Ownership Plans (or ESOPs). These are a sort of halfway house between ordinary limited companies and CLCs. An ESOP allows for considerable tax benefit and for variable shareholding among institutional and individual shareholders.

- This work tends to involve regular mailshots, orchestrated seminars, and follow-up visits to the non-co-op business sector. Agency credibility is vital in these instances.

### **3.5 Community Economic Development:**

- Community businesses are ones in which local people participate, either as customers or as employees, on the understanding that profits go back into the community itself. These are healthy self-help approaches to regenerating economic activity in a locality.
- In addition, there are other poverty combatting forms of economic development such as Credit Unions, Claimants' Markets, and Local Exchange Trading Systems (LETS) with which CDAs are normally associated.

### **3.6 Funds Management:**

- Many CDAs manage their own rolling loan funds. These are funds normally subscribed to by existing co-ops who will have an interest in assisting other co-ops to set up or expand, but they can be contributed to by any organisations or individuals with an ethical turn of mind.

### **3.7 Small Enterprise/Start-up Unit Management:**

- Many CDAs manage premises which are used as business start-up facilities. In some instances they are directly responsible for every aspect of the premises; in others, only for certain services. Some CDAs are simply obligated in their Service Level Agreements to mailshot Local Government owned and managed workspaces at least once a year with offers of free business counselling and/or advice.

### **3.8 Footnote**

How much or how little of the above a CDA takes on board depends entirely on local circumstance. In the case of Anywhere, perhaps much of the above activities are carried out by an ordinary Enterprise Agency or by in-house Council Departments. Depending on the current state of flux with regard to any of this provision, there may be a case for suggesting that the brief for CDA Anywhere is expanded to incorporate all or part of the above hand in hand with an overall programme of rationalisation.

## 4. What Resources does a CDA have?

### 4.1 Management/Membership

- Normally non-profit making Limited Companies, CDAs usually have a management Board elected by an associated membership of local co-operatives, supportive individuals, and affiliated organisations.

### 4.2 Premises

- Resourced Office: CDAs normally have offices with basic phone/fax, photocopying, word-processing, and reprographic facilities. An important feature of any office is the facility for having clients of all sorts visit without fear of losing credibility. A respectable office space which can be perceived to be independent of Local Authority is important to the higher levels of management with which CDAs are increasingly dealing.
- Meeting/Training Space: Much of a CDA's work has to do with collective or group meetings or sessions. Adequate space for conducting these should be an integral part of the accommodation.
- Kitchen facilities: Not absolutely necessary, but an important aspect of conducting group activities is making the venue and the process hospitable and appealing. Even tea/coffee making facilities will contribute to this.

### 4.3 Personnel

- A CDA normally has at least one Development Officer and at least part time dedicated administrative assistance. Larger CDAs have several officers with perhaps one in an overall managing position and proportionately greater administrative support. There should also be the facility to contract work out to specialists in particular fields.

### 4.4 Equipment

- Computer(s)
- Phone/Fax/Answer machine
- Photocopier
- Filing System
- Training/presentation equipment
- E Mail

## 5. How is a CDA Structured?

- As explained above, a CDA is normally a Limited Company and with a management Board elected by an associated membership of local co-operatives, supportive individuals, and affiliated organisations.
- In Anywhere, there may be a number of ways forward. One is to work with the current ICOM recommended model but modified to account for local preferences or conditions.
- Another is to start from scratch with an Agency that is virtually directly controlled by the Council but which moves toward a form of perceived independence over a period of years. This might be advantageous to the Council if it is grappling with particular complexities, such as Unitary status.

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## 6. Making the Case: “ Why should Anywhere have a CDA?”

### 6.1 General Points

#### 6.1.1 The Importance of Co-ops or CLCs

- There are a number of benefits which accrue to co-ops. Foremost among these is an increased commitment from staff. Knowing that they have a stake in the success or failure of a company is a proven incentive for shop floor and management alike. A CLC also blurs distinctions between ranks and capacities within companies. This has a marked effect on improving internal communication, as many Japanese, German and American companies have already discovered.
- There is clear benefit, from a management point of view, in being able to address both shareholders and workforce at one and the same time. Reporting is made much simpler, more cost-effective, and there is usually a better common understanding of the state of the company and what this may imply for shareholders/employees. In properly run CLCs, there is still plenty of scope for quick decision making by individuals with delegated authority. The main difference is that these decisions are reviewed more regularly and perhaps more thoroughly than in an ordinary company or plc.
- Furthermore, like it or not, we live in a consumer democracy. Where you spend your pound is as, if not more, important as where you cast your vote. The reality is that government, especially local government, is regularly undermined by economic forces and considerations.
- Among the advantages of co-operatives is the fact that ownership is in the hands of local voters. Local voters appreciate the efforts of Local Authorities in developing the infrastructure. Distant shareholders may not recognise the value of a good municipal transport system or the importance of a local school or hospital. In the example of a local co-operative, LA initiatives are appealing both to local citizens and to local enterprise.
- Co-operative economics tend to contribute if not to the general elimination of speculation then certainly to a significant controlling of it. This creates local economic stability.
- Co-ops are constitutionally committed to making contributions to community, to charity, to other co-ops. No other form of limited company has this. They also have a constitutional commitment to education.

### 6.1.2 The Importance of CDAs

- If one accepts the importance of co-ops, it stands to reason that CDAs are important in expanding the co-operative element of the local economy.
- First and foremost, CDAs are there to proselytise, to lobby, to carry the message. They are there to establish the groundwork for a co-operative culture. Business start-ups and co-operative business support are of course essential. But one must be careful of attaching an “annual quota basis” for this. Co-ops cannot be forced. Many CDAs work fairly intensively with start-up clients prior to getting into a decision-making discussion about structures. It is important that clients never feel “pushed”.
- Increasingly, community economic development and conversions are becoming significant routes to broadening local ownership. These are further important features of a CDA’s role.
- CDAs can also carry out feasibility studies and develop strategy proposals - both for their funding authorities and for outside contracting clients.

### 6.1.3 “Assessing” the work of a CDA

- In assessing the work of a CDA, a simple co-op count is not adequate. Quite apart from the inappropriateness of pressuring anybody to form a co-op, there is also the harsh fact that co-ops live or die according to broader economic circumstance in the same way as ordinary companies do. It is useful to keep a tally of currently trading co-ops and the total jobs involved, but this should not be the centrepiece of assessment.
- Assessing the success of proselytising is very difficult. Ultimately, one is looking for an overall sense and awareness of co-op orientation in a locality. This is not easy to measure, but stats on meetings, exhibitions, presentations, etc should be maintained.
- Initial enquiries can be a very good indicator of an Agency’s success in reaching new people. However, this is not always possible in some areas (where Enterprise Agencies compete) due to the fact that the bulk of enquiries are being filtered out by “competition”.
- Success in conversion work can be gauged to some degree by monitoring percentage of local ownership. Likewise, the stabilisation of the local economy can be gauged by monitoring movement of enterprise out of the Local Authority area.

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## 6.2 Establishing standards/systems

- There are important standards of communication and reporting to establish and maintain. Particularly with regard to funding authorities, but also with regard to internal management accounting, stats and figures should be obtainable at any time with a minimum of fuss. Much of this has to do with standards of filing and record keeping. ICOM can suggest guidelines for these to minimise duplication and re-invention.
- Standards and consistency of methodology between CDAs is not currently very clear. However, again, ICOM is taking steps to improve on this situation. This will also improve mobility of a highly skilled, specialised, and committed workforce.
- Consideration must be given to market “positioning”. Business start-ups in general are now much more difficult due to changes in legislation and in economic environment. Co-ops are no exception to this. Excluding the fact that staff commitment is inevitably higher and decisions are jointly agreed, they stand or fall just like any other business.
- Attention needs to be given to structures. However, ICOM is again in a position to suggest a fairly precise set of guidelines and model rules.

## **6.3 The Future - other longer term possibilities/arguments in favour**

### **6.3.1 CDA Anyregion??**

- If the original CDA is fairly locally based, there is often potential for expanding the role to incorporate a wider region. This can be done on the basis of the “re-active/pro-active” distinction. For example, where funding is coming from a County Authority, one could say that the work in a given District or Borough is re-active - simply responding to enquiries generated by the knowledge that the CDA exists. Where a given Borough or District is also funding, one could say that the work in that LA area becomes pro-active - activity is undertaken to create and stimulate demand. It is also possible to look at sub-contracting arrangements with non-local government funded CSOs (Co-op Support Organisations) with pricing policies negotiated and agreed beforehand.

### **6.3.2 Other initiatives**

- There are other areas of expertise which CDAs can and should get into. Dispute resolution, arbitration, democracy audits, and viable systems to name a few.

### **6.3.3 National/Euro initiative**

- ICOM is launching an effort to standardise and accredit CDA provision across the UK. Through its European connections, it is also looking at the possibility of a Euro model.

### **6.3.4 Local Authority innovations**

- It may be possible to appeal to individual local authorities on the basis of being innovative and trend setting by being at the leading edge of experimenting with perks for employee ownership. Normally, business rate reductions are offered to first time inward investors, but there is no reason why similar sorts of benefits could not be offered to established local enterprise on a sliding scale matched to an employee ownership percentile. Other variations could also be looked at.

- Nor is there much pre-history on local ownership monitoring. It could be argued that an indicator of the success or failure of overall economic development strategy might be the percentage of local enterprise in the control of local and/or employee owners.

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## 7. Recommendations

### 7.1 Establish an office foothold separate and distinct from Council offices

- Historically, where co-operative support provision has been brought “in house” to a Local Authority department, that provision has been, even with the best intentions, eroded over the years and gradually extinguished. Separate and distinct office accommodation is vital.
- The premises need to be appropriate not only as an office, but also as a place one could reasonably expect to be able to meet with potential clients from the non-co-operative sector. Also, in many situations, it is useful for the Agency to appear to be independent of the Local Authority, particularly where companies are divulging details of management accounts, projections, and plans.

### 7.2 Establish management structure on a temporary basis.

- As stated above, the ideal CDA has an element of independence from statutory Local Authority provision. This is as important to the perceptions of clients (many of whom require absolute confidentiality) as it is to the Development Officers (DO) who require a fair amount of latitude in exploring and even creating possibilities. But, in theory, there is no harm in moving towards this independence gradually. A short term start up structure might be appropriate for two or three years, but a move towards an ideal ICOM model in the longer term should be seen as an objective. Additionally, there is no harm in looking at a variety of employment models. The dedicated Anywhere Borough DO could, for example, be employed directly by the Borough but seconded to the CDA. This might enhance the distinction between the dedicated post and any posts associated with activities outside the Borough as suggested under the “Optional Recommendations” listed below.

### 7.3 Assist with the Establishment of a “Training Unit”

- Many CDAs have integrated Training Units which were set up to serve the particular needs of the co-op sector. These can developed within the Agency or floated off as a separately trading co-op with one or two of the major participants in charge of development. Training Units have achieved considerable success within chosen parameters (services to Small & Medium-sized Enterprises and to business Start Ups) and have the unique feature of being able to tailor courses to fairly precise client requirements. In particular, they are not tied to the academic year.

## **7.4 Rationalise SME Support provision via Local Enterprise Agencies (LEAs)**

- In view of the fact that it is not only CDAs which currently find themselves in the throes of change, now may be the opportune moment to rationalise/economise much of the small and medium sized business support in the Anywhere catchment area. Insofar as CDAs, as explained above, are often associated with much of the work currently undertaken by LEA's, it would not be inappropriate for CDA Anywhere to be considered as the umbrella organisation for this work. A place on the Board might be reserved for one of the leading figures of the current LEA.

## **7.5 Optional / Longer Term.**

### **7.5.1 Report on progress at county level (Assuming Anywhere is a Borough)**

- Anywhere Council may wish to keep its associated County Council informed of developments. A willingness by the County to carry on some form of joint funding may be realised. A pitch could be made to them on the basis of securing the equivalent of a second DO post. This post could be managed by but otherwise kept separate from the essential Anywhere Borough dedicated post and could be cut when and if the County funders waver in the future.

### **7.5.2 Report on progress at a regional level**

- As above, but depending upon outcome of talks with the County. Anywhere might be seen to be at a geographical epicentre as far as neighbouring Counties are concerned. As such, the Borough's influence for economic strategy could be seen to be an important determining factor in the development of the region. This might have positive spin offs in other areas, such as Euro fund raising.

### **7.5.3 Report on progress to Districts in county or region**

- A policy of making pitches to Districts on an hourly pro rata basis could be looked into. Making the distinction between proactive and reactive co-op development work (the former only taking place where Districts also fund; the latter taking place where County Authorities fund) can be used as an element of making the pitch. Hourly pro-rata payments would work simply on the basis of making DO time available at, say, £60 per hour up to a negotiated and reviewable annual maximum within a given District. Supply could then be tied very closely to demand.

## 8. Appendices

### 8.1 Items contained in this CDA Start-up Pack

8.1.1 model Memorandum & Articles of Association

8.1.2 model Business Plan

8.1.3 step by step guide

8.1.4 model job descriptions, contracts, and procedures for CDA staff

8.1.5 model filing system

8.1.6 sample stationery - letter heading, cards

8.1.7 sample introductory/informational leaflets for photocopy on to headed paper

8.1.8 model Annual Report

8.1.9 list of recommended suppliers of basic equipment and systems

#### 8.1.10 Suggested Subscription list:

- Co-op News
- Croner
- Labour Research Department
- New Sector/TNC

#### 8.1.11 Suggested list of Publications for CDA reference "library":

- Co-operative Working - OU CRU
- The Workers' Co-op Handbook - Cockerton/Whyatt
- ICOM Model Employment Contract for Worker Co-ops - ICOM
- ICOM Finance Pack - ICOM
- Organisational Issues in Democratically Managed Businesses - Blackley
- Turnarounds - Cox
- ICOM Factsheets - ICOM

## 8.2 Advantages of ICOM Accreditation

- nationally identified Logo and accreditation stamp
- properly co-ordinated joint national marketing
- regular constitutional model updates - on disc
- regular database updates - on disc
- regular info pack updates - on disc
- “sales” leads
- “early warning system” on legislative changes - Croner style
- “early warning system” on funding opportunities - Croner style
- Malcolm Lynch Solicitors services at reduced rates?
- reduced rate E-mail
- common/co-ordinated pricing policy for outside work
- specialised, reduced rate training programmes
- annual Co-op Support Organisations conference
- participation in other CDA start-ups
- framed certificate

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### 8.3 Localising the Economy

CDA ANYWHERE would not occupy itself exclusively with small business “start-ups”. The Agency would also seek opportunities for “conversion”.

Conversion is simply the process of vesting the ownership of an existing company in its employees. This might be done in its purest form by simply creating a new co-operative limited company (CLC) and transferring the assets and goodwill of the old company to the new one. It might also be done in full by selling shares to employees over an agreed period of time. Or it might be done in part by selling a proportion of the shares to employees so that they have a stake but not a controlling interest.

Broadening employee ownership of enterprise is a recognised way of keeping it local. Employees who have a say in the buying and selling of their company are less likely to opt for a quick profit in the short term if it means the prospect of unemployment in the longer term. Company directors and managers are generally more mobile than shop floor workers and see moving from one post to another as a necessary part of developing their career structures. It may be that shop floor workers' aspirations are not as high; it may be that they have a greater appreciation of local community. Whatever the reasons, a higher degree of worker involvement in ownership decision making means lower likelihood of ownership transfer elsewhere.

The relevance of this to local Economic Development committees and officers should not be lost. Important as getting new commerce into the county is, keeping existing commerce here must be even more important. The very services and infrastructure that Local Government works so hard to provide is of negligible interest to distant shareholders. Employee shareholders are LOCAL shareholders. They appreciate local economic stability. They appreciate the fabric of their community; the economic filaments (schools, libraries, shops, local business), and the social filaments (clubs, churches, associations, voluntary activity, friendships). They do not take decisions to relocate elsewhere on the basis of short term financial incentive alone.

Local CDAs have seen some degree of diversification of objectives. In common with the movement nationally, they have moved towards encouraging a wider variety of models of co-ownership. This is not because Directors and Staff have lost confidence in the pure, wholly employee owned and controlled limited company. This is still very much the ideal for all concerned. What has been recognised is the difficulty in making the altruistic case to hardened owner-managers and high-flying company directors.

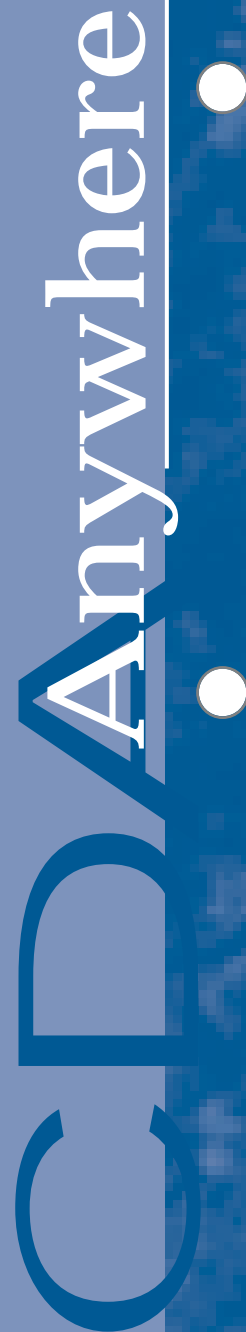
Employee Share Ownership Plans (ESOP's) offer a sort of half way house. Existing legislation allows tax benefits for owners of companies who transfer ownership, in whole or in part, to employees. The scheme tends to involve a rolling programme so that the actual transfer and the associated payments are spread out over a negotiated period of time. Besides reducing the tax burden, this protraction provides time for all parties to adjust to a slightly different way of operating.

The benefits are that employees get a stake and take a greater interest in the fortunes of the company. The vendors get the direct benefit of increased employee commitment combined with a tax advantageous way of realising the capital value of their business. This becomes particularly important when owner-managers are nearing retirement and realise that they haven't planned a graceful exit from ownership.

For example, Trade Flooring Ltd, a Northampton based medium sized enterprise, were faced with a succession problem. The proprietors, a husband and wife team plus a third director, wished to realise part of the capital value of their business and also reduce the management burden they felt they were beginning to struggle under. The local CDA was very pleased to be called upon to assist with a series of negotiations and with the transition that eventually emerged. Selling up to a competitor was not a favoured option for the owner-managers, but if they had, it is certain there would have been rationalisations and job losses and that the bulk of the business would subsequently have been located out of county.

CDA ANYWHERE does not have much of a publicity budget. Glossy brochures do not sit easily with its income and expenditure. It is therefore sometimes difficult to get the message across to the right people. For much of this, the Agency will rely upon word of mouth from officers and councillors involved in economic development. Once notified, CDA personnel can make the case directly to people facing some of the situations outlined above.

Co-operative Development Officer  
CDA Anywhere

The logo for CDA Anywhere is positioned vertically on the right side of the page. It features the letters 'CDA' in a large, bold, blue font, with the word 'Anywhere' in a smaller, white, sans-serif font stacked on top. The text is set against a dark blue background that has a subtle, repeating pattern of the letters 'CDA' in a lighter shade. Two white circles are placed to the right of the text, one above the 'A' and one below the 'A', resembling dots in a sequence.





8.4 Finance model

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