



Pre-legislative scrutiny of the Co-operative Societies Bill 2022

Opening Statement

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I thank the Chair and the Committee for the opportunity to discuss the General Scheme of the Co-operative Societies Bill 2022. I am accompanied today by my colleagues Ms Teodora Corcoran and Ms Caroline Kiernan. We welcome the opportunity to contribute to the Committee's scrutiny of the Scheme and to assist in any way we can.

Reform in this area is long overdue. The existing Industrial and Provident Societies legislation governing co-operatives is very outdated (with the principal Act dating back to 1893), is fragmented and is not fit for purpose in many areas. Reform of the legislation relating to the co-operative sector has been a long-standing aim of the Department in the context of its regulatory reform and modernisation agenda and has been supported by a wide range of stakeholders, including the co-operative movement itself, legal and accounting practitioners and academia.

The General Scheme of the Co-operative Societies Bill 2022 provides for a specific legislative framework for co-operative societies for the first time, with societies registering under the legislation being required to adhere to the co-operative ethos. It consolidates and modernises existing provisions and introduces modern corporate governance, financial reporting and compliance requirements, thereby making co-operatives more attractive to investors.

The Scheme has been informed by extensive consultation and engagement with key stakeholders over the years (including public consultation exercises in 2009, 2016 and a more focused public consultation in early 2022). The Report of the previous Joint Committee on Business, Enterprise and Innovation on the Private Members' Industrial and Provident Societies (Amendment) Bill 2018 has also been taken into account.

The Department is very conscious of the proud history of the co-operative sector since the 1880s and the invaluable role it has played in this country. We want to build on this important

legacy and provide a modern legal framework to help the sector grow. We are particularly mindful of the diverse nature of the co-operative sector, ranging from the sophisticated and very large to the very small and localised; from those with a successful commercial focus to others with a focus on community, culture and social enterprise; those comprised of producer, consumer, retail or worker members and those who provide services to members in areas such as advice, education, housing, water supply. As a result, the Scheme seeks to provide as much flexibility as possible, thereby empowering individual co-operative societies to reflect in their rules what best suits their own particular circumstances.

Experience internationally suggests that the potential of co-operatives in Ireland has not been fully exploited and that there is scope for the co-operative model to play a greater role across a wider range of activities. The Scheme introduces a modern legal framework which will place the co-operative model on a more favourable and clear legal basis. It will create a level playing field with the situation applying to companies and encourage the consideration of the co-operative model as an attractive formation option for entrepreneurs and also for social and community activities. A modern legislative basis, including strong corporate governance requirements, will also provide confidence to stakeholders and help to encourage investment in co-operatives.

Overview

The General Scheme is a substantial legislative initiative and represents significant reform of the legislation governing the co-operative sector. It is comprised of 271 heads, divided into 15 Parts. In light of time constraints, I will now provide a brief summary of the main aspects of the General Scheme. A more detailed overview of the provisions was provided when the Scheme was referred to the Committee for scrutiny.

The Industrial and Provident Societies legislation, under which most existing co-operatives operate, will largely be repealed. Existing industrial and provident societies will be provided with a transition period in which to register as a co-operative society, adopt an alternative corporate structure or wind up and be dissolved.

The Scheme sets out to consolidate and modernise the existing provisions across a range of areas including the functions and powers of the Registrar; matters relating to registration, amalgamation, transfer of engagements and conversions, strike-off and restoration; shares and share capital and raising of funds, including charges and debentures.

While co-operatives are by nature very distinct from companies, they are a body corporate and there are many aspects of good practice set out in company law that are applicable to co-operatives, either directly or with adaptation. As a result, the legislation will reflect the

approach adopted in the Companies Act 2014 and will introduce modern corporate governance, financial reporting and compliance requirements. For consistency and ease of understanding, these provisions are generally similar in approach to the provisions of the Companies Act 2014 but amended as appropriate recognising the distinctive characteristics of co-operatives.

The legislation will introduce provisions to make it easier to set-up and operate a co-operative society – by reducing the minimum number of founding members (from seven to three); expanding the categories of founding members to include bodies corporate; providing for audit exemptions for smaller co-operatives; and providing for virtual and hybrid participation at general meetings. The legislation will also repeal the existing outdated provisions on raising funds which will make it easier to access various sources of finance.

In recognition of the significant diversity across the co-operative sector, the legislation seeks to provide as much flexibility as possible, thereby empowering co-operative societies to reflect in their rules what best suits their own particular circumstances.

My colleagues and I are happy to discuss the Scheme in more detail with the committee.

Thank you Chair.

Ends