

At the heart of the Government's Localism Bill, to be published on 9 December, will be the provision to allow groups of public sector workers to form co-operatives to run local services. Local community groups have plenty of experience in managing local services, from running a post office or pub, managing schools and even hospital staff encouraged to adopt a degree of self governance. But when it comes to actively competing for local authority contracts, co-operatives will have to compete with the horrendously complex EU procurement requirements and employment legislation.

Simon Randall, a consultant at law firm Winckworth Sherwood and former elected member of Bromley Council says: "There is much to commend in this proposed change in the way local services are to be delivered. Staff and other community groups invariably have a better grasp of what is needed and how best to deliver such services, but they will have to overcome some pretty major obstacles."

Staff transferring to the new co-operative would need to be offered the same terms and conditions under the Transfer of Undertakings (Protection of Employment) Regulations 2006. Compliance with EU procurement rules will also be required and the Government will need to introduce procedures to ensure the smooth transfer to co-operatives.

New co-operatives are also likely to need seed funding to get it off the ground. The Government may well need to consider a new start-up fund, grant or loan to new co-operatives.

Simon adds: "Research indicates that whilst there is strong support for co-operatives, persuading members of staff to make the leap is not going to be easy. The Government is going to have to invest considerable resources in persuading works to unite and create a co-operative."