

ONE PATH ONE DIRECTION

Sustainable Communities Conference 2015

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Session Notes

(Read in conjunction with PowerPoint Presentation slides)

Social Enterprise & Cooperatives – The New Way Forward for Communities

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Slide 1. Introduction

Thank you:

Title: Social Enterprise & Cooperatives - New Way Forward for Communities

Subtitle: What's Old in New Again?

Acknowledge (although likely already done):

I would like to acknowledge that this meeting is being held on Aboriginal land and recognise the strength, resilience and capacity of Aboriginal people in this land and pay my respects to the Elders, past and present, and indigenous people from other communities who may be here today.

Straw Poll:

Q – Who is from Local Government/Government

Q – Who is from Private Sector – or Self Employed

Q – Who is from the Community or Community Sector

Q - Who is running SE or participating in SE

Q - Who is looking to start-up an SE

Q – Who is sceptical

Slide 2 & 3

What is (Social) Enterprise?

Investment Spectrum – NSW P&C (Social Impact)

- Return to this later
- I want to Challenge this notion:
 - Social Enterprise
 - Commercial Enterprise
 - The issue is scale and capacity – can Social Enterprises be both Socially responsible and Commercial

I have no problem - Private Enterprise: Who does?

- Wealth generation for the owners

Focus today – on how we may build & share the wealth as a community ... through

- Social Enterprise:
 - Mission based purpose
- Cooperative Enterprise:
 - Shared profits within a collective
 - Compare – New Sharing Economy

PT Experience

- Festivals & Cultural development (Adelaide Fringe, Melb Comedy, Don Dunstan)
- Here developed the Triple M Principle
 - Mainstream - Aspiration
 - Make Money – Build sustainability
 - Make a difference - Measurement
- Cause related projects
 - Social Enterprise Manager – 2002 Publication “Social Enterprise in Australia”

Definition:

There is no singly agreed definition of social enterprise in Australia.

An early definition of social enterprise published in Australia by a Social Entrepreneurs Network partner organisation defined social enterprise as:

...a means by which people come together and use market-based ventures to achieve agreed social ends. It is characterised by creativity, entrepreneurship, and a focus on community rather than individual profit. It is a creative endeavour that results in social, financial, service, educational, employment, or other community benefits (Tregilgas, 2002: 2)

Further research has ensued since then and more recent definition including Dr Jo Barraket research (2010) Finding Australia’s Social Enterprise Sector: FASES). She has indicated “Organisations exist for *public or community benefit, trade* to fulfil their mission and *reinvest* a substantial portion of profit/surplus in mission fulfilment” (Barraket et al. 2010)

Consequently I have refined my earlier definition to simply: **Market Based ventures TRADING to achieve social aims and benefits.**

Slide 4

What are Social Enterprises

Significantly: This definition is broad and incorporates a broad range of categories – incl:

Forms of Social Enterprise: - (discuss if required – anyone not familiar with the types of organisation)

- Cooperatives & Mutuals
- Not-for-profit community organisations
- Charitable trading entities
- Community businesses
- Community financial services
- Development and regional trusts
- Employee-owned companies
- Small business partnerships
- Social Firms
- Intermediate Labour Market Companies
- Hybrids
 - Rise of the “Profit for Purpose”

Key Issue:

To be critical: Governance

- **Not-for-profit – focus community organisations**
- **Governance model tends to be NFP**
- **Focus on the Social – rather than the Sustainability of the Enterprise**
- **Tend to rely on host organisation for support**
- **Focused often – Short term labour market outcomes**

Slide 5.**Scope of Australian – Social Enterprises**

Research is key – Measurement

Acknowledge Dr Jo Barraket – Swinburne Uni: FASES 2010 & Current

- Social enterprises operate in every industry of the Australian economy;
- The field is mature and diverse;
- The substantial majority of social enterprises are non-profit distributing, and association is the dominant form of incorporation;
- Social enterprises serve a variety of geographical markets, with a dominant focus on serving local and regional markets;
- Social enterprises produce both goods and services, but are more prevalent in the services economy; and
- Australian social enterprises exist primarily to generate opportunities for people to participate in their communities, and to find solutions to complex social, environmental, cultural and economic problems (Barraket et al 2010)

Examples:

- Small Scale
 - Case Study ... Ben – Hills Shire Daily Grind
 - Call for other local examples
- Larger Scale
 - Vinnies / Goodwill / Salvo's
 - Who Gives a Crap (Vic)
 - Council – Recycling (Reverse Garbage)

Slide 6.**There is Help - Intermediaries:**

- **Capacity Development in NSW**

There is help – small (Start-up) & Large (Business Development)

The publication Social Enterprise in Australia stated that the **“creation of wealth and opportunity for community benefit can only be done through sound commercial practices”**. Social enterprises are businesses. They need to be operated as sound businesses to provide the benefits which they are established for, and to be sustainable into the future”.

The growing social enterprise movement is supported by the following organisations in NSW

Capacity Development:

- School Social Entrepreneurs (<http://sse.org.au/>)
- Social Traders (<http://www.socialtraders.com.au/>)
 - Crunch
 - Procurement
- Social Enterprise Sydney (<http://www.socialenterprises.com.au/>)
- Community Builders – NSW Government (<http://www.communitybuilders.nsw.gov.au/>)
- Me – Tregilgas:
 - Social Enterprise Services (<http://socialenterprise.com.au/>)
 - Mercury Centre (<http://mercury.org.au/>)
- Many other ...

Slide 7.**Federal Government Investment - SEDIF**

Department of Employment

Projects of Scale – focused on Labour Market (Employment) outcomes.

- quarantine \$20 million
- The Department of Employment identified Social enterprises can be a valuable means of creating effective, locally driven solutions to social problems and increasing the economic and social participation of disadvantaged groups.
- A large segment of the social enterprise market that is focused on creating jobs – our core business.
- Tender application – identified 3 Fund managers
- At least match the Government grant with money from private investors
- three funds are now making loans to social enterprises, and, financial returns are being passed back to investors

Results

- 56 investments into social enterprises
- Total of \$13.8 million committed
- Investments of \$20,000 - \$1 million (note – small to large scale)

Employment outcomes:

- At least 105 new jobs being created for disadvantaged job seekers
- at least 103 training and work experience placements being made available
- 126 crisis accommodation places created which house over 500 people each year
- 21 supported accommodation placements for elderly and people with disability
- access to affordable housing for 12 families

Slide 8.

SEDIF - Intermediaries

Slide 9.

What are Cooperatives (You Tube – UK)

(https://www.youtube.com/watch?v=90FL_bBE4mw)

Slide 10 / 11 / 12.**Social Enterprise – Cooperatives and Mutuals****History & Origins**

- Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, Lancashire England in 1844. Resurgence UK Coop movement

Australian - experience

- Who's a member of NRMA or a Credit Union
- Westfarmers (owner Bunnings) – June 1914 as the Westralian Farmers Co-operative, 1984 demutualised
- Slide – Macleay Coop
- Personal Mid North Coast – Credit Union investment in the region
 - 10% of State assets in 6 Councils – only 3% of NSW population
 - Issue - Loyalty & Business investment

Issues demonstrated in the movies:

- 1950's Classic Film: US – A Beautiful Life, Jimmy Stewart
- **Key Message:** Community banking Big Corps v Community
 - George (Jimmy Stewart) and his father run a small Building and Loan company that finances mortgages for the people of Bedford Falls. They face a difficult battle with the evil, avaricious, and wealthy Henry Potter ([Lionel Barrymore](#)) who is on the board of directors of the Bank, which holds much of its assets, along with almost everything else in town, - charges people exorbitant rent on his own apartments, and tries to put the community Building & Loan company out of business.

Slide 13 & 14.**Cooperatives and Mutuals - Economic Contribution**

- Cooperative & Mutuals contribute 7% of Australia's GDP
- ***Who said these are not commercial enterprises!***
- Top 100
 - The top 100 data is drawn directly from a study commissioned by the Business Council of Co-operatives and Mutuals and undertaken by the University of Western Australia:
 - Top of the list were Australia's farmer-owned co-operatives. Western Australian grain handler, CBH Group (2.8 billion) and Victorian dairy, Murray Goulburn (2.39 billion)
 - 1st & 2nd on the top 100 list, also ranked 3rd and 4th the top 5 private Australian businesses in the recent BRW Top 500 list.
 - NSW had the most co-operatives and mutuals in the top 100 list (44%) and largest contribution to aggregate turnover. The top 10 co-operatives and mutuals in NSW had turnover of \$5.79 billion in 2012/13.
- International:
 - Basque Spain – Mondragon: largest Coop in the World – Est 1959 as a Worker Coop it is a network of co-operatives and associated entities incl - 260 manufacturing, retail, financial, agricultural, civil engineering, with jobs for 83,800 workers, and annual sales in excess of \$US20 billion.

Slide 15.**Cooperatives – Governance with Values & Principles****Forms of Cooperatives**

- Two forms of Cooperative
 - Non Distributing (essentially NFP)
 - Distributing (Trading)
- Cooperatives serve a variety of geographical markets, with a dominant focus on serving local and regional markets;

Types of Cooperatives:

- Producer
- Agricultural
- Service eg Healthcare/Housing/Childcare
- Buying Groups
- Employee Owned
- Financial eg Credit Unions

Governance – key issue: c/f

- Governance model tends to be Trading orientated
- Focus on Sustainable markets (expand)
- Investment capable
- Key Values – Equity & Equality
- Democracy – 1 Share – 1 vote
- Long term focus

7 Principles

1. Voluntary and open membership
2. Democratic member control (Co-operatives are democratic organisations controlled by their members, who actively participate in setting)
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for the community

Cooperatives in Australia – Manual

- Like SE in Aust
- Context/Definitions/Business Plan

Slide 16**Exciting News: Cooperatives & Mutuels****Government Actions & Response****1st – Cooperative & Mutuels**

- **Parliament of Australia** Senate Economics Reference Committees on
 - The role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy inquiry.

Terms of Reference

- the role, importance, and overall performance of cooperative, mutual and member-owned firms in the Australian economy;
- the operations of cooperatives and mutuels in the Australian economy, with particular reference to:
 - economic contribution,
 - current barriers to innovation, growth, and free competition,
 - the impact of current regulations, and
 - comparisons between mutual ownership and private sale of publicly held assets and services; and
- any related matters.
- **Lobby achieved by:**
 - Business Council for Cooperatives & Mutuels
 - Get Mutual – check out their new website

Slide 17**New Funding Challenges – The Way forward for Communities:****Incentive & Market based**

- Community shares – crowd sourced equity funding for cooperative social enterprise.

Two forms**1. Crowd Sourced Equity Funding**

Federal Govt review states: “The Government is making it easier for small businesses to access the capital they need to grow and thrive by removing obstacles to crowd-sourced equity funding”.

I will not address this today – other than to say ... This is the third review into CSEF in the past two years, an indication perhaps of over-caution. In Aust there are various legal & proprietary restrictions eg max 50 Shareholder & invest max of \$20k

Since the take-off of CSEF around the world in 2010, most economies have simply gone ahead and made it happen, with the most noticeable example being the new “regulation-lite” system introduced into New Zealand, where up to \$2 million per project can be raised without the usual, costly “offer documents” applying

2. Community shares – The cooperative form of enterprise and can be undertaken legally (and cheaply) in a certain way under existing State based Cooperative Acts. Community investment is termed “community capital” in the US and is part the “COCAP” revolution of ‘people powered’ projects now sweeping many parts of the world.

The most comprehensive data on “community shares” is that from the UK economy – refer to the excellent Nesta research report “Understanding Alternative Finance” (see: <https://www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf>)

This study shows that there has been a 95% growth in the value of community share issues over the years 2012-2014, from £9 million - £34 million with £174,000 being the average total investment per project.

Community share offers are showing success in ventures ranging from farming and food security, to football clubs and pubs, community retail stores, renewable energy projects, health services, social care cooperatives and urban regeneration.

Some of the better known Australian ‘community share’ successes are “Hepburn Community Windfarm Cooperative” (<http://hepburnwind.com.au/>) and “West Belconnen Health” (now the National Health Cooperative) (<http://www.westbelconnenhealth.coop/>). The power of community investment in these cases has not stopped with the amount of capital raised - the community investors are themselves the customers of the ventures, with their loyalty contributing to their financial sustainability.

Slide 18**Challenge Community Investment – Community Shares**

- Social Enterprise has developed extensively in the 15 years since I produced the publication Social Enterprise in Australia as a community development tool however
- With respect social enterprise (with some exceptions) has struggled with both an image and perception of scale and capacity that has not endeared itself as a potential tool for economic development – rather a tool for Social Engagement.
- For a Social Enterprise to be successful it must maintain trade profitably and sustainably within a market and without the tie to the mothership.
- Rather - to attract investment the Social Enterprise objective has been on building relationships with commercial/private investors and philanthropists.

Community investment – of which community shares is the major component – is quite different. Instead of turning to the private sector for support, community investment is about encouraging communities to invest in themselves.

- It is the practice of harnessing the collective power of whole communities, with relatively large amounts of capital being able to be raised in relatively small sums from many community members (Retail investors).
- This new role for the ‘retail investor’ will be a challenge for social investment policy development in Australia.
 - This is because policies in this area revolve mostly around the “institutional investor” as represented by governments, social finance funds, wealth based philanthropy and corporate impact investing.
 - As a result, community investment is unrecognized and under-valued by policy-makers – and largely “crowded out” of the impact investing ‘market’.

Community investment is often driven by a business model for communities to help themselves where the private sector has failed them.

- For instance, in a growing number of regional and rural communities, people have come together to rescue vital facilities and services from closure - stores, service stations, pubs, and picture theatres etc - transforming them from a failing private business into vibrant community owned enterprises. Example
 - The recent example of this is the community buyout of a butchery in the Victorian country town of Birchip with a view to creating jobs and training opportunities for young people. (see: <http://www.abc.net.au/local/photos/2015/05/08/4232284.htm>)
 - Berri & Streaky Bay Hotels in SA

Slide 18 (Continued)**Local Government – Community Shares & Economic Development**

Local Government is faced with unprecedented pressure to deliver services in the context of rate caps, threatened amalgamations and responsibility over infrastructure and community assets. Local government is efficient and continues to identify means to deliver and support services.

A concern in my discussion with LG is always “cost shifting” Federal – State – State to Local Government. Who doesn’t remember the shift of Libraries from State to Local Government (which have become an invaluable component of LG Service & communication with community).

The issue is the cost of Leisure, Recreation, Arts, Historical/Heritage – as this conference which focusses on the challenge for a new way forward is for LG to identify assets and empower the community to self-ownership & management via the democratic Cooperative Model.

- The current ALGA “Ideas Register” case for Federal funding of \$300 million per year over four years for a regional and community infrastructure fund \$300m. Could identify options for Community Asset projects that need Cooperative governance & Community Shares
- Example of UK & Aust Projects
 - Berri Hotel & Streaky Bay Hotel (SA)
 - Greenwich Leisure Centre (UK)

STRUCTURE & Strategies include:

- Public Service Mutuals – service delivery through Community Owned Mutuals
- Credit Unions and Community owned Financial Development Trusts
- Community & employee owned venture
- Social Housing Cooperatives
- Transfer of Council owned assets to Community Owned Cooperatives

A plethora of **new** community investment opportunities are emerging through innovation - leading to Employment Creation

- New Energy Technology
- Food & Fibre
- International Education
- Professional Services
- Health & Health Services
- Manufacturing
- Technology & Innovation
- Housing
- Arts, Culture & History
- Example of UK & Aust Projects
 - Hepburn Wind Farm Coop (Vic)
 - Belconnen Health Service (ACT)

Slide 19.**Local Government - Social Enterprise & Community Challenges****Social enterprise and Cooperatives - economic & social development in Local Government****Challenge for Local Government – new way forward****Straw poll**

Q – Who is from LG again

Q – Those in LG - who is from Corporate, Business Services &/or Economic Development

Q - who is from Community Development

Q – who is still sceptical

I have asked those questions before at Seminars/workshop with must the same result

- Social = Community / Enterprise = Economic – so what is the issue?

The key purpose was to identify opportunity for Social Enterprise as a means to promote the dual & complementary aims of local Government – Economic & Social development.

Issues identified in Municipal Assoc of Vic (MAV): 1st half 2015 that Change is needed for Councils operations to promote:

Social enterprise and values in council/community/business culture**Building an enterprising community**

- Integrated values Community & Economic – Place Based & “can do” approach
- Understanding internal Council solutions culture & supporting enterprise culture
- Understanding business life cycle – financial sustainability

Leadership, Governance and Council Services

- Council organisational structures – need for more integrated Social & Economic Development, structure & strategies eg
 - Tendering criteria for Social Procurement
 - Understanding Social Procurement – Value professional payment – labour market (incl disability)

Employment Creation

- Projects capacity & requirement to service contracts
- Social Housing - Employment Creation, Strengthening Communities & youth engagement

Key issue for Local Government – sustainable resources and maximising usage of community assets

- **Consequently my focus – Cooperatives, Community Investment**

Slide 20.

Concluding thoughts

Mainstream:

Access and utilise market-based enterprise

Make money:

Acknowledge the market to build sustainable wealth

Make a difference:

Aspire to measurable change

I conclude with the Key Issue

Social Enterprise and the Cooperative Governance provides a values based sustainable trading model that is Community owned, driven and managed ... some old fashioned concept rooted in contemporary principles – What is old is new again!

So I always ask the ironic question - What did democracy ever do for us!

Slide 21.**Final Slide – Thank You****Additional resource & publications****Publications:****<http://socialenterprise.com.au/resources/>**

- Social Enterprise in Australia
- Cooperatives in Australia

Both publications include – basic business plan outline

Cooperatives & Resources:

- **Business Council Cooperatives & Mutuals (BCCM):** <http://bccm.coop/>

Community Investment:

- <http://australia2012.coop/downloads/Community-Investment.pdf>

“The Rochdale Society of Equitable Pioneers was a group of 28, around half were weavers in Rochdale, Lancashire, England, that was formed in 1844. As the mechanisation of the Industrial Revolution was forcing more and more skilled workers into poverty, these tradesmen decided to band together to open their own store selling food items they could not otherwise afford. With lessons from prior failed attempts at co-operation in mind, they designed the now famous Rochdale Principles, and over a period of four months they struggled to pool £1 per person for a total of 28 pounds of capital. On 21 December 1844, they opened their store with a very meagre selection of butter, sugar, flour, oatmeal and a few candles. Within three months, they expanded their selection to include tea and tobacco, and they were soon known for providing high quality, unadulterated goods. Ten years later, the British co-operative movement had grown to nearly 1,000 co-operatives.”

End