

# Sticky Money: the value created by co-operatives and mutuals

Presentation to Municipal Association of Victoria

18 February 2015

# Agenda

---

1

**Why co-operatives**

2

**Overview of co-operatives in delivering public services**

3

**Case studies: How local government can support co-operatives**

4

**Sticky money: The value created by co-operatives for local communities**

# Drivers for change in local government

---



▶ Reduced budgets



▶ Shifting costs and services



▶ Aging infrastructure



▶ Regional development/employment

# The Hon Kevin Andrews MP

---

## Ex-Minister for Social Services



“The co-operative and mutual sector has tremendous potential to foster innovative modes and methods of addressing the unmet needs of our society.”

“The question we should explore is how we – the Government – can help you – the co-operative and mutual sector – take things to the next level and re-capture that verve and spirit that before the post-war consensus eroded Australian mutualism.”

# Co-operatives and mutuals are...

---

Member owned businesses for member benefit - employees, customers or a group of smaller organisations

## Two key advantages:

1. Profits are re-invested back to business
  - ▶ For member value
  - ▶ Business sustainability
  - ▶ Community benefit
2. Higher levels of engagement
  - ▶ Member satisfaction
  - ▶ Employee satisfaction

### Principles of Co-operatives

- Voluntary and open membership
- Autonomy and independence
- Democratic member control
- Member's economic participation
- Education, training and information
- Co-operation among co-operatives
- Concern for community

**Co-operatives  
delivering public  
services = Public service  
mutuals**

# Three types of public service mutuals

## 1. Consumer owned

- Members jointly purchase programs and services, improving value for money and access to expert advice.
- Formed by members to increase their bargaining power in the market (e.g. bulk buying from suppliers to gain volume discounts).
- Eg NRMA, HCF, The Co-op (Barossa)

## 2. Producer owned

- Provide members with an income as well as empower employees with a stake in the organisation's decision-making process.
- Pursue long-term strategies that smooth out the peaks and troughs of the business cycle.
- Eg Co-operative Homecare, Nundah Community Enterprise Co-operative

## 3. Enterprise owned

- Enable self-employed members and member businesses or community groups to band together and find strength in numbers.
- Includes secondary co-operatives
- Eg Murray Goulburn, Community Child Care, Dandenong & District Aboriginal Co-op

# PSMs are a viable option when...

---

## Market Led

- Efficiency
- Productivity
- Innovation

## Co-op Market

- Specialism
- Efficiency
- Quality

## Community Led

- Mutual aid
- Philanthropy
- Voluntary

## For Profit

### Best when:

- Standardised service
- Efficiency driver
- Scalable
- Profit

## Public Service Mutuels

### Best when:

- Diversity
- Too expensive for gov't
- Low profits
- Specialised service
- User input required to meet market needs

## Not-For-Profit

### Best when:

- Too expensive for gov't/industry
- Meet particular needs



# Local Government role in supporting PSMs

---

## 1 Social Procurement

- ▶ eg Brisbane City Council & Nundah Community Enterprise Co-op providing meaningful and sustainable disability employment

## 2

### 'Spin-out' services from local government to employees and local communities

- ▶ eg Leisure Centres - Greenwich Leisure (UK), Community Transport – Hackney Community Transport (UK)

## 3

### Facilitate collaboration between local not-for-profit organisations

- ▶ eg Consortia to bid for and deliver services

## 4

### Financial and other support for co-operatives to deliver social outcomes

- ▶ eg Common Equity Housing and Northern Rivers Social Development Council

- ▶ **Problem:** Limited employment opportunities for people with an intellectual disability or long term unemployed.
- ▶ **Model:** Employee owned
- ▶ **Services:** Provides a range of services to businesses, government and community members eg catering and parks and maintenance.
- ▶ **Aspiration:** To provide long-term, sustainable employment for people with intellectual and cognitive disabilities.
- ▶ **LG role:** Brisbane City Council provided first large contract to Nundah worth \$3,000 which provided financial stability and opportunity to learn and develop skills on the job.

*'Other businesses employ people to mow parks or make coffee.'*

*'We mow parks and make coffee to employ people.'*



# Greenwich Leisure

- ▶ **Problem:** Public spending cuts meant Greenwich Council needed a new way to run its leisure centres.
- ▶ **Model:** Employee-owned spin-out and now a member owned co-operative
- ▶ **Activities:** Promote healthy and active lifestyles through gyms, libraries, playgrounds
- ▶ **Aspiration:** GLL was the first of its kind in the UK (1993) and has grown from 7,000 to nearly 450,000 members. Expanded to 115 facilities.
- ▶ **LG Role:** Transferred 7 centres to GLL initially and now GLL provides a partnership role with many other LGs to operate leisure centres on their behalf.



# Common Equity Housing (Vic)



- ▶ **Problem:** Limited affordable housing in inner Melbourne's leading to social dislocation of lower income earners
- ▶ **Model:** Enterprise co-op
- ▶ **Services:** Provide a means for lower income earners to access rental properties that they manage and control on a co-operative and secure basis
- ▶ **LG Role:** Baw Baw Shire Council & CEHL entered into a peppercorn lease agreement to provide affordable housing for people with disabilities.



# Benefits of PSMs for local government

## Social Procurement

- ▶ Support local employment
- ▶ Meet an unmet need of councils that big business is unable to fill
- ▶ Recycle money within the local economy

## Spinning Out

- ▶ Reduce costs
- ▶ Empower employees and communities
- ▶ Improved services and delivery to meet communities needs

## NFP consortium

- ▶ Streamline procurement but also support local NFPs and achieve social outcomes.

## Financing

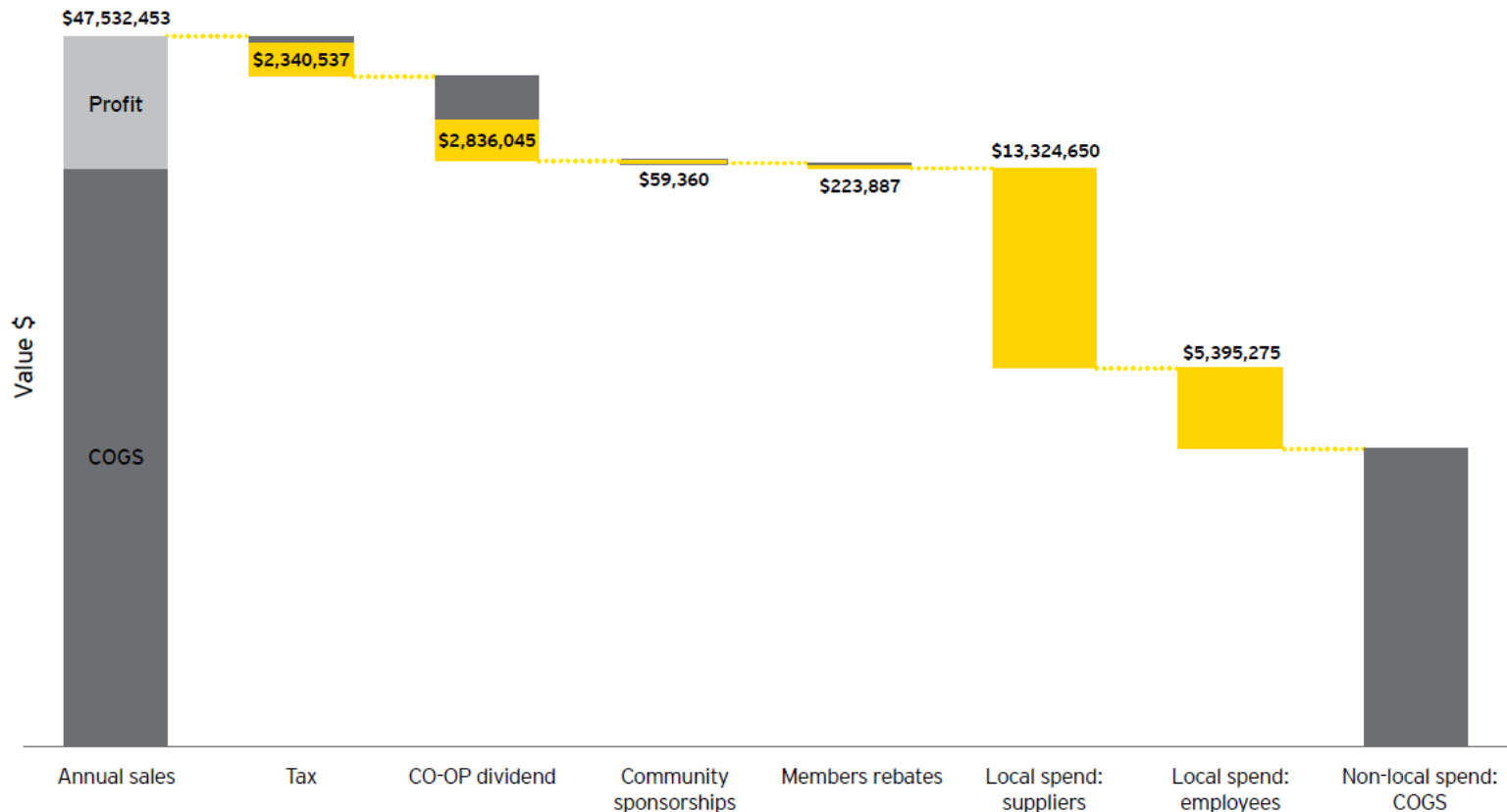
- ▶ Achieve commercial and social outcomes which benefit the local community and better meet their needs.



# Sticky Money: The total value created by The Co-op Foodland

Sticky Money: For every \$1 invested by The Co-op Foodland an additional 76c of value is created for the local economy including members, employees, suppliers and the community.

Figure 5: The Co-op Foodland – Total Value Framework Multiplier<sup>7</sup>



# Summary

---

**1**

**Co-operatives are member owned organisations which can create social and economic value for their members, local community and LG**

**2**

**LG can support co-operatives through:**

- 1. Social procurement**
- 2. Spinning-out services**
- 3. Facilitating consortium of NFPs to bid for services**
- 4. Financing co-operatives**

**3**

**Spinning out LG services to employee/community owned co-operatives can help to:**

- address budget constraints**
- empower local communities in decision making**
- keep money within the local community - Sticky Money**
- better meet communities needs through tailored services.**

# For more information

---

## Contact:

Les Hems  
Director, EY  
Sydney  
[Les.Hems@au.ey.com](mailto:Les.Hems@au.ey.com)

Melinda Leth  
Manager, EY  
Melbourne  
[Melinda.Leth@au.ey.com](mailto:Melinda.Leth@au.ey.com)

## Reading

- ▶ [White Paper: Public Service Mutuals: A third way for delivering public services in Australia](#)
- ▶ [Public service mutuals case studies](#)
- ▶ [Sticky Money: Recognising the total value created by Australian Co-operatives and Mutuals](#)