

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

Presentation to Municipal Association of Victoria

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Agenda

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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 Multiplier⁷



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

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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](#)