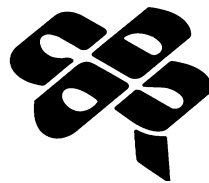


Co-operative Federation of Victoria Ltd



**Shared Services
Co-ops for Community Agencies**

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Shared Services Co-operatives

for

Community Agencies

A shared services co-operative is formed by a group of co-operatives, small businesses, community groups or public entities to provide one or more services that increase the competitiveness of the individual members.

Shared-services co-operatives provide services to meet the specific needs of its member-owners. These co-operatives can provide a variety of services depending on the needs of members e.g.

- Accounting
- Insurance
- Management
- Education and training
- Input to purchasing
- Staff recruitment
- Legal assistance

The idea, then, is to purchase or provide products and/or services at a cost that is less than the cost for the individual member purchasing individually.

Community agencies could decrease their costs by forming shared services co-operatives. Child care centres could establish a management co-operative that was responsible for the administrative and accounting tasks of the individual centres e.g. payment of staff, taxation, workcover and insurance – reducing individual centre costs through aggregated purchasing power. Churches could take advantage of contestability in the electricity industry and pool their loads. By pooling loads there is an increase in volume of electricity to be purchased and, therefore, increased bargaining power for the churches.

In 1989 local governments, water boards and foreshore committees in Victoria established a shared services co-operative - Purchasing Victoria Co-operative Ltd (PVC). PVC was formed to co-ordinate the appointment of preferred suppliers of goods and services commonly used by its members.

Values and Principles

Co-operatives throughout Australia generally operate under the values and principles formulated by the International Co-operative Alliance.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles.

- **Voluntary and Open Membership** – Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

- **Democratic Member Control** – Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.
- **Member Economic Participation** – Members contribute equitably to and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
- **Autonomy and Independence** – Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
- **Education, Training and Information** – Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.
- **Co-operation among Co-operatives** – Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
- **Concern for Community** – While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

In Victoria co-operatives are registered under the Co-operatives Act 1996. The Act includes the following provisions:

Powers Legal capacity of a natural person. Can be restricted by the Rules and Act.

Formation Minimum number of 5 suitably qualified members.

Directors Minimum of 2 natural persons. No maximum. A percentage of non-member directors allowed i.e. 1 for every 3 member directors. Accountability comparable standards with associations and companies.

Membership Primary activity and active membership provisions must be provided for in the rules. There is limited liability.

Shares Non-trading co-operatives can choose whether or not to have shares. Trading co-operatives have shares. If the shared services co-operative has shares they may have more than one class but must comply with co-operative principles. A member cannot hold more than 20% of shares in a co-operative.

The Basic Steps

The basic steps involved in establishing a shared services co-operative are:

- Identifying needs
- Determining member feasibility.
- Determining financial feasibility
- Formation of the co-operative

Identifying needs. This involves initial meetings of potential member-owners and voting on whether to formally investigate the matter. If the response is yes, then a steering committee is

appointed to conduct a feasibility analysis - member and financial feasibility.

Member feasibility. The idea might be good but it has no point if potential members are not willing to join the co-operative and accept the voluntary and democratic structure of the co-operative. Big and small members all have an equal say.

Financial feasibility. The idea might be good and have the support of potential members but it will not necessarily be financially feasible. This will depend on the actual purchasing that will be undertaken by the individual members and the source and cost of required services and products.

Formation. If there is member and financial feasibility, then, the next step is the formation, registration and establishment of the co-operative. This will include the preparation of a business plan – based on the assumptions and results of the feasibility studies.

Challenges

The development of a co-operative is a challenge to its members and these need to be understood and accepted. There are four basic challenges which are experienced by most co-operatives in varying ways and at varying times:

- Financial viability
- Business competition among members
- Active membership.
- Co-operative membership

Financial viability. A co-operative must have the capital necessary for start-up, development costs and contingencies - enough to provide the capacity for ongoing profitability. This is essential for financial viability. The members of a co-operative are basically responsible for capitalising the co-operative.

Competency of Board. The directors have serious obligations and they need to be aware of these, be prepared to put in the time necessary for the co-operative to function properly and between them have the specific competencies required by the co-operative.

Active membership. Members of the co-operative must support the co-operative by being active members i.e. actively use the co-operative. This means purchasing supplies and services from the co-operative on an ongoing basis.

Education. There is a continuing challenge to keep members informed and involved in the co-operative. Without an adequate communications program a co-operative will invariably lose touch with its membership.

Conclusion

There is no barrier to the establishment of a shared services co-operative. It is a viable means of achieving resource savings and cost-efficiency.

Shared services co-operatives do work but ultimately their success depends on their members who will determine the continuing relevance and future of the co-operative.

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