



BUSINESS COUNCIL  
OF CO-OPERATIVES AND MUTUALS

# Business Council of Co-operatives and Mutuals

Submission to the Joint Standing Committee  
on the National Disability Insurance Scheme

September 2015

---

---

## Cover Letter

Dear Chair and Committee Members,

The Business Council of Co-operatives and Mutuels (BCCM) welcomes the opportunity to make a submission to the Joint Standing Committee on the National Disability Insurance Scheme and thanks the Committee for their consideration of this important area of social policy development.

The BCCM works closely with co-operative and mutual organisations that assist people living with disability and those that provide disability support services. The BCCM would welcome the opportunity to discuss any matters raised in this submission should the Committee require.

Yours faithfully,



Melina Morrison  
Chief Executive Officer

8 September 2015

## About the Business Council of Co-operatives and Mutuels

The BCCM is the peak cross-sector body for co-operatives, mutuals and member-owned businesses. Its purpose is to promote recognition of the important role of co-operative and mutual businesses in the economy and community development of Australia.

The sector represented by the BCCM is significant to the Australian economy. Including member owned superannuation funds; the contribution of the sector to GDP in 2012/2013 was 7 per cent.<sup>1</sup>

<sup>1</sup>"2014 National Mutual Economy Report", Business Council of Co-operatives and Mutuels (2014)

## Contents

1.	Summary and recommendations	4
2.	About this submission	4
3.	Background: Co-operative and mutuals	4
4.	The NDIS and co-operatives and mutuals	5
5.	About PSMs	6
6.	Priority development areas for PSMs in the NDIS	7
7.	Case example: Co-operative disability housing	10
A	Attachment 1: Types of housing co-operative	12

## 1. Summary and recommendations

The National Disability Insurance Scheme is a profound public policy reform offering the opportunity for people living with disability to experience a citizen-led, democratised disability services sector. The promise of consumer empowerment, choice and control is predicated on an efficient market where consumers can have a meaningful influence on the market of service providers.

In 2014, the BCCM contributed a thought leadership paper on the potential role for co-operatives and mutuals in public service delivery including in the area of disability. Entitled *Public Service Mutuals: A Third Way for Delivering Public Services in Australia*, the paper addressed how co-operatives and mutuals could increase the individual capacity of service consumers to access new and existing forms of support, build the capacity of the disability sector, especially small and medium services, and expand and diversify the workforce.

The BCCM commends the Public Service Mutuals White Paper and its recommendations to the Committee in order to develop co-operatives in the NDIS.

In particular the BCCM recommends:

1. Government must ensure that access to funding streams do not disqualify co-operative models of business; and
2. That the government works to improve understanding of the various co-operative models and the associated legal and financial instruments.

Seed funding should be provided to develop and refine documentation for the various co-operative and mutual models, to promote models to potential consumers and provide advice services to assist with the development of co-operatives.

The BCCM recommends that co-operative models be included in the NDIS pilots.

## 2. About this submission

This submission is made by the BCCM on behalf of Australia's co-operative and mutual businesses and is focused on promoting the role of co-operatives and mutuals for enhancing consumer outcomes from the NDIS.

The purpose of this submission is to provide information on the role of co-operatives and mutuals in the NDIS with particular reference to their role in disability housing.

## 3. Background: Co-operative and mutuals

In September 2014, the former Minister for Social Services and current Minister for Defence, the Hon. Kevin Andrews MP, launched the BCCM White Paper *Public Service Mutuals: A Third Way for Delivering Public Services in Australia*.<sup>2</sup> The White Paper highlights the compelling UK experience where Public Service Mutuals (PSMs) have grown to deliver services in health, social care, disability services, aged care, childcare, emergency services and education. Recent evaluations of these policy developments highlight that PSMs led to lower production costs and higher productivity.

<sup>2</sup>Business Council of Co-operatives and Mutuals (August 2014) *Public Service Mutuals: A third way for delivering public services in Australia*. WHITE PAPER.

PSMs have been found to be more resilient to changes in social and economic conditions and demonstrate higher rates of customer satisfaction, lower staff absenteeism and turnover and increased staff commitment and enthusiasm to their work.<sup>3</sup>

The UK Government has actively fostered the development of over 100 PSMs since 2009, now employing over 35,000 people and creating more than 3000 new jobs while delivering over \$2 billion of public services.<sup>4</sup> PSMs have generated so much momentum that Francis Maude of the UK Cabinet Office stated in July 2014: 'mutuals are the future of public services'.<sup>4</sup>

In Australia, there are an estimated 1,700 co-operative and mutual businesses with more than 13.5 million members. Examples range from large agricultural co-operatives and motorists' mutuals to small disability service co-operatives. The unique ownership structure and ethos of serving members first enables mutuals to deliver services around the needs of people using those services. The common benefits of mutuals are that they:

- are member owned for member benefit, utilising democratic governance;
- promote autonomy and independence of operation;
- engage member economic contributions and re-invest profits;
- promote cooperation in the community; and
- engage in long-term value creation.

#### 4. The NDIS and co-operatives and mutuals

The July 2014 Joint Standing Committee report into the NDIS highlighted a range of service delivery issues arising in the early implementation of the scheme.<sup>5</sup> PSMs have the potential to address a range of these potential problems within the NDIS with their ability to:

- build capacity for individuals with disability, communities and organisations;
- achieve higher levels of consumer engagement in service delivery; and
- deliver more effective services at a lower cost.<sup>6</sup>

The final report of the Harper Review into Competition Policy recognised the potential for co-operatives and mutuals to play a greater role in meeting individual and community needs, possibly in conjunction with other significant government initiatives including the NDIS. The Harper Review calls for a greater range of service providers, including co-operatives and mutuals to provide competition and consumer choice in human services markets.<sup>7</sup>

On 28 August 2015, the NSW government announced the sale of their Home Care service to mutual provider, Australian Unity, and the reinvestment of \$100 million of sale proceeds in the national disability insurance scheme and related services.

This sale is the first significant transfer of ageing, disability and home care services to the non-government sector in NSW, according to the NSW Department of Family and Community Services. Australian Unity's mutual status was cited by government and by the unions involved as important in providing not only for continuity of service but also to protect against deterioration in service quality and access, especially outside metropolitan areas where the cost of care is far higher.<sup>8</sup> In particular, a statement from Australian Unity said the Aboriginal home care unit which operates under the Home Care umbrella, would retain "its important and unique identity, delivering culturally appropriate services across NSW".<sup>9</sup>

<sup>3</sup> Le Grand, Julian, UK Mutuals Taskforce (2012) Public Service Mutuals: the next steps. Cabinet Office. London. UK.

<sup>4</sup> <https://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success>

<sup>5</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/National\\_Disability\\_Insurance\\_Scheme](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Disability_Insurance_Scheme)

<sup>6</sup> [bccm.coop/wp-content/uploads/.../PSMs\\_GreenPaper\\_FinalV11.pdf](http://bccm.coop/wp-content/uploads/.../PSMs_GreenPaper_FinalV11.pdf)

<sup>7</sup> <http://bccm.coop/mutuals-business-model-highlighted-in-harper-review/#.VexERrTG4dV>

<sup>8</sup> <http://www.australianageingagenda.com.au/2015/08/28/nsw-govt-strikes-deal-with-australian-unity-for-sale-of-home-care-service/>

<sup>9</sup> <http://www.themandarin.com.au/50806-everyones-happy-nsw-home-care-sell-demonstrates-trust-public-sector-mutuals/?pgnc=1>

## 5. About PSMs

There are three main types of PSM: consumer co-operatives, producer (staff) co-operatives and enterprise co-operatives; with hybrids of these three types also occurring. Each has much to offer the NDIS. Co-operatives and mutuals have proven particularly useful when:

- Services are too expensive for government or market forces to provide;
- Diversity in approaches is required;
- There are low or variable profits;
- Specialised service is needed;
- Service is required in thin markets such as rural and remote areas; or
- User input is required in service design and delivery.<sup>10</sup>

### Consumer co-operatives

Consumer co-operatives work best where there is the commitment within a community to tackle the problems they face. Commitment is demonstrated every day by people with disability and their families and is exemplified in the broader community by the huge support for the Every Australian Counts movement. Commitment was the foundation for the creation of many of our current advocacy and disability services, founded and driven by people with disability and their families.

The NDIS is a big step towards giving users real power and choice. But individuals making individual choices may be relatively powerless; some may not necessarily find it helpful, or advantageous. Individuals making choices collectively however, collaborating for mutual support, might pool budgets and work together to meet their own needs and the needs of others affected, providing a voice for family and friends, professional carers and local citizens.

Consumer co-operatives are a natural development from the current huge range of peer led disability support groups and organisations that have developed throughout Australia. Co-operatives can also provide people with a disability and carers (that are active co-operative members) with networks and increased confidence and skills to assist workforce participation. They are an outstanding method of developing the capacity of their members to participate in the NDIS and the broader community.

An example is the recently formed PaRA Co-operative, formed by the parents of young people living with disability to manage the shared disability housing and support care arrangements.

### Staff co-operatives

Staff co-operatives work best with employees who share a common goal and have the skills and enthusiasm to operate co-operatively. Staff co-operatives provide freedom of action; the ability to make judgements as to how to provide a good service; they support staff to act entrepreneurially and innovate independently.<sup>11</sup> These are some of the reasons behind their huge success in the health, social care, housing and leisure sectors in the UK.

Successful disability services are characterised by strong relationships and personalised services. Staff co-operatives foster these characteristics and have proven highly effective in working with people with complex needs where there is a need for consistency of personnel and where services need to be empowering, both individually and collectively.

<sup>10</sup> [bccm.coop/wp/wp-content/uploads/.../PSMs\\_GreenPaper\\_FinalV11.pdf](https://bccm.coop/wp/wp-content/uploads/.../PSMs_GreenPaper_FinalV11.pdf)

<sup>11</sup> [www.thenews.coop/39452/.../public-service-mutual-revolution-making/](https://www.thenews.coop/39452/.../public-service-mutual-revolution-making/)

Staff based PSMs provide a strong foundation for effective service delivery in the NDIS because they support:

- holistic responses;
- autonomy with local collaboration and communication;
- the ability to garner user and expert multidisciplinary input;
- knowledge sharing;
- the development of relationships and trust; and
- an empowerment approach modelled by staff and delivered to consumers.

Staff based co-operatives should be encouraged in the NDIS. They could prove particularly effective in rural, CALD and Indigenous communities where local and culturally appropriate responses are essential and staff attraction and retention has proven problematic.

Employee owned and operated public service mutuals harness the capabilities and entrepreneurial skills in staff currently employed in Government operated services and give those staff an alternative to privatisation and Government ownership.

### Enterprise co-operatives

An enterprise co-operative is a grouping of organisations that voluntarily come together for mutual business related support. Enterprise co-operatives support members including smaller local providers to continue delivering quality services in local communities by providing them with a legal structure that supports their operating philosophy and values around collaboration and providing social and economic impact in local communities.

The BCCM has been funded through Transport for NSW to help three of the largest Community Transport Organisations in NSW form a non-distributing co-operative. The BCCM has worked with the Boards, executives, staff and volunteers of these three organisations in a co-production environment to design a new co-operative that will enable them to grow their services beyond transport into social support and case management. The new entity will also increase productivity through the sharing of administrative functions such as business development, attracting new revenue streams, quality assurance and reporting, financial reporting and benchmarking, procurement, sharing vehicles, human resources policies and support services, education and training and IT process improvement.

The project which is nearing completion, has attracted a great deal of interest from other community based organisations and government owned services including disability parent co-operatives, allied health services, therapy services, local area co-ordination, and housing as well as other community transport organisations.

## 6. Priority development areas for PSMs in the NDIS

The BCCM has identified a range of areas where there are significant opportunities for the mutual or co-operative model to build the capacity of the market and increase choice and control by consumers in the NDIS. These areas are:

- Housing;
- Transport;
- Consumer Purchasing;
- Supporting Local Networks and Local Organisations;
- Local Area Coordination; and
- Community Based Services.

A brief description of the nature of the opportunity in each of these areas follows. At the request of the Joint Standing Committee, a detailed case example examination of the potential of disability housing cooperatives in the NDIS is included in section 5 of this submission.

### Housing

Co-operative housing in the NDIS offers a pathway to independence built on co-design and collaboration. Equity co-operatives facilitate the leverage of member contributions (see Attachment 1). The co-operative approach to housing creates a unique relationship where members have a stake in the shared human, social and financial capital created by the co-operative.

Co-operative housing provides a stable base for participants to learn skills, gain self esteem and dignity, participate in local communities and achieve successes in other facets of their lives such education and employment. Co-operative housing programs recognise the skills of local communities to manage their own housing solutions.

### Transport

Transport is one of the most complex areas to address in disability and the NDIA experiences considerable difficulty building an effective approach to transport in the scheme. An enterprise co-operative offers significant benefits and economies of scale for the provision of local transport services in the NDIS. Two key examples where enterprise level collaboration would prove highly cost effective in local transport provision are ensuring best use of infrastructure and creating a common system of bookings and scheduling.

The current co-production exercise with three NSW based community transport providers and Transport for NSW to form an enterprise owned co-operative in community transport has come about as a result of budget pressures and changes happening in the external operating environment for community transport providers including the NDIS, aged care reform and new disruptive business models entering the market such as UberAssist.

The early success of this new enterprise co-operative in community transport offers great potential to mutualise community transport in NSW (and, in time, in other states and territories). The project provides a sound commercial legal structure and operating model that can enable this vast network of small community based organisations to continue offering personalised assisted transport to people whose independence would otherwise be compromised without the service.

Achieving this vision for community transport requires investment to enable the enterprise co-operative model to scale beyond the three foundation members.

### Consumer purchasing co-operatives

There is a strong case for people with disabilities and their families to be supported by establishing NDIS driven purchasing or service co-operatives to maximise their ability to attract, retain and vet services and providers. NDIS consumers could form co-operatives of budget holders; working collaboratively to make their money go further, achieve savings, build up reserves, and provide mutual support via co-operative relationships. In the long term this will give budget holders much more choice and control and the opportunity to influence the market of providers.

An example is the Waverton Hub in Sydney where over 300 people have come together to enable healthy ageing and create a market for services. The Waverton Hub is an incorporated association with a constitution based on co-operative principles. This model could be adapted to people with disability and their families, however, it requires investment to scale beyond operating in isolated local areas.<sup>12</sup>

This model of co-operative would also be particularly effective for rural, CALD and Indigenous groups. Groups that have common equipment, support or treatment needs could also form purchasing or service co-operatives.

<sup>12</sup> [www.wavertonhub.com.au](http://www.wavertonhub.com.au)

### Supporting local networks and local organisations

There is widespread fear emerging that many smaller yet highly effective disability support organisations may not survive in the NDIS competing against larger organisations with economies of scale. In many areas this means larger organisations are likely to replace smaller local groups with long held relationships, local knowledge and specialist expertise. Many local people and organisations are becoming increasingly concerned over what may be lost to civil society as a result of the NDIS reforms and industry restructuring.

As the BCCM is demonstrating with the community transport sector, enterprise co-operatives can support smaller disability providers to compete and thrive through co-operation and mutual benefit. Enterprise co-operatives assist smaller and specialist organisations to develop back of house economies of scale, retain local networks and keep local jobs.

### Local area co-ordination

The BCCM considers there is a need to reform how Local Area Co-ordination (LAC) operates in the NDIS.

There is significant concern that LAC in the NDIS is being reduced to a case management function. There is also scepticism emerging about whether existing providers can make the cultural and organisational adjustments required to effectively empower and support individuals to direct their own services through more use of mainstream services and creating markets for new services that are now possible with the NDIS. It appears that most current LAC efforts are focussed on individualised participant programme support and not on the goal of supporting inclusion in mainstream services. To be successful, LAC requires the voluntary involvement and commitment to inclusion by a vast range of local players. It is built on local knowledge, local goodwill and local relationships; it is not the natural domain of large national organisations.

Small organisations can be successfully supported in LAC effort through larger enterprise co-operatives that would also ensure quality and consistency of local effort. The best of both worlds can be harnessed in LAC outcomes through the use of enterprise co-operatives. Local effort can be supported within a nationally consistent approach.

The BCCM supports the recommendations in the Harper Review of Australia's Competition Policy which contains references to the contribution of the mutual and co-operative sector in offering an alternative to government delivery and as an alternative to the privatisation of government assets.<sup>13</sup>

Significantly, the revised set of competition principles recommended by the Harper Review for Human Services (includes disability services), present opportunities to foster the growth of co-operative and mutuals suitable for the new individualised funding policy environments such as the NDIS.

The four revised competition principles for human services are promoting choice, separation of policy and funding from delivery, encouraging diversity in provision and innovation in service delivery.

Collectively, the application of these principles will require new ways of delivering human services in Australia that drive better social and economic outcomes for citizens and taxpayers. The BCCM considers that the application of these revised competition policy principles to LAC supports a co-operative and mutual model, most desirably one where the members of the co-operative are people with disability and service providers specialising in service co-ordination, case management and brokerage.

<sup>13</sup> Professor Ian Harper, Peter Anderson, Su McCluskey and Michael O'Bryan QC (March 2015) Competition Policy Review Final Report, Commonwealth of Australia <http://www.competitionpolicyreview.gov.au> page 247

### Community based services

Individualised funding and consumer direction that forms the basis of the NDIS is well-suited to consumer owned co-operatives where people with disabilities and their families can have more choice and control about how they are supported to live independently.

In an industry known for its low pay, ad hoc service delivery, poor working conditions and high staff turnover; employee owned co-operatives are also able to provide unique working environments where members can be directly involved in running the business.

It is this worker or member engagement and autonomy, and re-investment of profits, which sets co-operatives apart from existing public and privately run disability service providers. By creating an empowering and autonomous work environment, innovation, job satisfaction and staff retention increases. As a result, the quality and consistency of services provided to participants will improve along with staff health, wellbeing and loyalty.

## 7. Case example: Co-operative disability housing

Co-operative housing is an ideal fit with the NDIS. The sector can deliver scalable models that can leverage family and other contributions through equity co-operatives (see Attachment 1). It offers a pathway to independence built on co-design and collaboration. Co-operative housing is inclusive, supports accessibility and diversity, and enhances participant control and choice.

### What is co-operative housing?

The co-operative approach to housing creates a unique relationship where members have a stake in the shared value created by the co-operative. In a housing co-operative, members play a key role in not just the day-to-day activities of the organisation but also in its management, governance and strategic direction.

Housing co-operatives are underpinned by the international principles of co-operation: voluntary and open membership, democratic member control, member economic participation, autonomy, education and training, co-operation among co-operatives and concern for community. Within this framework, housing co-operatives establish their own rules and by-laws. Co-operative housing providers operate within the same compliance and probity frameworks as other community housing providers.

Co-operative housing can be either rental housing or based on a wide range of co-operative ownership models (see Attachment 1). Research on Australian housing co-operatives has identified around 4,800 co-operative dwellings, comprising around 10% of the community housing sector.<sup>14</sup>

Co-operatives are not-for-profit enterprises with all revenue going directly to meet operating expenses, the development of additional housing and providing for asset renewal. Where there is the capacity to raise finance against its property asset base, co-operatives have been able to significantly increase housing stock.

### Benefits of co-operative housing

Housing co-operatives are a leading example of the ability of PSM's to create and retain shared value in the NDIS by developing human, social and financial capital. Co-operatives provide a stable base for participants to learn skills, gain self-esteem and dignity, participate in local communities and achieve successes in other facets of their lives. Co-operative housing programs recognise the skills of local communities to manage their own housing solutions.

Stable and affordable housing also makes it easier for participants to focus on education and job training opportunities, with 59% of tenants reporting the commencement or continuation of training and 50% demonstrating an improvement in their job situation.<sup>15</sup>

Co-operative housing has low arrears and high tenant satisfaction. It has been estimated that low vacancy rates and reduced tenant turnover in the co-operative sector yields a cost benefit per 1000 properties over ten years of \$4.07million in administrative and maintenance savings.<sup>16</sup>

<sup>13</sup> Housing Action Network, 2013.

<sup>15</sup> CENSW & CEHL Vic Co-operative Housing briefing paper, September 2014

<sup>16</sup> Financial Performance in the Co-operative Housing Sector, CENSW 2014.

The contribution of 'sweat equity' in the sector is also considerable. Members review applications for vacancies, sign off on tenancy agreements with new tenants, show properties to prospective tenants, co-ordinate cyclical and responsive maintenance, maintain the presentation of gardens and common areas, maintain records and produce reports for government, hold meetings to plan tenancy management and property management activities, budget and report to members, and pay accounts such as maintenance, rates, common electricity.

Co-operatives often include a broad income range (65% lower incomes and 35% higher incomes in NSW) which allows for a more sustainable financial structure for growth.<sup>17</sup> The tenant selection process overseen by co-operative members ensures a mix of tenants that is critical to ensuring the social and financial viability of housing co-operatives.

### Co-operative housing developers

Not for profit co-operative housing developers have consistently demonstrated they offer positive mixed communities with mixed tenure. They have the ability to attract private finance to develop housing stock and can return profits to offset the cost of the social (co-operative) housing stock retained.

For example, CEHL is Australia's leading provider of co-operatively-managed social housing, providing affordable housing to more than 2200 Victorian households. CEHL has developed expertise in assisting member co-operatives to operate effectively and to design appropriate housing for a diverse range of consumer groups. CEHL has won numerous designed awards for its development of low cost, sustainable and disability housing.

### Expanding co-operatives in the NDIS

The catalysts now needed to develop co-operatives in the NDIS is access to funding streams and improved understanding of the various models and the associated legal and financial instruments. Seed funding needs to be provided to develop and refine documentation for the various models, to promote models to potential consumers and provide advice services to developing cooperatives.

<sup>17</sup> CHFV. Rental Housing Co-operatives 2012

---

## Attachment 1: Types of housing co-operative

The main types of housing co-operatives are described below, differentiated by the extent of capital contribution and profit share by members.

### Rental housing co-operatives

Rental Housing Co-operative properties are acquired and owned by a social housing provider with portfolios of properties headleased to tenant co-operatives. The tenant cooperative then leases individual dwellings to member tenants. The cooperative is responsible for managing all tenancies agreements and maintaining the properties in good condition.

The tenant cooperative derives income from rent and meets all costs of delivering and maintaining the dwellings including whatever commercial arrangements are proscribed under the terms of the head lease with the owning entity.

The social housing provider is usually a State Housing Authority or a registered Housing Association but could also be any not for profit entity such as a charitable organisation, local government or a land trust.

Funds are usually provided by state governments through specific housing programs but are often then supplemented by the Housing Association borrowing further capital against the value of existing properties to a level that can be supported by the rental income stream.

The property portfolio can be dispersed housing, cluster developments, purpose built dwellings or any combination of these. The size of the portfolio can vary from as small as five properties to portfolios of hundreds or even thousands of properties.

Head leases can be varied significantly for co-operatives of different scale or targeted for different tenant cohorts and can determine eligibility for membership, rent setting mechanisms and conditions related to maintenance and other expenditure by the co-operative.

Tenants do not have any equity or ownership of the properties or individual claims on any surplus funds held by the tenant cooperative.

### Common equity co-operatives

These are very similar to rental housing co-operatives but all the property assets of the tenant co-operatives are held by a single entity that is not a government department but a registered housing organisation of which the co-operatives with head leases are members (shareholders).

Individual tenant members are not shareholders of the owning entity. The advantages of this model is that the tenant co-operatives effectively pool their resources to achieve economies of scale to enable the use of their larger asset base to reduce costs, raise capital and purchase more professional services.

Some state governments have preferred this model by providing capital or transferring property assets from State Housing Authorities to Housing Associations to raise independent capital. The highly successful operation of CEHL in Victoria and CENSW demonstrate the efficiencies and potential of this model.

Individuals are members of housing co-operatives which head lease the property portfolio from the owning entity as per the rental housing model and do not have any equity or share of assets of their co-operative.

---

### Shared equity co-operatives

A further variation on the theme is for the owning entity to generate further capital for the acquisition of stock by requiring incoming members to purchase a share in the co-operative in order to access the housing.

This share costs is only a proportion of the cost of the housing and the members weekly housing cost (rent) is set dependent on the cost of the housing and the contribution through the value of the purchased share. Typically, the share value is not linked to the value of the property though it may be annually indexed based on an agreed CPI factor.

The advantages of the shared co-operative model is that funds can be generated, rental housing can be provided at reduced rates to private rental and with more security than is available in typical private rental scenarios. On exit from the co-operative, the individual sells their share back to the co-operative, which can then be marketed to the next member.

The owning entity can define its eligible purchasers based on the purpose of the organisation or conditions of any other capital it has raised to acquire the housing.

### Equity co-operatives

Under the equity co-operative model the cost of a share is established by the owning entity based on the full cost of the development. Individual members are the shareholders of the co-operative and the co-operative establishes its own rules for operation and also conditions for the sale or buy back of shares.

Purchasing a share guarantees the member a long term lease of the property but the title remains with the owning entity which is either the operating co-operative or a not for profit Housing Association which has leased the portfolio to the tenant co-operative for management.

This model is suited to groups of individuals wishing to live in a particular location who agree to pool their resources to achieve better housing outcomes.

Alternatively the equity model can also be operated by a not for profit housing provider where the portfolio is leased to an operating co-operative whose members are required to provide the full capital cost of the dwellings.

In exchange for lower entry cost to the housing with shares based on cost rather than market value, the purchaser agrees to forgo all or part of any capital gains due to appreciation. This enables the Housing Association to on-sell shares below the market rate for individual titles.

Individuals borrowing funds to purchase a share may have their loans secured by the owning entity which would reserve the right to buy back shares at original value if the co-operative member defaults on their loan or breaches other conditions of their lease.