



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Discussion Paper: for a renewed Victorian social enterprise strategy

Submission to the Victorian Department of Jobs, Precincts and
Regions

Via: SEInclusion@ecodev.vic.gov.au

6 November 2020

To whom it may concern,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission in response to the Discussion Paper on renewing Victoria's social enterprise strategy.

The BCCM is the national peak body for co-operative and mutual enterprises (CMEs) in Australia, a sector that comprises more than 2000 businesses with eight in 10 Australians as members.

Victoria is a leading jurisdiction in social enterprise policy development, and we are supportive of the goals of inclusive growth, local economic development and workforce participation that underly such policies in Victoria. We are supportive of social enterprises as a means to reach these goals; and believe that co-operatives and mutuals should be recognised as an important part of the Victorian social enterprise movement that seeks to provide for the economic and social needs of stakeholders rather than maximising profit for investors.

Our submission provides some insights and ideas relating to the issues, challenges and opportunities for growing Victoria's social enterprise sector. In particular:

- Some general comments and recommendations on the alignment between co-operatives and mutuals and the Victorian Government's policy objectives
- Specific comments and recommendations in response to themes 1, 2, 3 and 5

Consultation with Victorian co-operatives and mutuals that identify as social enterprises, underpins our submission. It is also informed by recent BCCM research to produce a Discussion Paper: *Co-operatives and Mutuals as Social Enterprises*, on the history, purpose and contribution of co-operative social enterprises.

The BCCM has also made submissions to the Victorian Government on related topics of social and economic inclusion including The Victorian Government's inquiry into "Tackling Climate Change in Victorian Communities", the "Issues Paper on Shifting Victoria to a Circular Economy" and the inquiry into "The Victorian On-Demand Workforce".¹

We would be pleased to provide further information on any matters raised in this submission.

Yours sincerely,

Melina Morrison
Chief Executive Officer

¹ All submissions are available to download from the submissions page on the BCCM website - <https://bccm.coop/what-we-do/advocacy-and-policy/submissions/>

General comments

The Victorian Government recognises the social enterprise sector as an important mechanism for achieving several policy outcomes:²

- Inclusive growth;
- Improved health and wellbeing;
- Improved workforce participation;
- Productivity benefits;
- Local economic development;
- Fostering social inclusion.

The BCCM supports the Victorian Government's policy to promote the growth in the social enterprise sector to help achieve these important objectives. An economy that is inclusive of a diversity of business models, including social enterprises, is more resilient, sustainable, and equitable.

Co-operatives are the world's most widespread and successful social enterprise movement. According to the International Co-operative Alliance, co-operative and mutual members represent at least 12 per cent of humanity. As people-centred enterprises, jointly owned and democratically controlled by and for their members, the three million co-ops and mutuals on Earth, put fairness and equality first, allowing people to create sustainable enterprises that generate long-term jobs and prosperity.

Victoria has more than 675 co-operatives and mutuals, active in all areas of the State's economy, including in supporting communities to realise their common socio-economic needs and aspirations in vital services such as non-profit childcare, aged care and disability services, social housing, Indigenous services, consumer-driven primary healthcare, education, community media and cultural activities, as well as in providing essential goods and creating jobs in clean energy, community owned retail, wholefood distribution and organic farming.³

In recognition of the important contribution of co-operatives to the social and economic development of humanity, the United Nations declared 2012 the International Year of Co-operatives. In the words of then-Secretary General Ban Ki-moon:

*'Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.'*⁴

Co-operatives and mutuals have been recognised as global partners in the realisation of the Sustainable Development Goals.⁵

Co-operatives and mutuals have a vital role to play in the Social Enterprise Strategy as part of the wider social enterprise sector to help achieve equitable economic growth and inclusivity.

² Discussion Paper: Renewing Victoria's social enterprise strategy, pg 4.

³ Australia's Leading Co-operative and Mutual Enterprises in 2019, CEMI Discussion Paper Series, DP 1901 in the 2019 National Mutual Economy Report (BCCM): <https://bccm.coop/wp/wp-content/uploads/2019/11/BCCM-2019-NME-Report.pdf>

⁴ <https://social.un.org/coopsyear/>

⁵ <https://www.ilo.org/global/topics/cooperatives/publications/transforming-our-world/lang--en/index.htm>

What are co-ops and mutuals?

Co-operatives and mutuals are member-owned enterprises that exist to meet the social, economic and cultural needs and aspirations of their members and communities. As owners of the enterprise, it is the members that democratically govern their enterprise.

Co-operatives and mutuals are a global movement with more than one billion members and with a set of internationally agreed values and principles based in self-help, solidarity and democracy.⁶ These values and principles are stewarded by the International Co-operative Alliance (ICA); formed in 1895, it is one of the oldest and largest membership-based international NGOs. The ICA's international co-operative principles, as follows, are enshrined under section 10 of the Co-operatives National Law, as adopted by Victoria in 2014, which therefore enshrines the social mission of the enterprise *in law*:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community

The members of a co-op or mutual can be consumers, employees, producers (small businesses), a likeminded community or a combination of these stakeholders. Victorian-based examples include:

- **Consumer-owned:** Westgate Health Co-op is owned by more than 9,000 patients who use its bulk billing clinics in western Melbourne. Social value includes:
 - Quality health care and outcomes
 - Affordable services
 - Community ownership and control

Bank Australia is owned by 160,000 customers who have loans or deposits with it. Social value includes:

- Affordable and inclusive financial services for members
 - No-offshoring commitment, with major customer service centre located in Moe
 - Surpluses are invested in member services, community sponsorships and in high ESG outcomes, in accordance with members' values
- **Employee-owned:** Redgum Cleaning Co-operative is a cleaning business that is owned by 11 cleaners. Social value includes:
 - Fair wages and conditions including a commitment to sustainable employment rather than casualised contracts
 - Commitment to workplace health and safety and worker wellbeing
 - Surpluses reinvested in the business, shared amongst workers equitably, or donated to community causes. Wholly funded by workers to benefit workers.
 - Creating quality, sustainable work for previously unemployed people

⁶ See <https://www.ica.coop/en/cooperatives/cooperative-identity>

- Ongoing worker education and training, including management and governance
- **Producer-owned:** TAFCO is a rural supplies retailer owned by 600 local farmers in Myrtleford. Social value includes:
 - Commitment to local economic development, such as development of new farmer-owned produce market
 - Ensuring affordable access to necessary goods and services
 - Surpluses are retained to improve services or shared with members and community rather than external shareholders
 - Holds regular workshops and networking events for the community
 - Sustainable, regional employment
- **Community-owned:** Worn Gundidj Enterprises is an Aboriginal-owned and controlled co-operative that operates tourism and environmental businesses with the goal of job creation. Social value includes:
 - Aboriginal economic self-determination
 - New employment opportunities
 - Surpluses stay in the community
 - Community governance

Hepburn Wind is owned by a community of 2000 members who have an interest in locally-driven environmental solutions. Social value includes:

- Wide community ownership and community investment in renewable energy assets
- Surpluses allocated to community causes and modest member dividends
- Reduction in carbon emissions

Regardless of membership type, all co-operatives and mutuals promote inclusive growth by directing the value of business activity to community stakeholders other than capital investors.

The BCCM's recent Discussion Paper: *Co-operatives and Mutuals as Social Enterprises*, released in October 2020, looks in more detail at how co-operative and mutual enterprises (CMEs) deliver social value and are aligned with the policy goals expressed in government social enterprise policies. The paper is attached with this submission and includes an appendix with further case studies of co-operatives owned by consumers, producers, workers and communities in a range of sectors and regions including in Victoria.

Co-operatives and mutuals are sustainable and resilient enterprises. They are proven model for delivering social value through trading activity with many Victorian co-ops and mutuals over 100 years old: Australian Unity (1840), RACV (1903), APS Benefits Group (1905), Terang Co-operative (1908). They are also some of the most innovative and new start-up social enterprises responding to emerging social challenges: Redgum Cleaning Co-op (formed 2018, to provide fair and sustainable cleaning work), bHive Co-operative (formed in 2017, to provide local ownership of the digital platform economy such as car sharing and tool sharing), Nandaly Community Hotel Co-operative (formed in 2018 to retain community operation of the local pub), ORCIcoop (formed in 2017 to connect socially responsible investment in organic farmland activities) - In all these examples the social purpose is at the heart of the enterprise and the community are the owners of the mission and the enterprise.

Co-operatives – the slow food of social enterprise?

“It’s true, co-operatives are not as easy to establish as perhaps some of the ones forged by social “[heropreneurs](#)”. However, depending on which study you look at, Australian mainstream start-ups have a 75 to 90 per cent failure rate within five years; whereas an admittedly modest survey of co-ops by the NSW Office of Fair Trading clocked survival at about 55 per cent over the same period (in the UK [it is 80 per cent](#) survival).

A [study](#) by Greg Patmore and others from Sydney University recently found that the average lifespan of an Australian co-operative is about 25 years. Co-ops can be slow to establish but they can also last the distance. Mainly focusing on incorporated associations, companies limited by guarantee and proprietary limited companies, [Social Traders](#) found in 2016 that 38 per cent of social enterprises had been in operation over the previous 10 years (down from 62 per cent in 2010) and 34 per cent had been in operation for two to five years”

Pro-Bono Australia, October, Antony McMullen

Co-operatives and mutuals are delivering value at scale to members and communities throughout Victoria. There are approximately 590 co-operatives that are registered and regulated by Victoria under the Co-operatives National Law.⁷ From available financial data collected at the time of writing by the BCCM for the forthcoming National Mutual Economy Report 2020, the combined turnover of Victorian co-ops and mutuals is at least \$7.25bn and they directly employ at least 17,500 people. This includes more than 40 Aboriginal-owned and controlled enterprises with a turnover of \$275 million.

Co-operatives and mutuals can make a significant contribution to delivering the outcomes sought through, and identified by, the Social Enterprise Strategy. There are two important principles that we recommend the Victorian Government consider in developing its renewed Strategy to ensure co-operatives and mutuals are in the best position to play their part.

Recommended Principles for the Social Enterprise Strategy:

1. Resource allocation should be provided in the most cost-effective way, prioritising the development of self-help enterprises that economically empower the community of beneficiaries and promoting community ownership as a proven model to realise social and economic empowerment (**See THEME 1 and THEME 2**).
2. Efforts by government, educational institutions, or non-profit organisations to grow the sector, should recognise the social value of co-operatives and mutuals and demonstrate an understanding of how to support these businesses as part of an inclusive Social Enterprise Strategy, including:

⁷ A map of co-operatives and mutuals in the State can be viewed on the BCCM’s Geo Locator tool. Note entries in the Geo Locator are in the process of being updated to reflect recent registrations and deregistrations. <https://awesome-table.com/-LGcRpLwaHAnymPAEGow/view>

- 2.1. Recognising co-operatives and mutuals as social enterprises **(See THEME 3)**.
- 2.2. Taking care to include co-operatives and mutuals (that are sometimes regulated differently to corporations or associations) when developing social enterprise and social policies across education, business support, access to capital and procurement. This is particularly true for co-operatives, which are registered and regulated by Victoria under the Co-operatives National Law. (See THEME 3).
- 2.3. Taking advantage of the pre-existing registration process for co-operatives incorporated under Co-operatives National Law, and the definition of a mutual under the Corporations Act, to streamline co-operative and mutual eligibility in relation to social enterprise and social procurement policies **(See THEME 3)**.

THEME 1: Skills and capability development

What are the current skill and capability development needs for Victoria's social enterprises?

The Discussion Paper is right to recognise the important role of peer support in providing informal education to members of the social enterprise sector. Co-operatives operate under seven internationally agreed principles (enshrined in section 10 of the Co-operatives National Law in Victoria), which include:

- *Education, Training and Information (Co-op Principle #5)*
- *Co-operation among Co-operatives (Co-op Principle #6)*

Under these principles, co-operatives are quick to support each other by sharing information and exploring collaborative business opportunities. Co-operatives value education as contributing intrinsically to members' human development, and as an important activity to ensure members and other stakeholders understand the social purpose of co-operatives. Encouraging the development of co-operatives requires specialist knowledge of this unique but resilient business model. The 2015 Federal Senate inquiry into co-operatives, mutuals and member-owned firms found widespread concerns in the sector that regulators, education providers and business service providers were poorly informed about the co-operative business model.

Feedback from Victorian co-operatives suggests recruitment and onboarding of new members can be a challenge for some worker co-ops in an environment where there is general low awareness of the model.

Co-operatives and mutuals should be specifically included in social enterprise education and training initiatives and the policymakers and delivery partners of these initiatives need to be well informed about how co-operatives are regulated and operate. Knowledge gaps in relation to co-operative structures results in Victorian professional advisors, such as lawyers, being ill-equipped to advise social entrepreneurs and communities on the full range of business structure options. In some cases, it leads to clients being advised against the co-operative structure due to misconceptions about it.

The BCCM, as the voice of the sector, can assist in this, providing education to address the knowledge imbalance about different social enterprise structures. For example, the Victorian Government could work with the BCCM to leverage existing sector-funded resources such as the Co-op Builder and Capital Builder which are self-help regulatory technology to help people set up and run successful co-operatives.

The BCCM can provide further information on existing educational resources available for co-operatives through its free education website www.getmutual.coop.

Recommendation 3: Provision of education about the co-operative business model should be a priority for agencies and partners supporting activity under the Strategy, in partnership with Victorian co-operatives. As a first step, the Victorian Government should conduct an

audit of existing educational resources, such as sector resources, that can be leveraged.

THEME 2: Access to affordable and appropriate capital

The Discussion Paper makes the following observation, that the BCCM supports:⁸

‘There is significant evidence both locally and internationally to suggest that social enterprises require capital that can variably respond to their specific needs – what is called ‘demand-led social finance’ – offering features such as low expectations of financial return, the ability for flexible repayments, is unsecured, long-term or ‘patient’ (generally in excess of five years), able to be combined with grant capital where necessary, and in which the investors are engaged and supportive, bringing non-financial assets such as advice and networks together in addition to capital.’

Co-operatives are the ideal vehicle for attracting community equity that is aligned, patient, flexible and affordable. Both distributing and non-distributing co-operatives can issue shares to members and can issue debentures (patient debt) and Co-operative Capital Units (patient equity) to members or non-members: essentially, community owned and controlled community capital raising.

The capital structure of co-operatives in Australia is informed by international co-operative principles, particularly:

- *Democratic Member Control (Co-op Principle #2)*
- *Member Economic Participation (Co-op Principle #3)*

Under principle two, regardless of where investment comes from, control remains with members (one-member, one-vote). Outside investors may be rewarded financially on commercial or social impact terms, but control remains with members *as* members.

Under principle three, co-operative members make co-contributions to form and grow their shared enterprise, usually by way of shares. However, these shares are only a means to fund the shared goal of the members (e.g. access to affordable services), and therefore only receive limited dividends and are of nominal value. The wealth built up in the co-operative above the value of shares is held in common, for the benefit of current and future members as customers, producers, employees or a community of interest.

This capital structure can support social enterprises to form through the small contributions of many members rather than relying on the contribution of a few owners with financial means. This can also allow a larger capital to be raised than an individual social entrepreneur could deliver and without the prohibitive terms or returns that an outside investor may require.

Members invest in co-operatives to achieve the collective purpose the co-op serves. A recent study by the Community Shares Unit in the UK (an initiative of the UK co-operative sector with

⁸ Page 8.

funding from the UK government) found that ‘80% of people invest in community share offers because of the wider social or environmental benefits of the organisation – less than 20% stated the prospect of financial returns as a reason for investing.’⁹

Co-operatives are a proven, flexible vehicle for community crowdfunding, with a governance and ownership framework that ensures long-term focus on social outcomes.

What current products and offerings are working and what is needed?

Releasing crowdsourced community equity

Crowdsourced community equity through co-operatives is an underutilised resource for the formation and growth of social enterprises in Victoria.

There are several impressive examples of social enterprises that have utilised the patient capital community members are willing to make available. Pingala Co-operative has successfully crowdfunded community-owned solar,¹⁰ Hepburn Wind Co-operative, in Daylesford, raised \$10 million from the community to build Australia’s first ever community-owned wind farm,¹¹ and Yackandandah Community Development Company, is a long-standing social enterprise success story.¹²

Patient Capital from the Crowd: Hepburn Wind Park Co-operative

Since 2011, Hepburn Wind has been part of a grassroots social movement to drive local renewable uptake. Members were motivated to invest primarily to meet shared social and environmental goals, rather than for financial returns.

Number of members: 2000

Amount raised through member shares: \$10 million

Financial returns on member shares: \$251,000 paid in 2019, no other dividends paid.

Returns to community: \$279,914 allocated since 2011

Environmental impact: Abated 100,000 tonnes of carbon emissions since 2011

Co-operatives are also increasingly the vehicle for regional communities to retain and grow local economic and social assets. For example, ACRE, one of the hosts of SENVIC,¹³ lists Nandaly Community Hotel Co-operative as one of its profiled ‘Stories of Change’. The Hotel was a regional pub facing closure, until the local community formed a co-operative to fund its purchase and retain its operation.¹⁴ These community-owned pubs, post offices, butcher shops,

⁹ <http://communityshares.org.uk/news-and-events/news/new-research-understanding-maturing-community-shares-market>

¹⁰ <https://pingala.org.au/>

¹¹ <https://www.hepburnwind.com.au/>

¹² <https://ycdco.com.au/>

¹³ Discussion Paper, 12.

¹⁴ <https://acre.org.au/stories-of-change/bringing-new-life-and-business-to-the-nanny-pub/>

retail outlets, supermarkets, trade stores and much else, are valuable social capital that help keep rural communities vibrant, both socially and economically.¹⁵

Unfortunately, historical neglect of the sector has meant that the regulation and administration of co-operatives in Victoria has been a disincentive for greater uptake of the model for community investment. These processes are controlled by Victoria for co-operatives registered in the State under the Co-operatives National Law.

Digital processes are urgently needed for reporting and applications as many co-operative processes remain paper-based. As the Commonwealth proceeds with the Modernising Business Registers component of its Digital Business plan, Victorian co-operatives are at risk of being left in an uncompetitive paper-based ghetto. Victoria can address this unilaterally, or, in partnership with the Commonwealth by seeking participation of its co-ops in Modernising Business Registers. If the latter path is taken, some negotiation may be required but cost will substantially be borne by the Commonwealth.

Secondly, the Co-operatives National Law has a regulatory framework to improve access to capital for co-operatives. However, there is no supporting guidance or regulatory policy that supports the capital raising features of the Co-operatives National Law. Regulatory guidance is most urgently needed in respect of capital raising to bring down cost and uncertainty in preparing the disclosure documentation required for offers of securities by co-operatives. This places co-operatives at a disadvantage compared to social enterprises using the company structure, which has well-established regulatory guidance for capital raising provided by ASIC.

Recommendation 4: That the Victorian Government commits to implementing digital processes for the co-operatives it regulates and to the publication of regulatory guidance for co-operative capital raising.

What role should the Victorian Government play in supporting social enterprises to access appropriate social finance?

Crowdsourced community equity needs a platform

There is an important role the Victorian Government can play in helping to facilitate an expansion in access to patient, affordable, aligned, widely held, crowdsourced capital. The BCCM has been developing tools to make it easier to raise capital using a co-operative structure including the Co-op Builder (basic rules and disclosure statement) and, as of October 2020, the Capital Builder (designed to help farmer-owned co-operatives evaluate capital raising options, develop business plans, and prepare the documentation for offers of securities to members and non-members).

However, there is currently no dedicated platform or intermediary service with a responsibility for helping to release nascent co-operative capital for social enterprise.

¹⁵ 'Hope on the menu at community-owned pubs in a closed pandemic world', *The Age* (May 2020) <https://www.theage.com.au/national/victoria/hope-on-the-menu-at-community-owned-pubs-in-a-closed-pandemic-world-20200514-p54t39.html>. See also Birchip Butchers Co-operative; the Sea Lake hardware co-operative; and the Yackandandah community petrol station.

The Community Shares Unit in the UK was set up to achieve this purpose with funding from the UK Government and delivery by Co-operatives UK and the Development Trust Association. A recently-published research report has found that since 2012, £155 million has been raised from over 100,000 members to support 440 businesses through the platform.¹⁶ The Community Shares Unit is now operated in partnership by Co-operatives UK and Locality, managing an online share directory, and providing some legal and administrative support to communities wanting to raise capital for a community-owned social enterprise.

With modest upfront investment, the Victorian Government could partner with the BCCM to pilot the development of a similar self-sufficient platform for co-operative crowdfunding by new and existing social enterprises. Such a platform can greatly lower the barriers to community investment by radically reducing the costs to community members of raising capital. Community investment has the dual benefit of reducing the reliance on external (shareholder) capital for which influence and ownership is exchanged for investment as well as empowering and giving ownership in and rewards from the social enterprise to the community beneficiaries (a model of “by and with” rather than “to and for”).

Recommendation 5: Contribute to the roll-out of a new crowdsourced community equity platform in Victoria that leverages the power of co-operatives as a community investment vehicle.

Mutual Capital Instruments and the Social Impact Investment market

Increasingly, investors are concerned with the environmental, social and governance (ESG) standards of the companies they invest in. Beyond the ethical and moral arguments in favour of good behaviour, it is now clearly of value as one of the necessary tests for capital investment.

Co-operatives and mutuals can take social impact investment using unique investment instruments that allow for external investment *without* diluting member control and purpose. For mutual companies, these are Mutual Capital Instruments (MCIs), and for co-operatives, these are Co-operative Capital Units (CCUs).

The BCCM is currently running an educational program for members on these forms of investment called Capital Partners.

Incorporating recognition of co-operative and mutual enterprises in the social enterprise community in Victoria will assist the strategy to meet its goals of greater social impact investment.

Recommendation 6: That the Victorian Government work with the co-operatives sector through the BCCM on a program of education for impact investors on investing in co-operatives and mutuals using MCIs and CCUs.

¹⁶ <http://communityshares.org.uk/news-and-events/news/new-research-understanding-maturing-community-shares-market>

THEME 3: Growing the market for products and services

What benefits and challenges are social enterprises experiencing in participating in the Victorian Social Procurement Framework and how could challenges be addressed?

The BCCM's policy Blueprint states that:

'it is important that governments across Australia ensure that all business models have equal rights in relation to government procurement. Government procurement should be from companies that are:

- *Domestically owned and operated*
- *Taxed domestically*
- *Have demonstrable local workforce participation'*

Feedback from co-operative and mutual enterprises suggests that untapped potential remains in the application of social procurement policies. Some co-operatives believe they are not recognised for the social and local economic value they create in procurement processes:

"Our co-operative aims to provide a competitive, cost-efficient service across our supermarket, hardware and rural supplies stores. Our difference as a co-op is that the income generated through our retail activity is returned to the local community. If the value we provide to the local community can be better recognised, we hope to pick up more work supplying government projects in the region."

Kevin Ford – CEO, Terang Co-op (Consumer-owned hardware, grocery and rural supplies store)

"We think we score high on social impact... we moved our solar hot water unit factory down to Morwell to help local workers from the coal-fired power station transition into green jobs. But the social procurement framework doesn't seem to filter through to the tenders that are put out. We're either too small or the fact that we are owned by local workers is not recognised as social value."

Dan Musil – Chair, Earthworker Energy Manufacturing Co-operative (Worker-owned green manufacturer)

"SGS has tendered for projects with Local and State Governments but has not been recognised for the value we generate as an employee-owned, for purpose firm. SGS has lost out in the past to investor owned firms with social procurement policies that focus on partnerships with social enterprises. The assumption in competitive bidding processes is that all the lead suppliers generate similar social value themselves but support social procurement objectives through engaging second and third tier social enterprise suppliers – but that's not the case – we aim to create social return through our direct activity as a worker-owned co-operative and a B-Corp, in addition to procuring from social enterprises"

where possible.”

Alison Holloway – CEO, SGS Economics and Planning (Worker-owned professional services firm)

What could the Victorian Government be doing to support certification of Victorian social enterprises?

Co-operatives are the only form of social enterprise in Victoria that have a Victorian-legislated accreditation system. Given the regulatory requirements that all registered co-operatives must meet, and the protection of social mission this affords (Co-operative Principles), it is important that Victorian co-operatives are recognised as social enterprises without need for additional accreditation or registration.

In previous eras, the same drivers for accreditation which we see today for social enterprises led to the development of a range of legal protections for the distinct social and economic purpose of co-operatives. These protections are now well-established and reflected in the requirements of the Co-operatives National Law in Victoria for registration under the co-operative legal structure.¹⁷

The industry is also working to improve the demonstration of value through a new impact measurement framework, as discussed in response to Theme 5.

The Victorian Government has a policy of procuring from ‘social benefit suppliers’. The BCCM notes that co-operatives are listed only implicitly as an example of an enterprise which would qualify as a social benefit supplier. We believe this is an oversight and can lead to missed opportunities to foster participation from a wide range of social enterprises, and those that align with the stated objectives of the Social Enterprise Strategy.

Recommendation 7: Recognise Victorian co-operatives as social enterprises in the Strategy and related procurement policies without need for further accreditation in addition to their existing registration with Consumer Affairs Victoria.

¹⁷ Our Discussion Paper, *Co-operatives and Mutuals as Social Enterprises*, provides further information on the requirements. See pages 8-9.

THEME 5: Effective social impact and performance measurement

What are current examples of good practice in social impact measurement by social enterprise and what can we learn from these?

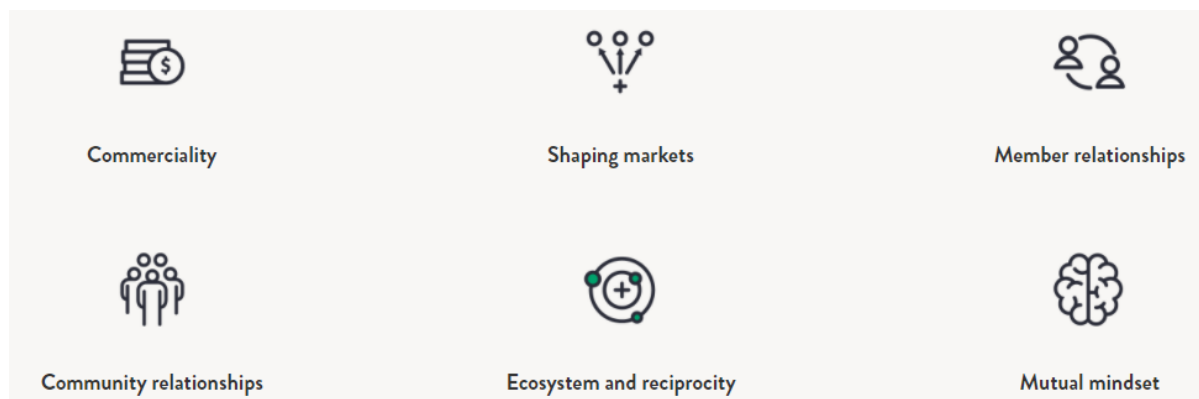
Co-operatives and mutuals are driven by both social and economic goals. Mainstream accounting, which focuses primarily on financial outcomes, does not give an accurate picture of the total value produced by a co-operative or mutual.

In response to this challenge, the BCCM has worked with researchers at Monash University, our members and the wider sector, to find a new way of measuring our positive impact on members, the community, and the economy.

This has led to the **Mutual Value Measurement** framework.¹⁸

The Framework helps the co-operative and mutual sector measure total value creation (mutual value) through a set of common dimensions and shared language about measuring and reporting mutual value.

The Framework uses six dimensions to cover the unique areas of value that co-operatives and mutuals generate:



The MVM Framework can be used by co-operatives and mutuals across different industries, of different sizes, and with different capabilities. The Framework has been rigorously field-tested and is available for use by Victorian co-ops and mutuals. The BCCM has developed an implementation guide and templates to help co-operatives to assess and plan the full adoption of the Framework. It has also formed a community of practice for co-ops and mutuals to work together to develop and improve measurement and reporting practices based on a peer to peer learning methodology and the principle of “co-operation amongst co-operatives”.

¹⁸ <https://bccm.coop/mvm/about/>

Summary of recommendations

Recommended Principles for the Social Enterprise Strategy:

1. Resource allocation should be provided in the most cost-effective way, prioritising the development of self-help enterprises that economically empower the community of beneficiaries and promoting community ownership as a proven model to realise social and economic empowerment **(See THEME 1 and THEME 2)**.
2. Efforts by government, educational institutions, or non-profit organisations to grow the sector, should recognise the social value of co-operatives and mutuals and demonstrate an understanding of how to support these businesses as part of an inclusive Social Enterprise Strategy, including:
 - 2.1. Recognising co-operatives and mutuals as social enterprises **(See THEME 3)**.
 - 2.2. Taking care to include co-operatives and mutuals (that are sometimes regulated differently to corporations) when developing social enterprise and social policies across education, business support, access to capital and procurement. This is particularly true for co-operatives, which are registered and regulated by Victoria under the Co-operatives National Law. **(See THEME 3)**.
 - 2.3. Taking advantage of the pre-existing registration process for co-operatives incorporated under Co-operatives National Law, and the definition of a mutual under the Corporations Act, to streamline co-operative and mutual eligibility in relation to social enterprise and social procurement policies **(See THEME 3)**.

Recommendations addressing themes

3. Provision of education about the co-operative business model should be a priority for agencies and partners supporting activity under the Strategy, in partnership with Victorian co-operatives. As a first step, the Victorian Government should conduct an audit of existing educational resources, such as sector resources, that can be leveraged.
4. That the Victorian Government commits to implementing digital processes for the co-operatives it regulates and to the publication of regulatory guidance for co-operative capital raising.
5. Contribute to the roll-out of a new crowdsourced community equity platform in Victoria that leverages the power of co-operatives as a community investment vehicle.
6. That the Victorian Government work with the co-operatives sector through the BCCM on a program of education for impact investors on investing in co-operatives and mutuals using MCIs and CCUs.
7. Recognise Victorian co-operatives as social enterprises in the Strategy and related procurement policies without need for further accreditation in addition to their existing registration with Consumer Affairs Victoria.