

About co-operatives

Co-operatives are people centred organisations that are owned, controlled and used by their members. A co-operative's main purpose is to benefit its members.

The International Co-operative Alliance (ICA), an independent, non-government association that unites and represents co-operatives worldwide defines a co-operative as:

"...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".

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Their members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operatives are different from other forms of incorporation because of their member ownership, democratic structure and the use of funds for mutual, rather than individual, benefit.

When a co-operative is formed it has its own legal identity separate from its members.

A co-operative can:

- enter into and enforce contracts, including the ability to hold, acquire and deal with property
- sue or be sued
- continue regardless of changes to membership.

Although there are benefits to be gained from incorporating as a co-operative, there are also obligations.

For example, directors have similar responsibilities to those of company directors, the co-operative must maintain proper financial and membership records and registers, and decisions which have a significant impact on the co-operative must be approved by the members.

What is the co-operative's liability?

As a legal entity in its own right, a co-operative bears liability for its acts. This means that legal claims made

against a co-operative are the responsibility of the co-operative.

What liability do members have?

Members are liable for the amounts each member owes the co-operative in respect of their membership.

Generally this is limited to the amount of paid up share capital or, for most members of a co-operative this means the fees or subscriptions due to the co-operative.

Distributing or non-distributing?

Co-operatives can be either a 'distributing' or a 'non-distributing' organisation.

A distributing co-operative may distribute any surplus funds to its members.

A non-distributing co-operative will use surplus funds to support its activities and cannot be distributed to members.

A non-distributing co-operative is also likely to be more appropriate for a community organisation.

The type of co-operative must be established at the time of formation.

What can a co-operative do?

Co-operatives can be involved in a variety of social and commercial activities. A co-operative may carry out any activity defined within its rules.

Co-operatives generally fall into four categories, including:

- Consumer - buying and then selling goods to members at a competitive rate.
- Marketing - branding, marketing and distributing members' products and services.
- Service - providing services to members, such as health, electricity or housing.
- Community - resource, information and skill sharing that encourages ownership and participation.

Do co-operatives follow a set of principles?

Co-operatives subscribe to the seven international principles of co-operation. The principles are guidelines ensuring the organisation runs efficiently and for the benefit of its members. The principles are:

1. Voluntary and open membership

Co-operatives are voluntary organisations, open to all who are willing to accept the responsibilities of membership, without discrimination.

2. Democratic member control

Co-operatives are democratic organisations controlled by their members, who actively participate in the setting of policies and decision-making. Members have equal voting rights (one member, one vote).

3. Member economic participation

Members contribute equally to the funds of the co-operative and control the allocation of surplus funds.

4. Autonomy and independence

Co-operatives are independent organisations controlled by their members. Any agreements entered into with other organisations must ensure democratic control by members and the co-operatives independence.

5. 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-operative. They inform the public about the nature and benefits of co-operation.

6. Co-operation among co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together.

7. Concern for community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Who regulates co-operatives?

Co-operatives are regulated and supervised by NSW Fair Trading's Registry Services under the Co-operatives National Law.

Further information

For further information please contact:

Registry Services
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