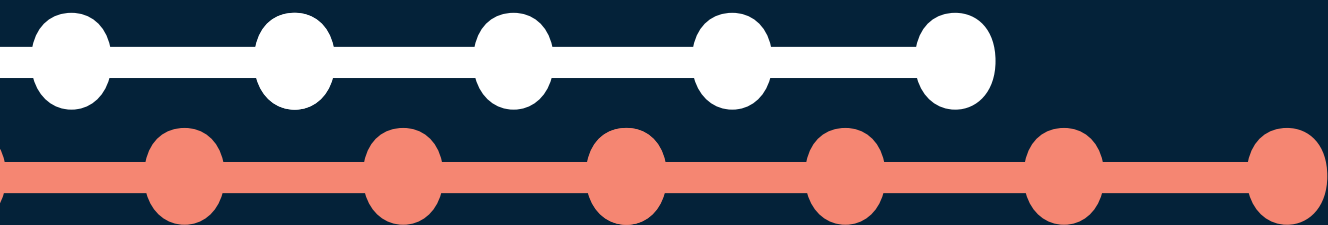




Structural Options for owning Community Assets

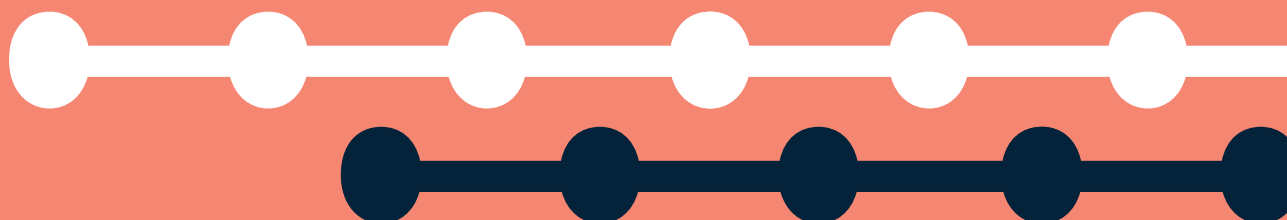


Prepared for Shire of Mingenew

4 JULY 2022

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Background

The Shire of Mingenew requested agdots to complete a desktop evaluation into the structural and ownership options to potentially invest in community assets that are of benefit to the community.

The project undertook a rapid evaluation of four options:

1. Community Cooperative
2. Not for Profit Company limited by guarantee
3. Incorporated Community Association
4. Community Foundation

In the process of undertaking the research a fifth option was discovered, but we believe its relevance is low to Mingenew's current circumstances. Unincorporated association as a structure was also listed but not considered an option.

The Shire of Mingenew agreed to the following key deliverables from the set of options that agdots proposed:

- Research on options, including examples from other communities and their learnings
- Evaluation of the options on agreed criteria

This report outlines information on what different rural communities around Western Australia have done, and a desk top analysis of the structures.

Mingenew – Situation Analysis

The Mingenew Shop is available for sale. The premises are owned by one entity and the business is owned by a separate entity. Both the premises and the business are available for sale and there is an opportunity for the opportunity to act whilst both entities are incentivised to sell.

The Mingenew Shop is a cornerstone business for the community. The community has indicated to the Shire that they would like to keep the shop operating, and there is broad community interest in investing in the shop premises. Overall the position the community has indicated is they would like to own the premises and have a food retailer operate the business. The preference is to establish a commercial agreement with the existing or new retailer.

There is also an option that is being canvassed to not only purchase the existing site, but to build new on a new site to be obtained separately from a Corporate entity.

The overall set of activities that Mingenew would require the structure are:

- Purchase existing shop premises;
- Seek new retailer to purchase the business and have a commercial lease agreement with the new business owner;
- Obtain second site, and build new building;
- Renovate old shop premises for other community or commercial purposes; and
- Run both locations on a commercial basis.

Council will support the community to undertake these activities but does not seek to be the owner or operator of the Shop. If the community was to operate the shop the choice of business structure could change, so the hurdle question of who operates the shop is an important one to resolve first.

Other Communities – Options and Learnings

Agdods asked the Shire of Mingenew what communities they would like us to research, before we considered relevance and finalised the following list:

COMMUNITIES RESEARCHED:

Coorow Community Land Incorporated	Community Association	Graeme Maley, Hon Secretary, CCLI	Farming land, accommodation, hotel and other assets have been bought and sold
Bruce Rock	Shire ownership under emergency exemption LG Act	Darren Mollenoyux CEO Bruce Rock Shire	Currently running a shop in their town hall because their shop burnt down, and building a new retail shop and will be leasing to a commercial operator
Wongan Hills	Wongan Hills Community Association	Eion Ganzer Company Secretary - Community Association	Hotel and Elders building, now have large capital asset, looking for investments that fit the structure
Mt Barker	Cooperative	Lyn Slade Board Member Mt Barker Cooperative	Various business enterprises Trading \$33M/yr, employing 95 people in Mt Barker
Beacon	Cooperative	Nigel Beagley Chairperson	Beacon Coop Shop – haven't heard back yet
Gnowangerup	Cooperative	GNP 360 founding director Richard House	Town revitalisation project – haven't heard back yet

The time frames for this project were very short, and hence some of the communities have yet to get back to us. We also contacted Kellerberrin (Coop Shop) and Narembeen (Coop Café). We were however able to get sufficient information on the Cooperative model and view Mt Barker as a stand out example. We are still waiting on information from Beacon who may be a relevant example and are a newer and smaller size cooperative, and this could be relevant to Mingenew given the approximate size of your projects. Agdods will follow up the Beacon community example.

We also contacted:

1. **Philanthropy Australia** to discuss Community Foundation model
2. **Cooperatives WA CEO** to discuss Cooperative Model
3. **Tim Mazzerol**, UWA School of Business to discuss Cooperative Model
4. **Kate Keamy – Trainer**, Ex Rural Financial Counsellor, helped Rural Edge develop its business structures module
5. **Commercial Rural Lawyer** – Stephen Park, Pacer Legal via email
6. **Rob Hubbard**, Retail Consultant who has assisted other rural communities to revitalise their shops

We couldn't find any examples of Not for Profit Company limited by guarantee (CLGs) but view this as a very good fit for your needs, so have sourced information from other organisations eg. <https://www.nfplaw.org.au/> to support the investigation.

We have also sourced Not for Profit Lawyer contacts to assist you in understand the legal obligations of the structure you choose. These are available if the community chooses the CLG model.



Learnings from the other Communities

Mt Barker, Coorow and Wongan Hills have very successful long term asset management strategies in place and have made an enormous difference to their communities in different ways. Bruce Rocks structure has been in response to an emergency (shop burning down) and their community shop is still yet to be finalised and a retailer successfully organised, but it is a good example of what a Local Government can do in situations that require a rapid response.

The key learning from each community is the structure should respond to the business activity that is planned to be carried on.

The two community associations researched (Coorow and Wongan Hills) have responded to community need, building and restoring community assets to ensure key vital businesses are maintained in their towns. In that process they have made profits which they have distributed to the community through small grants and in Wongan Hills case, larger one off grants made every few years. This enables other community infrastructure to be built and reinvestment in the community. They may have outgrown their structures and could consider moving to a CLG structure.

Mt Barkers is an example of a successful Cooperative, which is a very good structure to deliver trading benefits to members. It is a highly relevant example if the community was to consider running the shop. It doesn't offer commercial returns or ideal exit strategies however, but it does offer a long term way of investing in community assets and businesses.

Please refer to the information in Attachment 1 for more information on each community.



Structures

Incorporated Associations

Incorporated associations are a legal entity separate from the individual members. Associations are incorporated under the state legislation in which they operate. An incorporated association continues regardless of changes to membership and it provides financial protection by usually limiting personal liability to membership fees.

Incorporated associations can operate a business, but that business is meant to be subsidiary to a main activity of some altruistic outcome. In effect, Incorporated Associations aren't meant to be a business. There is a grey area in which they can operate a business if it fulfills the broader purpose of their constitution; for example can be a sporting club that runs a bar, the purpose of running the bar is to fulfill the sporting activity.

This structure is the most common. In Western Australia, there are nearly 20,000 incorporated associations.

This is a simple and inexpensive means of incorporating not-for-profit groups. It is less complex to set up than a Company limited by guarantee (CLG). It is not suitable for businesses that aim to make a profit.

Company Limited by Guarantee (CLG)

The difference between corporate and non-corporate entities is the legal separation of the ownership from the business itself. Shareholders are legally separate from the company, and liabilities are limited to the company's assets only. In general, it does not extend to the owner's assets.

Whilst Companies provide legal separation, they are more complicated and expensive to set up and there are ongoing compliance costs, and legal and financial reporting obligations. CLGs that are registered charities are regulated by the ACNC and most report to the ACNC not ASIC. This is because registered CLG charities are generally exempt from some of the obligations applying to public companies under the Corporations Act 2001.

There are over 15,000 CLGS in Australia.

Just like a business company, it has directors and members. A member is analogous to a shareholder. The liability of the member is limited to the amount the members contribute to the property of the company if it is wound up.

CLG's are more costly to establish and operate than incorporated associations, they are required to hold an AGM every year, and have their financial accounts independently audited. These requirements don't apply to CLGs registered as charities.



Cooperatives

Cooperatives need to have a shared and long term view. They need a harmonious long term cooperation by the board and members. They operate under the Co-operatives Act 2009 (WA).

In 2018 there were approximately 63 co-operatives in Western Australia.

A cooperative is an organisation that is concerned with providing for the needs of its members. The principles of operating a cooperative are voluntary and open membership, democratic member control, member economy participation, autonomy and independence, education training and information, cooperation amongst cooperatives and concern for the community.

There are both distributing and non-distributing co-operative structures. Only a coop that has rules to prevent surpluses or profits from being distributed to members is suitable as a not-for-profit structure. Members share the investment and operational risks, all the benefits and any losses, and they have equal voting rights. A non distributing coop can be a suitable not-for-profit structure for providing community services to members.

A non distributing co-operative structure is not suitable for organisations looking to make a profit, for different classes of members, or hoping to benefit a wider range of people than the co-operatives membership base.

Community Foundation

A community foundation is an independent philanthropic organisation that enables local donors to contribute cash, trusts, bequests or real property to create permanent endowments that benefit a specific geographic area.

A community foundation attracts tax deductible donations to its Public Fund and builds a capital base known as a corpus (a fund of money invested in perpetuity), to provide a permanent and growing source of funding. The income earned each year is returned to the community as annual grants to deductible gift recipients or other tax deductible entities. In addition, the community foundation through its governing charitable company or trust can support wider charitable purposes.

Once established, the foundations grow in their communities and develop a character appropriate to the location. However, there are key characteristics common to all community foundations, such as:

- Multiple sources and levels of funding from a range of donors.
- Provision of a permanent and growing source of funding for charitable activities, which will strengthen the local community.
- A local focus on charitable giving and grant-making
- Initial donations form the corpus and are invested, with the generated income being distributed as grants on an annual basis. Some community foundations choose to use part of their initial donations to establish their grant-making capability.



Comparison of Business Structures

In comparing the structures, we have taken into consideration:

- Structure should respond to the business activity
- What's at stake for everyone that will be involved
- What will protect all entities, whilst enabling the community to solve this problem which does necessarily involve risk which ideally needs to be well managed

INCORPORATED ASSOCIATION (IA)

Easy to set up and establishment costs (register etc) Can the structure be changed easily?	Easy to set up, costs low, not suitable for profit making business.
Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc	Incorporated association should have liability related to extent of membership. Recommend getting legal advice.
Asset protection	All assets would need to be appropriately insured. Assets are kept in the Community association until wind-up and then distributed to a like association (outlined in the constitution).
Ongoing costs/ paperwork/ compliance	Paperwork and compliance lower than other structures.
Entry and exit shareholders Raising capital? Can they do funding applications from govt or Lotteries?	Good structure for making funding applications. Can raise capital but paying dividends or profit allocations would not be easy.
ROI to investors possible and how?	Suitable if investors are happy for their investment to stay in the community.
Tax treatment for all entities	Tax positive. Association is not for profit.



NOT FOR PROFIT COMPANY LIMITED BY GUARANTEE (CLG)

<p>Easy to set up and establishment costs (register etc) Can the structure be changed easily?</p>	<p>Company limited by guarantee has more costs involved in set up than IA and has ongoing compliance costs.</p>
<p>Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc</p>	<p>Shareholders are legally separate from the company, and liabilities are limited to the company's assets only. In general, it does not extend to the owner's assets. For Directors, recommend getting legal advice.</p>
<p>Asset protection</p>	<p>Assets could be bought and sold. Distribution of final assets would need to be determined upon company set up.</p>
<p>Ongoing costs/ paperwork/ compliance</p>	<p>More complicated and expensive to set up and there are ongoing compliance costs, and legal and financial reporting obligations.</p>
<p>Entry and exit shareholders Raising capital? Can they do funding applications from govt or Lotteries?</p>	<p>Shareholders can exit and entry is possible. Can do funding applications from govt or Lotteries, would need to explain structure and how to protect their investment.</p>
<p>ROI to investors possible and how?</p>	<p>Cannot pay a dividend, can pay for pre-tax service eg rent to an investor</p>
<p>Tax treatment for all entities</p>	<p>NFP tax positive</p>

COOP MODEL

<p>Easy to set up and establishment costs (register etc) Can the structure be changed easily?</p>	<p>Would take more resources to set up but is a long-term option if you plan to operate community businesses.</p>
<p>Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc</p>	<p>Has Directors who have responsibility, recommend getting legal advice or consult Coops WA for advice.</p>
<p>Asset protection</p>	<p>Community/ members will own the asset so depends on the investor intent.</p>
<p>Ongoing costs/ paperwork/ compliance</p>	<p>Reporting requirements – to members, cannot find where they need to report to each year.</p>
<p>Entry and exit shareholders Raising capital? Can they do funding applications from govt or Lotteries?</p>	<p>When a member exits, they are reimbursed the value of their membership. Funding applications – possible.</p>
<p>ROI to investors possible and how?</p>	<p>Distributing coops cause a taxable event for the member.</p>
<p>Tax treatment for all entities</p>	<p>There is a tax implication for the dividend. Can get around this by giving trading benefits which are in effect tax free.</p>



COMMUNITY FOUNDATION

Can be different types of entities

Can be DGR 1 entity, Public Ancillary Fund, can be an incorporate association without tax deductibility

New Govt have committed to providing DGR1 status to community foundations

Easy to set up and establishment costs (register etc)
Can the structure be changed easily?

Can have structure that people can donate \$ to and have tax deductibility.
 Set up separate entity to receive proceeds of profits – sits in separate entity.
 Is a DGR1 entity suitable – can take \$ in and can run business activities as long as the intention is to use the proceeds to do good things.
 Could have sub-fund under other community foundation (hosting/auspicing) – need to have aligned purposes.

Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc

Non profit charity doesn't have shareholders.
 Has Directors who are financially responsible.

Asset protection

Capacity to have investments in special purpose vehicles.
 Can have doing roles and granting element in same entity.
 Donor gives in and organisation grants out.
 Do not have to grant out.
 Investment arm that sits under the structure.

Ongoing costs/ paperwork/ compliance

Similar level of compliance and requirements.
 All the different types of activities need to be managed.
 Easier to set up a charitable entity without DGR1 Status.

Entry and exit shareholders
Raising capital?
Can they do funding applications from govt or Lotteries?

No easy exit strategy.

ROI to investors possible and how?

Possible but need a separate investing arm.

Tax treatment for all entities

Tax positive.



UNINCORPORATED ASSOCIATION	
Easy to set up and establishment costs (register etc) Can the structure be changed easily?	Yes.
Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc	Members are fully liable.
Asset protection	Members are exposed.
Ongoing costs/ paperwork/ compliance	Low.
Entry and exit shareholders Raising capital? Can they do funding applications from govt or Lotteries?	Exit would be challenging until capital can be replaced by entering shareholder.
ROI to investors possible and how?	N/A
Tax treatment for all entities	Yes.

LOCAL GOVT OPERATING UNDER EMERGENCY PROVISIONS LG ACT	
Easy to set up and establishment costs (register etc) Can the structure be changed easily?	Not a long term sustainable model and Mingenew may not be considered an Emergency and get exemption.
Liability for community Board eg manslaughter laws, bankruptcy due to non payment by lessor etc	Shire has liability.
Asset protection	Shire asset so protected as well as any other Shire asset.
Ongoing costs/ paperwork/ compliance	Bruce Rock put on extra staff member to run shop, and CEO spends time on project as well.
Entry and exit shareholders Raising capital? Can they do funding applications from govt or Lotteries?	Could do community funding applications under this model.
ROI to investors possible and how?	Return to community is the service the shop provides.
Tax treatment for all entities	Same as for LG.



ATTACHMENT 1: Examples from other Communities

Bruce Rock

Can you tell us the history of your group or your project?

What was the catalyst for the community getting involved in owning community assets?

- Former owner burnt shop to the ground, other community businesses didn't want to expand into groceries.
- Set up temporary shop in the town hall – set that up in a fortnight, still doing that today, employed 3 staff that were working in previous shop on part-time basis. Assistant Manager from previous shop came out of retirement. Shire put on a part-time finance officer, but still not enough, chews up Senior finance officer time. Fully operate current shop, need to because nearest town is 35 minute drive. Its getting good local support.
- Engaged Caroline Robinson to look at options, No one in community stepped up to build a community in town. Didn't have a suitable main street tenancy.
- Rob Hubbard – retail consultant – worked with Shire of Quairading – formed a cooperative and move to Food Worx, has turned it around. Ron has done research into commercial lease business. Has done all the business modelling based upon previous business financial records. Looked at all the ABS information and it proves up.
- Model is the Shire is building the shop, and they will do a commercial lease. Do that already with 5 factory units in town
- Engaged Architect to project manage, do design, and the costings, Went to tender 2 months ago and the original cost was 2.5M but is now 4.5M.
- Funding have funded through LRCIP, REDS funding from State Government, Council funding and reserves and community has fundraised as well. Building better regions fund on Ministers Desk atm.
- Takes a lot of time for the Council to run.
- Conducted independent survey of the community and 97% of people wanted this model.
- Steered away from Cooperative because had a failure in the past, had a Bendigo Bank and didn't get the buy-in.

Specifically for Bruce Rock would like to know how the operation of the Community Shop is organised, and what your advice to Mingenew would be? Should they try to seek an operator and lease the building?

- Yes that is the model for Bruce Rock. Their advice is to try and attract a business to operate within the building.

What is your business structure eg. Community Association (if so how does your membership work?), **Cooperative** (can you share information on how your Coop works), **Not for Profit Company** (how does your shareholding work?), **Community Foundation or other** (please specify structure)?

- Don't need a new structure because they are only going to be owning a building.
- Had to get an emergency exemption to run the shop as it doesn't meet the Local Government Act. Proposed changes will enable that to happen. Doesn't currently allow for commercial operations.

What is your asset management strategy? What have you done in the past to build up your asset base? What is the approximate value of your asset base? If you prefer you could send me your latest AGM papers with the annual financial returns if that is easier.

- Will have a proper commercial lease so its going to be a straight forward asset management strategy.

CONTACTS

CEO Darren Mollenoyux, 0428 611 377.

- Happy to be contacted. Be mindful of how much workload it would take, taking it on. Its much greater than you will realise – it's a whole new organisation.
- Shire President happy to chat as well.



Coorow Community Land Inc.

Can you tell us the history of your group or your project? What was the catalyst for the community getting involved in owning community assets?

The Coorow Community Land Inc was formed in the early 1990 when 120ha of farming land was for sale along side the Coorow Township. 4 Local Farmers formed the group ,organized and guaranteed the loan and started the process of cropping the land with the assistance of sponsors to raise funds for community projects and to pay off the land.

From Email:

- The CCLI was in the position to purchase the hotel using equity they held in the Coorow Farm , a 110ha parcel of land on the edge of Coorow town site that had been purchased as a fund raising facility originally guaranteed by 4 local farmers.
- The Hotel was at the point of being closed down due to private owners who were leasing the business out were not willing or able to put any capital improvements back into the building ,and at the time the building had several health and safety work orders on it from LGA healthy, so the business was up for sale Freehold.
- The CCLI purchased the business with a Self-supporting loan through the Coorow Shire with the farm income to guarantee payments.
- A fair bit of initial planning was done before the purchase.
- An agreement was put in place with a local builder who was willing to lease the business on a reduced rental with rectification of work orders a priority and maintenance and some improvements as part of the deal. A long term lease also was an incentive to build the business up so as lessee they could on sell the remaining portion when they wanted out, with the agreement of CCLI to the new lessee.
- The CCLI formed a sub committee of Community reps as a management committee to work with the lessee.

This worked well, the Building was being maintained and improved, we had a turn over of lessee but as with most businesses there is snags. With the 3rd Lessee the Business struggled and the CCLI repurchased back the lease.

We actively sort a new new lessee but could not find a suitable candidate. The CCLI took on the Licence and management of the Hotel Employing Managers and Staff while it continues in a search for a lessee and being guided by the Management Committee.

The Hotel is still being run under this structure a decision to do major renovations to the Bar and accommodation Again with a self supporting loan raised through Coorow Shire.

Our business broker introduced several potential lease's , but with the renovations , Covid our discussion is to build the business up and then re assess.

What is your business model for your organisation – how does it work, what outcomes have you achieved?

Not for profit incorporated community association.

The model was simple use the asset to create funds for local projects.

What is your business structure eg. Community Association (if so how does your membership work?), **Cooperative** (can you share the Coop structure?), **Not for Profit Company** (how does your shareholding work?), **Community Foundation or other** (please specify structure)?

The structure was simple , the land was purchased in trust for the community ,funds raised would be used to pay off the asset and the community could apply for funding of projects in and around Coorow town and a management committee to be elected at an annual AGM.

What is your fundraising strategy typically? What types of activities do you do each year? What is most to least successful for you? Please add any comments you would like.

Originally the funding was mainly granted to Sporting Groups, P &C and town projects.

We have also participated in Building Better Community programs and assistance of families in the event of tragedy.

What have you done in the past to build up your asset base? If possible, can you tell me what you own, and the approximate value of your asset base. If you prefer you could send me your latest AGM papers with the annual financial returns if that is easier.

- The Farm is our primary asset now fully paid for.
- The Coorow Hotel, was purchased and paid for through a self-funding loan through the Coorow Shire. Fully paid off. Looking to lease hotel now.
- The Coorow Roadhouse was purchased, restarted built back up and then on sold.
- The Coorow Barracks ex Westrail accommodation was leased and has since been purchased, an 18 room accommodation complex.
- Major renovations to the bar and hotel is our major liability with the funding being through a self-funding loan again through the Coorow Shire.
- Will keep improving facilities of the community going forward.

What is your asset management strategy?

Is to maintain our assets at a high level. In small towns it is hard for private owners to justify spending on capital improvements, we see this as our main goal.

Do you have paid staff?

What is your estimated overhead per year?

- We are currently managing the Hotel, It was leased initially, but a change of leesee failed to deliver, CCLI purchased back the lease, has employed a manager and casual staff. Under the supervision of a management committee.
- This is not our preferred option we would like to again have the hotel leased ,but with renovations ,a lack of suitable lessee's and covid , but will be again on the agenda.
- The Barrack's bookings are contracted out as well as the cleaning.



Do you give dividends to shareholders?

We do not have shareholders.

Do you give returns to investors, and if so how?

The return to investors is the maintenance and building of community assets.

What do you give to your community each year and how?

CCli is open to the application of grant funding for projects or organisations for the community of Coorow at any time.

Any advice you would give another community starting out on the journey of owning their own community assets?

Do your forward planning, our purchase of the hotel was only done after a plan of action was in place, Lease organised, and a program of work set out.

What do you think is the best legal structure and why?

- It seems to be working, people support the hotel more and its become more family oriented as a result, people respect it more
- As our asset base increase we may need to review, but we are doing what was set out to do , have a fund raising facility to maintain and develop the Town and population of Coorow
- Our membership is open to all residents of Coorow, any resident can become a member
- Not exclusive, membership is free, don't have a list of members
- Grown a little bit bigger now, structure is getting a bit outdated
- At this stage the community is quite happy with how everything is running
- If something goes wrong – no one would lose an investment

CONTACTS:

- **Graeme Maley**, Hon Secretary, Coorow 0428 518236 if you have further questions.
- **John Stacey** – helped to set it up.



Gnowangerup (sourced from ABC article)

- The 600-strong WA town of Gnowangerup formed a cooperative to combat the loss of bank branches, a hairdresser, bakery and other shops, Oct 2018
- With many of the town's main street shopfronts empty, Gnowangerup has formed its own cooperative to combat a lack of basic services.
- Governance is democratic, giving each member one vote.

Gnowangerup's cooperative GNP 360 was officially formed in October.

Founding director Richard House said the community was spurred into action after losing its bank branches, hairdresser, bakery and other shops.

The group plans to transform a vacant building on the main street into a retail hub.

The project needs about \$500,000, and \$175,000 of shares have already been sold, with \$200,000 pledged in kind.

Mount Barker Cooperative

Can you tell us the history of your group or your project?

The Mount Barker Fruit-growers Cool Storage Co-operative Society was incorporated in 1918 primarily to arrange for packing, cool storing and exporting fruit. The Articles were very broad and perhaps foresaw a wide range of possible future activities.

In addition to providing options for orchardists to control the sale of their fruit further through the supply chain, over the years the Co-op has been involved in many other activities, including the supply of the town's electricity, a variety of retail stores, rural merchandise, seed cleaning and supply and fuel.

What was the catalyst for the community getting involved in owning community assets?

The initial catalyst for setting up the Co-operative was to meet the challenges of local orchardists in packing, storing and exporting their fruit.

Over the years the Co-op has evolved but the central purpose remains the same - to meet the needs of members and the wider community. The activities of the Co-op are very member driven but with a focus on first managing a successful business and then the advantage of the Co-operative business model to members and the community flows from this.

What is your business structure eg. Community Association (if so how does your membership work?), Cooperative (can you share information on how your Coop works), Not for Profit Company (how does your shareholding work?), Community Foundation or other (please specify structure)?

Co-operative. Potential members can apply for a minimum of 50 x \$2 shares. Maximum shareholding is 10,000 shares.

All members must do a minimum of \$1000 trade with the Co-op over a 3 year period. Under the Act, the shares of inactive members must be cancelled. The Coop notifies any members that have not fulfilled the active member requirements and encourage them to either fulfil the trading requirements, apply to have the shares repurchased or transfer them to another active member.



Mount Barker Cooperative cont.

According to the level of trading profit, the board will declare a dividend on shares and a discount on member trading. Discounts and dividends to members in 2021 totalled \$370,622 and members received a further \$81,716 in Loyalty Rewards through supermarket trading.

The Co-op also undertakes an annual sponsorship and donations program. In 2021 a total of \$61,319 was given to 73 local community groups in Mount Barker and surrounding areas.

What do you think are the key advantages of your business structure?

The key advantages of the Co-op business structure is that it is a community owned business, it can meet the needs of the local community and the profits stay in and benefit the community.

What are the disadvantages of your legal structure and why?

There are no major disadvantages. There are some very big Co-operatives in WA and Australia that operative very successfully within the Co-operative business model. Funding from banks, if needed, has not been an issue but sometimes it takes a bit to explain the differences between a co-operative and a corporate structure.

What is the business model for your organisation – how does it work, what businesses/services do you have/provide, what outcomes have you achieved? If you have grown, can you give us some details on the growth strategy that you have followed?

The Mount Barker Co-operative currently has the following business units:

- Supa IGA supermarket
- Cellarbrations Liquor
- Mitre10 Hardware
- Fuel - 24 hour bowser sites in Mount Barker and Cranbrook and on farm bulk fuel deliveries
- Rural Merchandise conducted by Elders
- Some rental housing primarily for staff
- Investments

The Co-op has grown considerably over time with sales for 2021 totalling \$33,702,058 (excluding Elders rural merchandise)

Members trade in all divisions excluding fuel is recorded for determining any discount and dividend distribution.

There is a Board elected by the members. The Board is responsible for setting the strategic direction of the Co-op and employing and managing the CEO. The CEO is responsible for the management of business operations. Good governance is important.

Growth strategy - first operate a profitable business. Invest in the core business. Be proactive in evaluating other opportunities and needs in the community.

Do you have paid staff? Can you tell us about your organisational structure? What is your estimated overhead per year? (If its easier for me to look at annual financial statements or annual reports, pls send).

2021 – staff numbers 95, including both casual and full time. Annual report is available on line : mtbarkercoop.com.au

**What is your fundraising strategy typically?
What types of activities do you do each year?
What is most to least successful for you?**

Please add any comments you would like.

Our Co-op is at the mature stage so no fundraising is required from members. For a start up co-operative - share issue, Co-operative Capital Units, other investor funding and bank funding would be a consideration. There may also be some grant funding available for co-operatives.

**What is your asset management strategy?
What have you done in the past to build up your asset base?
What is the approximate value of your asset base?**

Formal asset register, appropriate level of insurance, asset replacement program. Investment of surplus funds to meet future needs.

**Do you give dividends to shareholders?
How do you the dividend process, and what are the advantages for your members in how you do it?**

It is fair for members to receive a return on money invested in the Co-op. This is especially important if some members have invested considerably more than others - ie members with 100 shares while others have the maximum 10.000shares.

The success of the business depends on the level of member trading since the profit of the business is dependent on trading successfully. Rewarding member trading is very important.

**Do you give returns to investors, and if so how?
What are the advantages for your investors in how you give returns?**

We have not has any need to use Co-operative Capital Units but any investors in the business would expect some level of return.

What is your gifting program to your community each year, and how is it organised? What do you recommend as the best approach?

Our Co-op has a formal application process annually for donations and sponsorship. The Co-operative act limits the level of donations to 10% of operating profit. The formal application process is important to prevent ad hoc requests and ensuring there is a fair and transparent process of consideration and allocation on merit within the annual budget. The details required on the application form is graduated according to the level of funds requested. A large request would need to be supported by detailed financials and quotes.

Any advice you would give another community starting out on the journey of owning their own community assets?

Investment in community assets is a real opportunity to meet some needs or provide some services that may not be otherwise available.

Financial sustainability is critical. Good board, good management, good governance.

Everything else flow from running a profitable business.

What do you think is the best legal structure and why?

The Co-operative business structure is ideal for community assets. The Mount Barker Co-operative has over 2000 members and receives applications from new members every month. Our members and the community benefit from having a standard of retail facilities not usually found in such a small community. Any profit stays within our community, Members appreciate and value the dividends and discounts they receive from their Co-op and our schools, sporting groups and many other organisations are supported through our sponsorship and donations program.

Who else should we talk to, to get the best advice for Mingenew?

- Peter Wells – Co-operatives WA
- Tim Mazzerol – UWA
- Visit other co-operatives to find out why they are successful and those that are not going so well and why.
- Learn from others – some newer Co-ops (Beacon?) may give better insight into startup issues to consider.
- Co-opsWA Annual Conference in September may be an opportunity to meet with some other Co-ops
- “It started with apples” The story of the Mount Barker Co-operative Ltd would give an overview of how the business has evolved over time.



Wongan Hills Community Association Inc.

What is your business model for your organisation – how does it work, what outcomes have you achieved?

- Wongan Hills Community Association have bought an asset as a long term investment.
- Originally Hotel was a State owned hotel – it came up for sale, issued debenture to raise \$ to buy it. Once they made money, paid the \$ back to the original investors.
- At that stage that was Hotel and land next door.
- At some point in time, sold the Hotel and retained the block next door, which has been rented to various businesses eg. Elders, Farm Shop, Primaries etc.
- In 2002, Elders approached CA for a bigger premises and the group built a purpose built property for Elders. 12 percent on original investment. Since then, has been CPI every year, so now getting a very substantial return per year (\$100k per year).
- Other investments are cash at bank. Are looking at reinvesting \$ into something else. Looking for other opportunities.
- Incorporated association with objects being to provide for art, sport and culture projects in the community.

What is your fundraising strategy typically?

- Self sufficient atm.
- When built the Elders building, got a self supporting loan through the Shire for 15 years. Paid off now.
- Done through Treasury – at whatever that rate is.

What have you done in the past to build up your asset base?

- Built and run commercial property
- Undertaken capital investment strategies which have enabled repayment of self supporting loans
- Have sold the old Elders building, now only have the one commercial property

What is your asset management strategy?

- Like the commercial building sector because its long term and have good tenants
- And it ensures have that business capacity in the community and is retained
- Would invest in other communities if the opportunity/risk/return was favourable
- Because do not have DGR status, cannot get franking credits, so haven't entered share market

Do you have paid staff?

What is your estimated overhead per year?

- \$4000 per year, all financials, day to day paying of bills, Eion Ganzer Local Accounting Firm provides all services
- Only other overheads are the property – insurance, rates, repairs, outgoings (\$10 - \$15k per yr)



Do you give dividends to share holders?

- Original investors were repaid, but no dividends paid now – typical community association
- Liability limited to the extent of their membership

Do you give returns to investors, and is so how?

- As above

What do you give to your community each year and how?

- Up and down, \$254k to colocation project and other small projects a couple of years ago, other years only give small grants (\$4k)
- Mostly give to sporting groups
- Only give to projects, do not pay ongoing costs for any community groups.

Any advice you would give another community starting out on the journey of owning their own community assets?

- Long-term strategy and tenancy has been the key success – need this signed up to have confidence in the return

What do you think is the best legal structure and why? Advantages and disadvantages of this model.

- Not currently taxable but ATO is currently looking at this. Think the ATO will tighten up on this loop hole. Self assessment to prove you are a genuine not for profit.
- Institute of Chartered Accountants are doing training on this topic.
- The positive treatment of community associations that are running profitable businesses is about to come under scrutiny.

ATTACHMENT 2: Contacts

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