

Creating a Co-operative



Why a Co-op?

A co-operative is a business or organisation owned and controlled by its members who can be customers, staff, suppliers, local residents or a combination of these stakeholders.

Co-ops can do what other business structures can do. What makes co-ops different is their balancing of business and social purpose through the co-operative principles, which are adhered to globally.

The main purpose of co-ops are for members to share their skills and assets in contribution to the functioning of the co-op, and in doing so, share the benefits of their labour equally – be that services, assets or goods. These benefits are created to meet social, economic and cultural needs, as co-ops fall under the category of ‘social enterprise’ due to the ethical nature they are usually founded upon.

The benefits of a co-op depend on the level of support from its members, the more skills, capital and engagement contributed to the running of a co-op, the better it can serve its members.

[Co-operatives In Australia - A manual](#)

Registering a Co-op in NSW

You will need to:

- ✓ Visit [The Co-op Federation](#) register as a member.
- ✓ Visit <https://www.nsw.gov.au/business-and-economy/co-operatives/starting-a-co-op>

Making a Constitution

A constitution is a document that outlines the foundational mission of the co-operative and also a comprehensive set of rules to allow the co-op to function efficiently. Before you create your constitution, seek out legal advice to ascertain the situation for your particular enterprise, and ensure all legal requirements are covered. The constitution should include the chosen governance structure, rules about monetary contribution, what a shareholder of your co-op will look like, what types of shares will be offered and what rights shareholders have. It will also include the rules for Annual General Meetings (AGMs) and Special General Meetings (SGMs), voting rights, election procedures, and financial obligations, how money is shared and distributed, and duties of the executive team and their management. The constitution should also cover protocol for shareholders leaving the co-op, or merging with another co-op or business.

Managing

The chief executive or general manager of the co-operative will be responsible for managing the business, including recruiting staff, or members, and organising or delegating financial and operational matters. Other roles include treasurer, secretary, and specific executive positions dependent on your type of co-operative. You will also need to select a board and chairman.



Structure

The main difficulty in forming a co-operative is the need for agreement by a group of people (minimum of five by law) with a similar need or interest who commit to future co-operation. In this way forming a co-operative has some similarities to forming a partnership under a contract. By contrast a company (either public or proprietary) can be formed by a single person.

It is generally said that there are four categories of Australian co-operatives (Co-ops NSW, 2017):

Consumer co-operatives, which buy and sell goods to members at competitive prices in a variety of sectors.

Producer co-operatives, which may process, brand, market and distribute members' goods and services, or supply goods and services needed by their members, or operate businesses which provide employment to members.

Service co-operatives, which provide a variety of essential services to their members and communities.

Financial co-operatives, including co-operative banks, credit unions, building societies and friendly societies, which provide investment, loan and insurance services to their members.

If your group wants to establish a **legal** entity to enable it to engage in commercial business activity, there are a number of company types that should achieve what you are looking for. A comparison of company types can be found in the <https://fed.coop/co-operatives-in-australia-a-manual/>.

Australian co-operatives law allows the formation of two types of co-operatives in recognition that co-operatives can provide both economic and social benefits to people.

1. Distributing co-ops

Distributing co-operatives are formed for a commercial venture in which members can share in the profits created from trade and asset growth. Because a *distributing* co-operative can provide a financial benefit to members, this type of co-operative is subject to a disclosure regime under [Co-operatives National Law](#).

2. Non-distributing co-ops

A *non-distributing* co-operative is a 'not-for-profit' organisation which can be formed with or without shares. A *non-distributing* co-operative can conduct commercial activities, but it is prohibited under law to distribute surplus profits to members (Co-op development Services Ltd, 2017).

Finances and Funding

Co-ops face the same economic challenges as other business models, therefore those looking to begin a co-operative should also refer to the NSWALC Economic Development factsheets on Finances and Funding, Legal Structures and Planning. Important things to remember:

- Start small
- Charge a membership fee
- Decide on the shareholders in the co-op and their rights (as set out in the constitution)
- Seek out business partnerships
- Consider NSWALCs Low interest loans and other NGO or government funding



Members

Co-ops must provide better prices, products or services for their members than the members could get elsewhere – who will your members be and why?

Members have an equal say in how the co-operative is run. Members choose what to do with profits, whether distributing among members, reinvesting in the business or giving to the community. Members have a responsibility to support their co-operative by being actively involved and, in return, the co-operative must ethically serve the needs of its members.

Co-operatives promote member development through their participation in governing the organisation, and usually provide local social or economic development, such as providing employment, goods or services that would not otherwise be available or affordable to the members. A co-operative's size and operations depend on the extent of support from its members, including capital contributed, members' use of the co-operative's goods and services, and the involvement and skills of the Board (Co-op Business NZ, 2017).

Partnerships

Partnerships allow you to combine collective assets and skills into the same business without having to incorporate the other party into the company.

Partnerships see two or more entities (such as individuals or companies) share the profits and losses of an unlimited liability business, with each partner taxed on their individual share of the net profits at the end of the financial year (Co-op Business NZ, 2017).

Laws

Visit <http://www.fairtrading.nsw.gov.au> to learn about the set of national laws for co-operatives that apply to NSW: The Co-operative National Laws (CNL). The site also has a list of all registered co-operatives in NSW, and all applicable legislation and regulations.

The International Co-operative Principles:

Visit the International Co-operative Alliance at <http://ica.coop/en> to learn about co-operatives worldwide. This site also expands upon the Co-operative principles of:

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 co-operative *values* are what co-ops should be founded upon. These are; self-help, self-responsibility, democracy, equality, equity and solidarity.



Resources:

- Video introduction to co-ops:
[Introduction to Co-op](#)
- Co-op Development Services Ltd.
Australia – Register your domain
name and find out more about
Australian Co-op laws:
<http://www.coopdevelopment.org.au>
- 2017 Co-ops manual:
<https://fed.coop/co-operatives-in-australia-a-manual/>
- International Co-operative Alliance:
<http://ica.coop/en>

Please note: while all care has been taken in the preparation of this document, it should not be seen as a substitute for independent consideration of the issues and/or legal advice on this subject. This document is current as of July 2017 and re-edited August 2025.



Works Cited

Byrne, S, & O'Leary, R. (2017). *Co-operatives in Australia - A Manual*. Co-operatives NSW. Retrieved from <https://coopsnsw.coop/manual2.pdf>

Co-operative Development Services Ltd. (2017). *Types of Australian Co-operatives*. Retrieved from: <http://www.coopdevelopment.org.au/typesofcoops.html>

The International Co-operative Alliance. (2017). *What is a Co-op?* Retrieved from: <http://ica.coop/en>