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The Commission on Co-operative and Mutual Housing

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Bringing Democracy Home

Executive summary

The independent Commission for Co-operative and Mutual Housing was launched in 2008 to research the English co-operative and mutual housing sector and to draw conclusions about its relevance in the current environment to national housing strategy. A sector largely forgotten by UK housing policy makers since the 1980s, the Commission has found that co-operative and mutual housing has been consistently producing a range of benefits. We call for an aim to be set that by 2030, each town, village and community should be able to offer co-operative and mutual housing options to potential residents.

Marked by above average resident satisfaction ratings, confirmed by Government research as being significantly higher than other types of housing, independent research also shows that service provision statistics are generally as good as, if not better, than the best of other housing providers. The Commission shows that this is because the people who live there democratically own and/or manage their homes, taking responsibility and feeling a sense of belonging, identity and ownership.

The Commission has heard about:

- many members of co-operative and mutual housing organisations who would not want to live in any other type of housing, not least because of the mutually supportive communities they have established, where they know that they have friends and neighbours who will look out for them – a tapestry of human interaction that characterises the sector.
- how mutual support has helped members of co-operative and mutual housing organisations who started out with broken lives start to reshape themselves, get skills, get into work, move on in their lives.
- ordinary people in co-operative and mutual housing organisations who want to do things to tackle climate change, volunteer as school governors, or participate in various other community activities.
- co-operative and mutual housing organisations set up in neighbourhoods affected by a lack of trust and lack of community, starting to transform them, helping residents feel like they are part of something.

But in England, it's a tiny sector. It makes up only 0.6% of the UK's housing supply, compared with 18% in Sweden, 15% in Norway, 8% in Austria and 6% in Germany. The small scale is due to a number of factors:

- the different elements that came together to form co-operative and mutual housing sectors in other countries – Government policy working in sympathy with the sector, an effective development, support and advice framework, and grass roots community development – has never come together at the same time in the UK.
- prevailing housing establishment perceptions have developed a folklore that ordinary people and communities can't be trusted to make decisions. Whilst the Commission recognises that there have been governance and other problems, it is possible to create systems of support, checks and balances to prevent problems arising or deal with them when they do.
- there is an overwhelming problem with regards to the promotion of co-operative and mutual housing options. The Commission has heard from local authorities who like the idea of co-operative and mutual housing, but call it "Britain's best kept secret". Little information is available for communities, local authorities, housing associations or others who are interested in exploring co-operative and mutual housing options, and models are hard to develop in an environment not established to support them.

Different models of co-operative and mutual housing, united by them being democratically and legally owned and controlled by a service user membership, offer a wide range of potential for communities to choose from:

- **housing co-operatives** that collectively own and democratically manage affordable homes are the largest part of the sector, consistently out performing other housing providers over many years.
- **tenant management organisations** managing homes owned by other landlords have inspired change, have greatly improved services and have stimulated communities.
- **community gateways and mutuals**, tenant and membership owned housing organisations, have made a start on injecting democracy into large scale housing, transforming their local neighbourhoods into beacons of hope.



- **co-housing schemes**, intentional small scale communities, are providing community housing alternatives to the alienation of modern life, particularly for elderly and multi-generational communities.
- **community land trusts** and **mutual home ownership schemes**, couching aspirations for individual assets in a community safety net, offer a potential way forward for the intermediate housing market, for those caught in between the overwhelming hegemony of home ownership, and the increasingly scarce social rented sector.

As well as this, the Commission recognises that many housing organisations now recognise the value of community, and that some are taking steps towards co-operation and mutuality. We identify the next steps that housing organisations could take on this journey. Whilst the Commission is not suggesting that it is only through co-operation and mutuality that community based approaches can be developed, our research has shown that there are specific benefits that derive from co-operative and mutual housing organisations, and this report discusses those benefits.

This is a sector that provides some potential answers to the serious housing and community challenges we face, significant problems even before the global financial crisis made them even harder to resolve. Aspirations to individual home ownership are less likely to be fulfilled for

a growing number of people, but co-operative and mutual housing can meet many of the factors behind those aspirations – having a decent home, security, freedom, status, community, lifestyle, environmental. The Commission has identified that co-operative and mutual housing could provide homes:

- through **mutual home ownership** and **community land trusts** for low income households who stand little chance of getting onto a housing ladder that's been pulled beyond their reach.
- through **co-housing** and **mutual retirement housing** developing mutually supportive environments for elderly people that values their ongoing contributions and provides them with respect.
- through **housing co-ops**, **tenant management organisations** and **community gateways** offering different ways to provide housing for low income households that helps them to help and respect themselves and to feel like they're part of society.

All potentially producing sustainable mutually supportive communities with less reliance on the state, co-operative and mutual housing could potentially be an investment for society. It is a move away from detached managerialism and the dependency created by an expectation that the state will always be there for people.



The Commission's recommendations for developing a mature co-operative and mutual housing sector in England go beyond simply calling for Government support. They are underpinned by the need for society as a whole to be aware of co-operative and mutual housing solutions. With a need for England to become a nation of home builders, the Commission's research suggests that many communities would find co-operative and mutual housing options more attractive than traditional models ... if they know about them, and if they have a clear route map to implement them. With this in mind, the Commission makes recommendations in six broad areas:

1 NATIONAL AND LOCAL GOVERNMENT – THE WILL TO CHANGE

if we want the benefits that come from co-operative and mutual housing, national and local government needs to start to trust ordinary people and communities. National and local political will has to be there to make co-operative and mutual housing options available to people and to take the steps necessary to make that possible. A legal, regulatory and support framework needs to be developed that understands and is sympathetic to democratic user control of housing.

2 THE HOUSING WORLD – PEOPLE AND COMMUNITIES

change has already started in the housing world, but much more needs to change. The housing world needs to embrace the idea that its biggest assets are the people and communities they house. The housing world needs to learn the importance of community from the co-operative and mutual housing sector, and re-align its skills and expertise to help facilitate ordinary people and communities to take control.

3 THE CO-OPERATIVE MOVEMENT - EMBRACING HOUSING

the UK co-operative movement is a powerful part of our national democracy. It has reinvigorated itself over the last ten years. But co-operation starts in the home. Where people live is as much a part of the co-operative movement as where they shop, where they bank and where they work. If the Rochdale Pioneers were alive today, they'd be building housing co-ops! The co-operative movement needs to rise to the challenge, putting its dynamism, imagination and vision behind the co-operative and mutual housing sector.

4 CO-OPERATIVE AND MUTUAL HOUSING – UNITE AND GROW

the co-operative and mutual housing sector needs to recognise its importance, its success, its unique identity and believe in itself. It needs to come together to get its message across and be much more outward facing through comprehensive and professional sector leadership through representative bodies. It needs to build and maintain strong open, transparent and accountable democratic governance and the support structures necessary to make this possible.

5 FINANCING AND ENABLING – SUPPORTING A WINNER

money usually likes to support things that work. If we want co-operative and mutual housing options to be available for people, the resources and frameworks need to be there. But this isn't all about public money. This is about national and local Government coming together with the private financial sector to work out what needs to be realigned and developed to facilitate the expansion of co-operative and mutual housing.

6 DEMOCRACY COMES HOME – A MUTUAL HOUSING VISION

democracy starts in the home. If we want the benefits of co-operative and mutual housing, we need to recognise it as a distinct form of housing with its own identity and vision that captures the individual vigour of home ownership in a community safety net. With national and local promotion, co-operative and mutual housing options could capture the imagination of the British people, could meet people's aspirations and could become a tenure of choice that stimulates active citizenship and community resilience.

The global financial crisis has meant that there is a need for an ongoing debate about financing all forms of affordable housing, including co-operative and mutual housing, in the changed financial world. To avoid lengthening this report with technical detail, we have outlined financial models for co-operative and mutual housing on the Commission's website.

The Commission started with a firm commitment that its conclusions would be evidence based, an independent commission that drew together the mainstream and co-operative housing sectors. The overwhelming weight of the evidence that has been presented to us has led us to the clear conclusion that the UK needs to bring co-operative and mutual housing options into our national housing policies. We need to bring democracy home.





1 Co-operative and Mutual Housing – what’s that all about then?

This introduction sets out:

- why the Commission for Co-operative and Mutual Housing was set up;
- the key questions the Commission set out to address and where in the report we answer them;
- points made by various stakeholders in welcoming the Commission’s work;
- a definition of the words co-operative and mutual;
- a brief note on the Commission’s methodology.

1.1 Strong co-operative and mutual housing sectors exist in various countries across the world. Of the 35,000 member organisations of the European housing body CECODHAS, 30,000 of them are co-operative, particularly drawn from Norway, Sweden, Austria, Germany, Italy and Spain who have extensive co-operative and mutual housing traditions. Despite a strong English co-operative and mutual sector, where “over 4,820 jointly owned democratically controlled businesses, owned by more than 11.3 million people, 1 in 5 of the British population, creating and sustaining more than 205,800 jobs, contributing £28.9 billion in turnover and £9.7 billion in assets to the UK economy”¹, only a small English co-operative and mutual housing sector exists, and there has been limited debate about its relevance outside of the sector.

1.2 The Commission on Co-operative and Mutual Housing², an independent Commission chaired by Adrian Coles, Director General of the Building Societies Association, that brought the “mainstream” and co-operative housing sectors together, was set up in 2008 to examine why this is the case. Against a background of supply, quality, access and choice problems, “Bringing Democracy Home” seeks to address whether and how a more substantial contribution from co-operative and mutual housing could have a beneficial impact in English housing strategy. The Commission sought to build on the work of the Co-operative Commission, which reported in 2000 on the strategy and structure of the British co-operative movement³. With housing policy devolved to the Scottish Parliament and the Welsh and Northern Ireland Assemblies, our remit was limited to the English housing sector. However, we considered elements of Scottish co-operative housing because

their experience has relevance in England, and the conclusions and recommendations in this report will have interest to policy makers and others in the other UK countries.

1.3 **Key questions** - some of the key questions the report seeks to answer can be found in Table 1 on page 10.

1.4 **Interest in the Commission** - generally, the Commission’s work has struck a chord with most stakeholders who have given evidence to the Commission:

■ “This is a significant time to be considering research into this area and demonstrating the benefits of co-operative and mutual housing. Not only could the research support tackling barriers to delivery of co-operative and mutual housing, but the strengths of community empowerment that it brings could influence tenant control and empowerment more widely.”

Sarah Davis Chartered Institute of Housing (CIH)

■ “The Federation believes co-operative and mutual housing organisations have the potential to play an increasingly important part in housing provision, and this can be seen in the growth of the community gateway model. Co-operative and mutual housing organisations clearly complement the wider agenda of providing greater empowerment to local communities in relation to the services they receive. They are well placed to provide excellent housing services to and with their tenants.”

Helen Jeffery National Housing Federation (NHF)

■ “TAROE consider it to be an appropriate and timely stage for the researching of co-operative and mutual housing. The social housing sector is undergoing the most significant restructuring for a generation, and there are opportunities at present for shaping the regulated housing sector to ensure the pre-eminence of ‘tenant primacy’. Whilst co-operative and mutual housing represents only a very small proportion of the sector as a whole, it is however much more significant in what the tenure represents.”

Darren Hartley Tenants and Residents Organisations of England (TAROE)



1 Co-operative and Mutual Housing – what’s that all about then?

■ “TPAS welcomes the establishment of the Commission. We are supportive of all models of co-mutual and co-operative housing that are supported by tenants. TPAS believes that good quality housing which is democratically controlled or subject to effective tenant involvement has the potential to empower people and this in turn can aid the process of community improvement and renewal. TPAS believes that housing co-operatives with their emphasis upon engaging with tenants offer the potential to upskill people and to generate ambition, aspirations and confidence.”

Michelle Reid Tenant Participation Advisory Service (TPAS)

■ “More needs to be known about mutual housing in general as it is an area of social housing that both experts and laymen are quite uninformed about. Tenants need to know all the options available to them. Mutual housing may well be the favoured option for many tenants who require more control and responsibilities over their housing.”

Phil Morgan Tenant Services Authority (TSA)

1.5 **What is co-operative and mutual housing?** The unifying factors behind co-operative and mutual housing are considered in more detail in Chapter 4, but the Commission needed to define the sector it was considering.

1.6 Co-operatives are defined by the International Co-operative Alliance (ICA), 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”. The ICA definition goes on to describe a set of internationally agreed co-operative values and principles⁴. Housing co-operatives are one subset of co-operative forms of housing distinguished by the incorporation of the values and principles in their governance and rules.

“The essential characteristic of a co-operative is that it is a democratic organisation engaged in the market place, providing goods and services. It is nevertheless based on people, not on capital or government direction. In its essence, it can never escape, even if it wanted to, the capacity of members to exercise control whenever they wish to do so.”⁵

1.7 Mutual is defined in various ways in the Oxford English Dictionary⁶ to mean common relationships between two or more parties, and in relation to building societies and insurance companies “owned by its members and dividing its profits between them”. In the housing context, the Commission defines a mutual housing organisation as one which enables residents, through having the right to become members, to control or participate in governance and to exercise control over their housing environment, neighbourhood and community.

Table 1 - Key Questions

Questions	Where they are considered
Could co-operative and mutual housing options add to supply, quality, access and choice in the housing market?	The second chapter examines the current English housing framework and considers questions about the market segments that co-operative and mutual housing might potentially cover. The third chapter explores the needs and aspirations of the housing consumer and seeks to assess co-operative and mutual housing against those needs and aspirations.
What exists in the current English co-operative and mutual housing sector? What makes co-operative and mutual housing distinct from other forms of housing? How well does it perform? What is its potential?	The fourth chapter identifies the existing English co-operative and mutual housing sector and its distinct and unifying factors, leading into the fifth chapter that examines the sector’s performance.
What are the perceptions of co-operative and mutual housing? What is the truth about issues in the sector?	The sixth chapter considers various myths and perceptions about co-operative and mutual housing, identifying where there are issues that need to be dealt with.
What can we learn from the international experience of co-operative and mutual housing?	The seventh chapter compares the English experience to co-operative housing sectors in other countries.
How do we develop the English co-operative and mutual housing sector? What can housing organisations learn from co-operative and mutual housing?	The eighth chapter sets out what needs to happen if the co-operative and mutual housing sector is to be developed in England, including a series of specific recommendations that are summarised in Appendix One.

- 1.8 In adopting this definition, the Commission is not saying that benefits deriving from mutualism are automatically turned on by adopting a mutual constitution. Indeed some housing organisations adopt some of the community characteristics of mutualism without being legally mutual. Nonetheless, a defining characteristic of a mutual housing organisation would be the extent to which active membership is encouraged. The more service users who take up and take advantage of their membership rights, the more mutual the organisation becomes, and potentially the more benefits.
- 1.9 Whilst in the UK the majority of existing co-operative and mutual housing exists in the social rented sector, some are private organisations set up by their members without state aid. In other countries, co-operative and mutual housing organisations house a much wider economic and social strata of residents.
- 1.10 **Methodology** - the Commission has based this report on evidence gathered during the Commission that has included:
- initial independent research about the nature of the English co-operative and mutual housing sector carried out for the Commission by the University of Birmingham's Centre for Urban and Regional Studies⁷.
 - research carried out by the Human City Institute on baseline and mapping information about the sector⁸.
 - a series of hearings with people living in co-operative and mutual housing, and with tenant, housing association, local authority and co-operative movement audiences.
 - various case studies into particular organisations.
 - call for evidence submissions from a number of housing related stakeholders and other organisations⁹.
 - a set of focus groups carried out by M.E.L Research into the housing aspirations of social rented housing tenants and shared homeowners, homeless and recently homeless people, and private renters¹⁰.
 - the report has been assembled by a Commission research sub-group¹¹, and has been edited by Nic Bliss from the Confederation of Co-operative Housing (CCH), who also carried out additional desktop research.
- 1.11 The Commission owes a debt of gratitude to our funders and the large numbers of people and organisations who have participated in our work, particularly including those who have attended our hearings, responded to our call for evidence and acted as our case studies. We could not have assembled our evidence without these contributions and we give heartfelt thanks to all those who have supported our work.

Footnotes

- 1 Co-operatives^{UK} (2009) *Co-operative Review*
- 2 The Commission's key terms of reference and methodology are on the Commission's website
- 3 Co-operative Commission (2001) *The co-operative advantage: Creating a successful family of Co-operative businesses* Co-operatives^{UK}. The Co-operative Commission was an independent commission set up by Tony Blair at the request of leaders of the British co-operative movement. Its aim was to review the strategy and structures of the sector, with an aim to suggesting ways to develop and modernise the movement, and its members comprised "business leaders, politicians, trade unionists and co-operators" under the chairmanship of John Monks, the General Secretary of the TUC.
- 4 The ICA definition of co-operatives and co-operative values and principles are included on the inside back cover of this report
- 5 Dr Ian McPherson (1994) *The Co-operative Identity in the Twenty First Century Review of International Co-operation* 3/94
- 6 Full Oxford English Dictionary definition "1 experienced or done by each of two or more parties towards the other or others. 2 (of two or more parties) having the same specified relationship to each other. 3 held in common by two or more parties. 4 (of a building society or insurance company) owned by its members and dividing its profits between them"
- 7 Rowlands, R (2009) *Forging Mutual Futures – Co-operative and Mutual Housing in Practice – History and Potential* University of Birmingham Centre for Urban and Regional Studies. This research is available on the Commission's website
- 8 Gulliver, K. and Morris, J. (2009) *Exceeding Expectations: The Nature and Extent of Resident and Community Controlled Housing in the UK*, Human City Institute, Birmingham. An extract from this research is shown on the Commission's website
- 9 A listing of the submissions received are shown on page 4
- 10 Hunter, K (2009) *Commission on Co-operative and Mutual Housing focus groups* M.E.L Research. This research is available on the Commission's website
- 11 Membership of the Commission's research sub-group is shown on the Commission's membership list





2 Housing – where do we go now?

This chapter discusses:

- the challenges we face in national housing strategy;
- the changes to housing strategy over the years;
- the issues facing the three predominant tenures – owner occupation, private renting and social renting;
- what co-operative and mutual housing might offer to national housing strategy.

2.1 Housing in England is at a crossroads. Present strategies for delivering housing are not working. Long established difficulties in building enough housing to match demographic change have become more dramatic in the aftermath of the global financial crisis. Households unable to access or afford home ownership may find alternative private renting options unattractive, leading to increasing waiting lists for local authority and housing association homes. Concerns are growing that social rented housing as it currently operates restricts the life chances of the people it houses. Increasing numbers of households in all tenures experience overcrowding, insecurity and a lack of control over their home and their future housing.

2.2 **Changes in housing strategy** - housing in England has undergone a series of transitions over the past century. A hundred years ago, England was a nation

of tenants. Nine out of ten households, from the poorest to the wealthiest, rented their homes from private landlords. During the 20th Century, housing policy was principally concerned with improving housing quality (building new high quality housing, clearing slums, improving defective housing and reducing sharing and overcrowding), and council housing and home ownership became the means of achieving these objectives, both tenures expanding to take the place of private renting.

2.3 But as the worst problems of housing condition and supply had been resolved, home ownership became seen as the tenure of choice, and since the 1960s, all governments have sought to make the tenure available as widely as possible. At the same time, changing aspirations, the introduction of the Right to Buy, and public expenditure restrictions ended the growth of council housing and the number of council homes declined from the 1980s onwards. This led to council housing increasingly becoming a residual tenure with a narrower social base and less community stability on many estates. Although housing associations have grown through new build and transfers of council housing, the social rented sector as a whole continued to decline until 2008. Whilst England retains a large social rented sector by international standards, its overall direction has been towards it becoming a sector of last resort.

Table 2: Dwellings by tenure in England (Thousands)

England	1971	1981	1991	2001	2007
Owner-occupiers	8,334 (51.9%)	10,653 (59.5%)	13,397 (68.1%)	14,838 (70.0%)	15,449 (69.6%)
Privately rented		2,051 (11.5%)	1,767 (9.0%)	2,133 (10.1%)	2,866 (12.9%)
Housing association	Combined 3,201 (19.9%)	410 (2.3%)	608 (3.1%)	1,424 (6.7%)	1,886 (8.5%)
Local authority	4,530 (28.2%)	4,798 (26.8%)	3,899 (19.8%)	2,812 (13.3%)	1,987 (9.0%)
All dwellings	16,065	17,912	19,671	21,207	22,188

Source: DCLG, Housing Statistics



2 Housing – where do we go now?

- 2.4 **Limitations of home ownership based strategies** - whilst home ownership has provided opportunities for many, it has never offered a solution for all households at all stages of their lives. England may now have reached the maximum possible home ownership expansion. Further expansion could only be achieved with significant subsidy, and even then with the risk that those supported will not be able to sustain ownership. The global problems caused by marketing sub-prime mortgages at low income households and those with poor credit ratings are now well known.
- 2.5 The seemingly settled objective of moving more people into home ownership by marketing mortgage packages further down the income distribution is now less tenable. Firstly, affordability problems have become a constant characteristic of a housing market dominated by home ownership. Secondly, banks and building societies have now returned to rationed lending based on stringent credit checks, conservative valuations and substantial deposit requirements. And thirdly, whilst current historically low interest rates are reducing mortgage costs for some existing home owners, interest rate rises, predicted by some¹², could have severe financial consequences for home owners.
- 2.6 Some green shoots of recovery may have been detected in the housing market, but, whilst problems of access and affordability may moderate in the future, they are unlikely to go away. Insufficient new building, falling far short of the Barker Review aspirations¹³ and unequal incomes, look set to continue inflating some parts of the market, whilst lack of access to credit, falling house prices and negative equity will continue to cause multiple problems. Abigail Davies of the CIH¹⁴ said “a constant feature is a strong but misguided hope that the market will soon get back to familiar ground with strong price rises and huge profits to be made. The performance of the market to date is not good – it does not deliver affordability, sufficient supply, or household mobility, either in good times or bad.”
- 2.7 **Private renting alternatives** - against this background, the fastest growing tenure in the future is widely expected to be private renting - a sector that grew in 2007 at the expense of home ownership, which suffered its first decline in market share in over 50 years. Private renting is the easiest sector to access and is a suitable tenure for some households. But it is more prone to sub-standard housing (40.6% non decent homes in the private rented sector, as opposed to 29.2% in social rented housing and 24.9% in the owner occupied sector¹⁵) and to insecure tenure arrangements, an advantage for young, affluent or mobile groups, but potentially a problem for households seeking long term stable housing.
- 2.8 Rugg and Rhodes identify that private renting serves as “a first port of call for new households, a bolt hole when circumstances change, a stopping off point when people change jobs and move house”, as well as being a long term home for some households (21% of private renters having lived in their current home for more than five years)¹⁶. They go on to identify a number of sub-categories of private renters, ranging from groups positively choosing private renting for various reasons (such as young professionals, students and high income renters) to those with no alternatives (such as the housing benefit market, slum rentals, immigrants and asylum seekers, and temporary accommodation). They conclude that “the perceived problems with property quality, security of tenure and affordability all play a part in persuading tenants that the private rented sector provides, at best, an insecure home.”
- 2.9 **Social rented housing** - the squeeze on home ownership and the inability of the private rented sector to meet the needs and aspirations of all household types have resulted in a social housing crunch. Social renting waiting lists that stood at around 1 million in the 1990s have risen steadily since 2003. In 2008, 1.7 million households were registered on waiting lists - 1 in 12 of all households - and this figure is likely to rise in the future. The supply of new social rented housing was not matching this demand before the credit crunch.
- 2.10 With the proportion of social tenants in the poorest 30% of all households rising from under 30% in 1963 to 67% in 2008¹⁷ and with many of its more popular homes sold under the Right to Buy, social rented housing has increasingly been seen as a less attractive safety net for the most vulnerable. Calls for social rented housing to grant less secure forms of tenancy to encourage greater mobility could, if enacted, further marginalise the sector and its tenants.
- 2.11 Following a number of enquiries and reports into housing supply and planning and the social rented sector and its regulation¹⁸, Government’s response was to initiate the most significant reorganisation of housing regulation and investment for decades in the establishment of the Tenant Services Authority and the Homes and Communities Agency. As well as creating the platform from which to launch a major increase in housing supply, it signalled a greater commitment to improving the quality of housing and services for tenants and increasing accountability.

2.12 However, even while the details of these new arrangements were being finalised, the credit crunch was unfolding. The dramatic falls in private sector housebuilding, the shortage of credit and the inability of housing associations to continue cross subsidising social rented housing through homes for sale or mixed tenure now make it even harder for the supply of new homes to match demand. Population predictions¹⁹ (an increase of 4.4 million by 2016, and if past trends continue, up to a total population of 71 million by 2031), changing household demographics, longer life expectancy, changing needs and cultural and religious expectations, all suggest a potentially deepening long term problem of housing supply.

2.13 **What could Co-operative and Mutual Housing offer?** The three dominant tenures all play important roles, but with home ownership unlikely to expand, and with the rented sectors not able to meet all needs and aspirations, this report argues that co-operative and mutual housing, largely overlooked by

public housing policy debates for many years, has a potential for growth and innovation to respond to needs emerging from current challenges. On the one hand, the evidence we have gathered shows that co-operative and mutual housing is a successful and attractive model of social renting that can deliver what people want. On the other hand, co-operative and mutual forms of home ownership could provide collective protection for an intermediate market²⁰ from individual risk and market fluctuations whilst capturing investment gains collectively. The next chapter suggests that co-operative and mutual housing could meet some of the needs and aspirations of people unable to access other tenure forms. At a time when extreme housing market vagaries have left many housing consumers insecure and unsure about the future, co-operative and mutual housing might be an attractive alternative option, not just to state provision of housing, but also to market provision.



2.14 Indeed, the fifth chapter of this report points to a range of other performance, social, community and environmental benefits of co-operative and mutual housing that suggests that there are a number of positive reasons to support the sector. Where properly fostered and nurtured, co-operative and mutual housing can:

- deliver high resident and member satisfaction with services alongside vibrant community identity;
- stimulate individual and community resilience through active and democratic citizenship;
- provide a place-making cornerstone, making places work better for people who live in them;
- contribute to addressing social disadvantage and worklessness;
- can enable collective influence over what happens beyond the immediate boundary of an individual property, whilst at the same time supporting the individual household interest in housing;
- be a tenure of status, meeting the needs and aspirations of people who want their individuality guaranteed through community based solutions.

Key conclusions

- 1 A housing policy simply based on mass home ownership and a residual social rented housing safety net was too limited and inflexible even before the credit crunch, and is now even more so.
- 2 Whilst private renting is an attractive option for some in the intermediate market, it will not be able satisfactorily to house increasing numbers of households who will not be able to enter home ownership or social renting.
- 3 Co-operative and mutual housing is not a universal panacea to all problems, but it can provide solutions for some people for whom current arrangements do not work, for some particular groups of people, and for others who want to consider alternatives.
- 4 Co-operative and mutual housing particularly might be able to make a contribution in the context of renewed interest in alternatives to the state and the market and a stronger emphasis on responding to consumers and communities.
- 5 In particular, there is a need for innovative new forms of housing to meet the aspirations of those in need of an affordable home, who, before the global financial crisis, aspired to and would have been able, albeit at a high price, to access home ownership.



Footnotes

- 12 Nationwide Building Society's Chief Economist's Martin Gahbauer, speaking at the 2009 Chartered Institute of Housing conference, predicted rises in mortgage interest rates, leading to high levels of repossession
- 13 Barker, K (2004) *Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs' Final Report – Recommendations*. London: HMSO
- 14 Writing in the Guardian on 18th June 2009
- 15 DCLG, English House Condition Survey
- 16 Rugg, J and Rhodes, D (2008) *The private rented sector: its contribution and potential* University of York Centre for Housing Policy
- 17 Craven, E (1975) 'Housing' in Klein R (ed.), *Inflation and Priorities*, Centre for Studies in Social Policy, London, pp. 105-130
- 18 Barker, K (2003) *Review of Housing Supply: interim report*. London: HMSO; Barker, K (2004) *Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs' Final Report – Recommendations*. London: HMSO; Barker, K (2006) *Barker Review of Land Use Planning: Final Report*. London: HMSO; Hills, J. (2007) *Ends and Means: The Future Roles of Social Housing in England* (London: Centre for Analysis of Social Exclusion, London School of Economics and Political Science); Cave, M. (2007) *Every Tenant Matters: A Review of Social Housing Regulation* (Wetherby: Communities and Local Government); DCLG, (2007) *Homes for the Future: More Affordable, More Sustainable* HMSO Cm 7191
- 19 Office of National Statistics
- 20 Wilcox, S (2005) *"Affordability and the intermediate housing market"* University of York - Centre for Housing Policy defines the intermediate market as "the proportion of working households in each area who cannot afford to buy at the lower quarter point of house prices for two- and three-bedroom homes. This includes three sub-sectors: working households unable to afford social housing rent without housing benefit; households in the narrowly defined intermediate housing market [see below]; and households able to afford to buy the lowest decile point of house prices, but not at the lowest quarter point". Wilcox defines "the narrowly defined intermediate housing market" as "the proportion of working households in each area who can afford social housing rent without housing benefit but cannot afford to buy at the lowest decile point of house prices for two- and three-bedroom dwellings"



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3 What do people out there want?

This chapter considers:

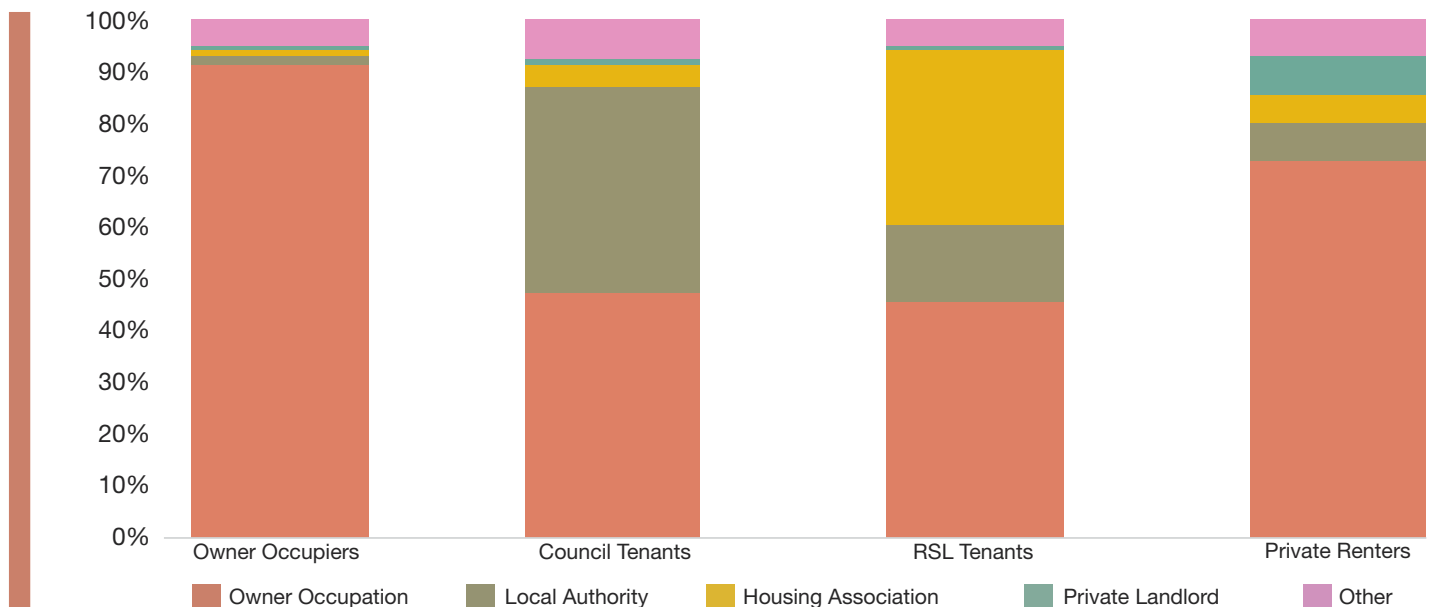
- what people are looking for from their housing choices;
- the key criteria that makes home ownership the aspiration of choice;
- how co-operative and mutual housing measures up to those aspirations;
- positive aspirations for co-operative and mutual housing;
- a growing cultural change that makes co-operative and mutual housing more relevant at this time;
- the balance between community and consumer based approaches.

- 3.1 During this chapter we particularly draw from findings from the Commission’s focus groups carried out by MEL Research²¹ with social rented housing tenants and shared homeowners, homeless and recently homeless people, and private renters.
- 3.2 **Housing and home ownership aspirations** - the majority of the UK population aspires to individual home ownership. This aspiration was clearly confirmed in the Commission’s focus groups and articulated by Shadow Communities Minister Caroline Spelman²² - “my dad passed on the received wisdom that the best investment you can make is bricks and mortar. And he was right. If you look at where young people can best make their

investment that over their lifetime will yield the best return, it is in buying their own home, without a question”. In 2007, the Council for Mortgage Lenders²³ reported that “following a protracted dip that started after the early 1990s recession, some 84% of adults hope to be homeowners in ten years’ time.” They particularly pointed to a growth in the numbers of under 25 year olds aspiring to home ownership from 40% to 50%.

- 3.3 However home ownership aspirations are not entirely clear cut. In 2007, the Hills Review²⁴ reported that whilst 90% of home owners and 72% of private renters wanted to own their own home, a significant 43% of local authority tenants and 47% of housing association tenants wanted to be tenants of social landlords. More recently, the TSA’s 2008 Existing Tenants Survey²⁵ found that “most social renters (72%) stated a preference for remaining in the sector over the next ten years. Only 16% would, if possible, switch to the private sector.” Based on points raised at the Commission’s focus groups, Hunter²⁶ suggested that that tenure choice “really depends on the individual, where they have come from and the experiences they have had in housing so far”. She goes on to say that lifestyle and location are important, but that “the main driver which directed participants’ choice of tenure was cost or affordability. Whilst many aspired to become homeowners one day, the financial cost of doing so acted as a barrier.”

Table 3: CML figures for home ownership aspirations 2007





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“You’ve asked us for the ideal, and most people would say homeownership, but the reality of it is that not everyone will end up owning their own home.”²⁷

- 3.4 Even in 2007, the Council for Mortgage Lenders²⁸ identified that “there may now be significant groups of households, including many young, single people, those on lower incomes and those without generous parental support, that face difficulty in achieving or to all intents and purposes are excluded from home ownership.” A Notting Hill Housing Trust report²⁹ at the same time showed that whilst 63% of social renters want to own a property, they “have a number of concerns about the reality of being able to achieve this goal.” The report continues that “nearly three quarters (73%) worry about taking on too much debt and 58% of social tenants believe home ownership to be too much of a responsibility.”
- 3.5 Post credit crisis affordability pressures have changed perceptions further. In 2008, the three national tenant organisations³⁰ analysed housing aspirations, concluding that not all were best met through owner occupation. Subsequently, a YouGov survey commissioned by the CIH³¹ identified that, whilst 70% of respondents still considered home ownership a good long term investment, the “biggest change in attitudes has come in the 25 to 34 age range, with a 14% reduction from 83% saying to own their own home was their ideal living situation before the credit crunch, compared to 69% saying it is currently their ideal living situation.” The report goes on to say that only just over a third of those aged between 18 and 24 consider home ownership as their ideal living situation. The CIH comment that “we’ve driven too many people into unsustainable owner occupation and we need to make a far better job of putting renting and owning on a level playing field. A generation has grown up believing it has to own at any cost – in part because we haven’t provided them with decent information about the alternatives.”
- 3.6 Nonetheless, in the CIH study, 22 year old Ruhul Alam said “ownership is an aspiration to most young people. Ownership gives you security, you can’t be evicted. It gives you freedom and it is a status thing” and a recent study commissioned by Scottish Provident in 2009 reported that 89% of home owners surveyed believe that owning their own home is important for a “reasonable standard of living.”³² As well as the fundamental issue of having a decent quality home, these points identify some of the key perceptions that sit behind housing aspirations - security, freedom, status and standard of living. We go on to discuss these aspirations, suggesting that whilst it is often perceived that home ownership will meet them most successfully, the reality is that this may not always be the case.
- 3.7 **A decent quality home** - the most fundamental housing aspiration is access to a decent quality home with sufficient space and facilities. Hunter³³ pointed out that the Commission’s “recently homeless” focus group “focused on having somewhere nice to stay, typically with a garden and their own space.” Generally the key criteria in relation to access is the resources a household has available and in a market where demand outstrips supply, choice will be limited for some. The social rented sector seeks to allocate its homes in accordance with need, but limited supply means that not all needs can be met. Whilst “choice based lettings” were introduced to enable an element of choice in social lettings, the lack of supply has often made this choice illusory.
- 3.8 **Security** - once in a home, security is a key component in most people’s housing aspirations – knowledge that nothing will threaten continuing occupation of a home. Some attendees at the Commission’s focus groups particularly referred to the security inherent to home ownership, and many home owners feel a strong sense of security in their home. However, security in home ownership can be limited for those affected by negative equity or reducing income, perhaps due to retirement, relationship breakdown or other reasons.
- 3.9 Social rented housing currently offers a strong level of security to remain in the home. That social rented tenants can remain in their homes provided they pay the rent and comply with other tenancy agreement terms provides some of the most vulnerable people in society with a security that they may not be aware of, particularly important at times of difficult economic circumstances. As some commentators have proposed less secure social rented tenancies, tenants have expressed concern. The tenant representative body TAROE³⁴ has said they “will vehemently oppose any proposals to dilute tenancy rights, either for existing or future tenants within the regulated housing sector. One of the key strengths of the current regulated housing sector is the security and stability it offers tenants.”
- 3.10 As well as this level of security, the relationship between social rented tenants and the landlord are governed by a system of safeguards and protections, which form a fundamental part of the equitable and fair treatment that tenants expect. Protections include rent levels, health and safety protection, freedom from discrimination, and access to a housing ombudsman amongst other things.

- 3.11 **Freedom** - the concept of freedom in relation to housing may refer to a range of criteria, including the ability to move to any location in the country; to make decisions and effect change in one's living space and neighbourhood; and to have a general perception of independence.
- 3.12 Mobility is a problem for all forms of housing, primarily due to scarce resources in all sectors. The private renters focus group considered that privately rented housing offers the greatest degree of flexibility and mobility. Mobility is dependent on resources available, but negative equity and high house prices can make it difficult to move in the home ownership sector. In the social rented sector, opportunities to move can be very limited, leading to the Conservative Party proposing a Right to Move for longer term social rented tenants.
- 3.13 Given that, subject to resources, planning permission and some other constraints, home owners can usually do whatever they want in their home and garden, home owners are usually perceived to have the greatest freedom to make decisions and effect change in their living space.
- 3.14 In the social rented housing sector, the potential exists that its tenants can be collectively involved in decisions about their homes and neighbourhoods, dependent on their landlord. The TSA³⁵ refers to a "strength of feeling" expressed by tenants in their National Conversation about being "involved in decisions about their homes", but they went on to note that a disproportionately high number of actively involved tenants in housing associations and local authorities are less satisfied because they do not see the difference their involvement is making.
- 3.15 On an individual basis, social rented housing does offer some means by which tenants can improve their homes, gardens and neighbourhoods (not least a legal Right to Improve their homes subject to landlord agreement) and many tenants do make considerable improvements and take pride in them.
- 3.16 **Status** – defining status attached to housing is difficult because it is dependent on trends that are difficult to capture. Described in 2007 by Kate Davies³⁶ as a "renting rut", some consider that social renting in particular has a negative status. That home ownership is often considered to be the only tenure of status may be partially due to it being "talked up" by Government and others. A recent CLG select committee report³⁷ concludes that "for thirty years Government policy has been focussed on promoting home ownership. Current economic circumstances, however, demonstrate that there is no immutable law that owner occupation should increase. The tenure is not appropriate for a significant proportion of the population who need homes, and much more attention needs to be paid to developing the roles of both the private and social rented sectors."
- 3.17 **Standard of living** - owning a home does not per se lead to a higher standard of living. Some people who buy homes may have higher incomes, but more home owners live in properties in Council Tax Band A than local authority tenants³⁸. The housing asset gives the potential for higher standards of living, and as home owners pay off mortgages, disposable income may be comparatively higher than those who still pay rent for their homes. However housing assets can soon dwindle as elderly people need sheltered and supported housing and have to pay for it.
- 3.18 It is questionable whether standards of living are higher for those still paying off mortgages. Whilst the Commission's private renters focus groups identified the common perception of rent as "dead money", Sunday Times columnist Merryn Somerset Webb³⁹ points out that the difference between average rent and mortgage payments could create a more substantial asset than a bought home. As well as this, home owner standards of living may be negatively affected by their liability for repairs and maintenance of their home, with 84% of social rented housing tenants recognising the value of not having that liability⁴⁰.
- 3.19 What this brief analysis suggests is that the perceptions and realities of the different tenures can be different. Home ownership is often perceived to be a better tenure, and for most people who buy their home, their aspirations are met through their home ownership. But for some this is not the case, and other tenures have positive features.
- 3.20 As well as this, other factors than tenure influence people's quality of life, such as the type, size and value of properties (irrespective of tenure), access to green spaces, schools and other facilities, and the characteristics and reputation of neighbourhoods. The blurring of tenures, with many neighbourhoods now containing a tenure mix, even those that used to be considered to be "council estates", means that a household's tenure arrangements are not the only factor that determines whether their aspirations for security, freedom, status and standard of living are met.
- 3.21 **How does co-operative and mutual housing measure up?** Co-operative and mutual housing does have the potential to meet some of the aspirations identified above, particularly where households cannot afford to buy their own home.

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- 3.22 Currently, access, choice of home, and mobility are difficult in co-operative and mutual housing because of lack of supply, but the problems are broadly similar to equivalent tenures. For example, in a social rented housing co-op, access is restricted to those in the most housing need, and in a co-housing scheme, access is limited by resources available. Whilst many co-operative housing organisations also have access criteria relating to accepting participation responsibilities, co-ops have suggested to us that their allocations processes often lead to more genuinely homeless people being housed than through local authority nominations processes, described by the Commission's "recently homeless" focus group as being like a "gameshow or a lottery".
- 3.23 On the face of it, housing co-op tenancies offer less security of tenure than the assured and secure tenancy regimes for housing association and local authority tenants. This is because under the distinct fully mutual legal identity of most co-ops, they issue "contractual tenancies", where tenancy conditions are based solely on what is included in the tenancy agreement (as opposed to statutorily based assured and secure tenancies). However, housing co-ops registered with the TSA are required to grant similar rights in their tenancy agreements, and in general the legal membership rights and democratic control in co-operative and mutual housing provide a

community based approach to security and fairness. The CCH commented that "most housing co-ops are run by people who aim to ensure that their members receive the same levels of fairness they would expect to receive themselves. Co-ops usually have to operate on the basis that they will have to account to packed general meetings if anyone proposes anything that is unfair."

- 3.24 Commission case study Sanford Housing Co-operative illustrates that some co-op members consider security and fairness should go hand in hand with an individual responsibility to co-exist in a community with other co-op members. Not registered with the TSA, and therefore able to confer rights they wish to in their tenancy agreements, provided they comply with landlord/tenant and other legislation, Sanford provides high density shared housing in the New Cross area of London. Jim Noble from the co-op told the Commission about some evictions that had taken place because of people not being able to co-exist in particular shared houses – "if we want to evict someone, we have to show the court that it complies with our constitution and rules, and the judge has to grant us possession. We go through fair processes before we evict, including the matter being discussed at a co-op general meeting. But some of the cases we have dealt with have been about alleged heroin dealing, physical and mental aggression and sexual



Commission case study – set up in the 1970s to provide low cost accommodation for single people, **Sanford Housing Co-operative** provides 134 rooms in 14 shared houses with 6 studio flats. It is governed through a management committee made up of representatives from each of its houses, which holds monthly open meetings, and buys support services from CDS Co-operatives through a dedicated officer who works specifically for the co-op. The co-op operates a long list of 42 officer roles that cover everything from the standard chair role to gardens and ponds officers.

- harassment, things that can't be tolerated in shared housing. In effect, if we as a community did not take action, we would by implication be evicting the other tenants who would be forced to leave. Our community has our own rules and we apply them fairly."
- 3.25 Legal membership rights and democratic control also means that co-operative and mutual housing constitutionally enshrines the means to make community decisions about homes and neighbourhoods. Mick Davies from New Longsight Housing Co-op suggested that "co-operative housing can give people a similar feeling of control of their housing as does home ownership."
- 3.26 For some, co-operative and mutual housing in England has a status of its own. Having experienced co-op membership, people often don't want to live in another tenure, and the CCH mentioned that some housing co-op members feel that they can't move because they don't want to lose the benefits they gain through living in a co-op. Samantha Dyer from Argyle Street Housing Co-op in Cambridge⁴¹ commented that "I wouldn't want to live in any other type of housing other than co-op housing. I have lived here for 20 years and have found it an empowering environment in which to spend my life. I moved in as a young 20-year-old and have grown up to be a parent. We stay here because we love living here and can't think of a better environment in which to bring up our child."
- 3.27 Until recently, it has not been possible in the UK for individuals to develop personal assets through co-operative and mutual housing, but the development of mutual home ownership by CDS Co-operatives⁴² offers the potential to change that. As a new model, mutual home ownership enables households on modest incomes who cannot afford to buy a home to build an equity stake in their housing through owning equity shares in a mutual.
- 3.28 **Positive aspirations for co-operative and mutual housing** - some people positively aspire to co-operative and mutual housing because of lifestyles associated with it. The UK Co-housing Network's website⁴³ describes co-housing as bringing "individuals and families together in groups to share common aims and activities" and as "a means of compensating for the alienating effects of modern life where neighbours don't recognise each other and where day-to-day collaboration is minimal."
- 3.29 These values, generally common to all forms of co-operative and mutual housing, were recognised in a Communities and Local Government report as of particular relevance to elderly people⁴⁴ - "there is growing interest among older people in co-housing communities, where they can control their own self-contained accommodation and live as a mutually supportive group with some common space". The report continues that "It is hoped that these forms of housing will help meet the needs of a growing, single, older population looking for congenial company and support as they grow older."
- 3.30 Housing for elderly people and multi-generational housing was identified by some in response to the Commission's call for evidence, as being a particular area of importance for co-operative and mutual housing. The CIH, in its submission to the Commission, suggested that "demographic changes and the 'ageing society' in particular could trigger demand for new or alternative forms of living which the co-operative model might provide. Models such as 'generational living' along mutual/co-operative principles, whereby younger households lend support to older households have sprung up in Germany for instance. Whilst such models are still in an embryonic state and not very widespread, increasingly tight welfare budgets and further individualisation of society means that such forms of housing could become more than just a niche provision."
- 3.31 Thomas⁴⁵ argues for mutual retirement housing for elderly people through community land trusts. He points out that, in the context of Britain's ageing society, "Mutual Retirement Housing removes worries and provides residents with a better quality of life. It ensures that everyone would have an equal say in how the place is managed. But equally everyone would have their own front door key and be able to enjoy their own company when they want to. Experience in existing co-operative housing schemes with elderly residents has shown that residents tend to look out for each other and provide companionship for those who feel in need of it". Thomas argues that mutual retirement housing would maintain the independence of elderly people through mutual self-help and market drivers, as opposed to through the welfare state, important in the context of a society where meeting the increasing care and support needs of elderly people is set to become a major social and economic challenge. Brenton⁴⁶, referring to examples in other countries, suggests that it is in the wider economic interests of society that mutual housing choices for older people be explored and developed.
- 3.32 Whilst existing housing co-ops statistically make only 8% of their lettings to elderly person households, some co-ops have been particularly targeted at elderly people and evidence given at Commission hearings suggest they meet the needs of elderly people well. Brian O'Hare of Huyton Community for the Elderly told the Commission that his co-op had

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recently lost its last original member. “He had been active into his 90s carrying out day to day activities for the co-op as a member of the management committee. Involvement in the co-op gives elderly people an ongoing challenge in their lives and helps to prolong their independent living.” Phil Welsh MBE highlighted how West Whitlawburn Housing Co-op had used their local community knowledge to ensure an effective concierge safety net service for their elderly members.

- 3.33 Co-operative and mutual housing solutions have also been set up with an identity relating to the needs and aspirations of particular groups of people, such as women, black and minority ethnic people, and people who wish to adopt a particular “lifestyle”. Private sector co-ops, such as Sanford Housing Co-op and Cog Housing Co-op, who gave evidence to the Commission’s Bristol hearing, pointed to groups of young people who positively want to live in shared housing, often with shared ethical views and common practices. Sanford Housing Co-op considered that it would not be possible for their shared housing to be run in any other way than through a housing co-op.
- 3.34 Commission case studies Shahjalal Housing Co-op and Belgrave Neighbourhood Co-operative Housing Association were set up to provide homes in the ethnically diverse areas of Aston in Birmingham, and Belgrave in Leicester respectively.

- 3.35 **A changing culture?** - Whilst co-operative and mutual housing potentially measures up well against the aspirations set out above, it may be an option of choice for some because it offers some of the best opportunities to establish a shared sense of belonging and identity in communities, the central importance of human relationships being a key defining feature of the sector. Sarah Blandy from the University of Leeds said that “there is a small but significant demand from people who are searching for community rather than individual control of housing, and for the benefits which that brings. It is a particularly attractive setting in which to bring up children, or to live in old age, because of the mutual support.”
- 3.36 Hunter⁴⁷ reported that all of the Commission’s focus group participants “were positive about the idea of co-op housing, with the main selling point being the community side of things”. She goes on to say that “the real plus side for the [private renters] group was the community aspect – sharing responsibility and decision-making, being part of a wider community, and the potential to have fun.” The private renters focus group illustrated their interest in co-operative and mutual housing with a number of detailed questions, such as how to access it, how equity in mutual home ownership would work and how co-operative and mutual housing ensures that individuals don’t dominate.



Commission case study – taking its name for spiritual leader Shah Jalal, who spread Islam through the Sylhet region of Bangladesh, **Shahjalal Housing Co-operative** was formed in 1996 from three co-ops set up in the 1970s to meet the housing needs of families faced with severe overcrowding in the Aston and Saltley areas of Birmingham. Now managing 85 homes and with assets of £3.7m, the co-op is governed by a management committee made up ten annually elected and five co-opted members, and buys support services from local agency BCHS.

- 3.37 Co-operative and mutual housing is particularly relevant within a wider changing cultural shift from individualism to collective, communitarian, ethical and environmental approaches - approaches which emphasise place making, a sense of belonging and a sharing of risk. It may be that co-operative and mutual housing sits alongside trends such as car sharing, recycling, use of low energy appliances and local produce and positive responses to the Co-operative Bank's and Co-operative Group's ethical policies - all suggesting an emerging generation of people who want a lifestyle not built entirely on the individual and consumption but one that seeks to build a new contract with how and where we live. Thake⁴⁸ notes the emergence of "new forms of individual action" emerging as "a myriad of ordinary people every day in places where they do have control - behind front doors, on their streets and in their neighbourhoods". He argues that "the retreat into protective individualism" can be seen as a response to the failure of agency and a loss of solidarity. Thake concludes that we need to "develop a shared narrative for personal and group behaviour relevant for the twenty-first century" and that "the role of government is to create the environment which enables communities to mobilise their latent energies to take control of their lives."
- 3.38 Bauman⁴⁹ goes further arguing that an "absence and withdrawal of society" have led to "the liquid-

modern, individualised society of consumers". He continues that "the marketplace, which long ago expanded to include the relations of production, has now expanded to include all relationships. We've stopped recognising ourselves in any obligation to live for the sake of something else than ourselves." Bauman considers that this has led to "cognitive dissonance - people want what they will not get despite being told that this is a meritocracy leading to anger and resentment." He concludes that as humans, we need both recognition and to be included.

- 3.39 There is evidence that these theoretical conclusions are supported by the realities of what people want. Scase/Scales⁵⁰ identified that living in a friendly community was the most important priority for survey respondents asked about what they want from their neighbourhood. They went on to suggest that a friendly quiet community with low crime may even compensate for poor levels of services and amenities. Similarly, a CLG survey⁵¹ in 2006/7 concluded that "individuals value good community relations", with 69% of those surveyed stating that having good neighbours is very important to quality of life. Hunter⁵² identifies that "for some [of the attendees at the Commission's private renters focus group], it was the sense of community which attracted them, and kept them, in the area."



Commission case study - with 353 homes, including one sheltered scheme for the elderly, housing more than 460 members, **Belgrave Neighbourhood Co-operative Housing Association** is the largest housing co-op in England. It was set up in the 1970s in the Belgrave area of Leicester, and buys services from LHA/ASRA. Run by a management committee of 13 tenants and 2 co-optees, in 2009 the co-op attracted 350 of its members to an annually held multicultural event.



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- 3.40 In 2009, the Young Foundation⁵³ reiterated the importance of increased contact between neighbours, leading to improvements in local decision making and the impact that this can have on neighbourhood well being. The Young Foundation highlight that “regular contact between neighbours is an important element, feeling as though you belong to a neighbourhood”, and cite increased geographical mobility and the demise of civic institutions as causes for declining contact between neighbours. They continue that “there are many ways to increase the sense of worth that people have in their neighbourhoods; valuing their contributions and people feeling that they have some say and stake in the place they live are also important factors in creating the conditions for that sense of worth.”
- 3.41 The appointment of a Communities Minister in 2004 reflected a growing interest in communities and neighbourhoods. Speaking in 2005, David Miliband, the first Communities Minister, highlighted that “at the heart of this renewal is the commitment to civic action that creates value for society - civic action that is done in the main at local rather than national level - civic action that is rooted in civic pride”. The Communities Ministry has led to an agenda for “localism”, seen by some as an antidote to the facelessness, impersonality and cost of central control and big government, although it is unlikely that most activities that have stemmed from this agenda, primarily operating at a local authority level, will engage at a level “local” enough for ordinary people and communities to engage with.
- 3.42 **Communities and consumerism** - this growing community agenda – Thake’s shared narrative and Bauman’s recognition and inclusivity - sits uncomfortably with the individualist consumer agenda. This is particularly illustrated in the social housing sector, where a lack of experience of community amongst most tenants, and varying levels of ability amongst traditional sector providers to understand, engage or in some cases to even see the importance of community relationships, has led many to espouse that tenants’ single aspiration is to receive good quality service, and that the way to meet that aspiration is to treat tenants solely as “customers”. For example, in 2004, the Housing Corporation argued for⁵⁴ greater use of “marketing tools, customer intimacy and market segmentation”.
- 3.43 This is an over simplification of the relationship between tenant and landlord. Firstly, it over simplifies a wide range of tenant needs and aspirations, such as providing life and employment opportunities, tackling anti-social behaviour, providing environmental improvements or developing community. These issues cannot be mapped using market techniques, particularly given that it is rarely easy for social housing consumers to behave like customers and take their custom elsewhere.
- 3.44 Secondly, the TSA⁵⁵ identification that tenants want the “softer, human elements of service” and a “cheerful, helpful, caring, understanding attitude” echoes a previous identification by the National Consumer Council⁵⁶, discussing all public services, that “people spoke about empathy, compassion, warmth, the human touch, respect – taking the time to listen and respond to individual circumstances, and focusing help on people who need it most.” Tenants often suffer isolation, and their links with their housing service can be one of their only external links. The relationship between tenant and landlord often performs an important social function, and in some cases, it is a vital lifeline.
- 3.45 Thirdly, an approach that seeks to match the product to the customer is premised on a pre-determined product, with an assumption made that the infrastructure is right and that it is only the product that needs to be adjusted to meet customer expectations. An approach based solely on people as “consumers” means that people are not encouraged to have higher expectations than the product currently on offer, particularly in the social rented sector where people have low expectations, and where their ask will usually be at best a slightly better version of what is already on offer.
- 3.46 The Tenant Involvement Commission⁵⁷, considering the relationship between tenants of housing associations and their landlords, concluded that much of the sector has a “paternalistic get what you are given culture” and argued that tenants want a “new relationship” based on a synthesis of community and consumer approaches. They said that tenants “want good quality services, but the relationship they want with housing associations goes beyond normal customer service as it opens up an element of partnership. There is a need to renew and refresh the relationship between landlord and tenant, based on customer service, mutuality and business success.”

Key conclusions

- 1 People’s primary housing aspiration is to live in a decent quality home that meets their needs. Once in a home, they refer to issues such as security, freedom, status and the role of the home in their standard of living and quality of life.
- 2 Most people identify individual home ownership as being the tenure that is most likely to meet their needs and aspirations and for many

households the experience of home ownership will match their expectations. However the variability of the sector and issues of access and affordability, particularly for newly forming households, mean that the tenure does not deliver the same benefits to everyone.

- 4 Co-operative and mutual housing is able meet at least some of the needs and aspirations of people with regards the areas we have identified as being what people want from their housing, such as security, status and standard of living.
- 5 Freedom in relation to housing tenure is a complex mesh of perceptions, choice and other criteria. More freedom and independence is available to those with greater resources, but for those on middle to low incomes, freedoms can be limited. Co-operative and mutual housing models may offer significant levels of freedom for those who cannot afford to buy a home.
- 6 Co-operative and mutual housing is an option of choice for some people because of its shared sense of belonging, identity in communities and

mutual support structures. With publicity, co-operative and mutual housing models have the potential to become the option of choice for a wider body of people.

- 7 Co-operative and mutual housing may have a particular role to play in meeting the need for a new intermediate market for home ownership, particularly providing homes for young people and newly forming households not able to access traditional home ownership. It could also play a role in providing mutual supportive housing for elderly people, black and minority ethnic people and other particular groups.
- 8 There may also an opportunity for the co-operative and mutual housing sector to re-frame the relationship between individuals as consumers and as members of society in ways that both respect people's desire to make choices about the kind of services they require and their need to engage with and shape services and communities on a human level that goes beyond a simple commercial interaction.

Footnotes

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- 22 Quoted in Inside Housing 17 July 2009
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- 31 YouGov (2009) – a Chartered Institute of Housing survey of 2,028 UK adults, with particular interviews carried out with members of the Youth Empowerment Board of east London housing association Poplar HARCA
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- 40 Tenant Services Authority (2009) *Existing Tenants Survey 2008 Tenant Perspectives on social landlord services*
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- 45 Thomas, G (2009) *Keeping control of our lives: mutual retirement housing for older people*
- 46 Brenton, M (1998) *Co-housing communities for older people in the Netherlands* Bristol Policy Press and Brenton, M (2005) *Co-housing for older people: housing innovation in the Netherlands and Denmark* Australian Journal of Ageing
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- 49 Bauman, Z (2000) *Liquid modernity*
- 50 Scase, R and Scales, J (2003) *Regional futures and neighbourhood realities* National Housing Federation. The research quoted from the ESRC British Household Panel Survey based on interviews with c.12,000 families. 56% of survey respondents listed "friendly community" as the most important neighbourhood priority, followed by a quiet area (42%), low crime (38%), access to town and shops (37%), access to countryside/open spaces (29%) and transport (28%)
- 51 Communities and local Government Best Value Performance Indicators (2006/7)
- 52 Hunter, K (2009) *Commission on Co-operative and Mutual Housing focus groups* M.E.L Research
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- 54 Housing Corporation (2004) Sector Study 35a
- 55 Tenant Services Authority (2009) *Building a Regulatory Framework*
- 56 National Consumer Council (2005) *Playlist for Public Services*
- 57 Tenant Involvement Commission (2006) *What Tenants Want* National Housing Federation - based on the views of a cross section of tenants assembled at a deliberative forum held in Leeds in 2005





4 Co-operatives and mutuals? What's different about them?

This chapter identifies:

- different types of co-operative and mutual housing;
- statistical information about the sector – its size, who it houses, where it is;
- common characteristics and what unites the sector.

- 4.1 Co-operative and mutual housing organisations exist or have existed in a number of different forms. As well as identifying co-partnership housing in the early 20th Century and its links with the Garden City Movement, Rowlands⁵⁸ refers to two subsequent co-operative and mutual housing development phases – co-ownership followed by “common ownership and tenant management”.
- 4.2 Co-ownership housing was promoted by Government through the Housing Corporation in the 1960s and 1970s. It was intended to be a form of co-operative housing for those who would not be eligible for social renting but who also would be unlikely to enter individual home ownership. However, neither the Housing Corporation, nor many of the initiators of co-ownership societies had any commitment to co-operative housing and consequently, although the co-ownership sector grew to more than 35,000 dwellings, they did not pass co-operative values and principles on to the sector’s members. The resistance to its dismantling, when the opportunity for sales to individual occupiers arose, was limited, and so in the 1980s, it was largely transformed into a part of the home ownership sector.
- 4.3 The “common ownership and tenant management” phase developed from the 1970s onwards and was focused on people in social housing need.
- 4.4 **Social rented co-operative and mutual housing** - currently there are a number of social rented models that could be considered co-operative and mutual housing including:
- **Government funded ownership housing co-operatives** – where members and tenants of housing co-ops own, manage and democratically control their housing. Most of these co-ops developed as a result of a Government programme to enable access to public funding in the 1970s and 80s, which

meant that most of the 450 co-ops developed through this route at that time were for people in social housing need. By 1990, their number had dwindled to 247, but that number has remained more or less constant since then. They are supported in various ways, but significant groups buy services from support organisations in London, Birmingham, Liverpool, Sunderland and Leicester. Redditch Co-operative Homes, with its five independent leasehold housing co-operatives has been the only significant development of Government funded new ownership housing co-operatives in the last decade.

- **tenant management** – where tenants of local authorities or housing associations form organisations to take responsibility for the democratic management of features of the delivery of housing services through a management agreement and allowances negotiated with their landlord. Some 250 tenant management organisations were established by local authority tenants in the 1980s and 1990s, many through a legal “Right to Manage” introduced in 1994. Kensington and Chelsea TMO, the largest set up, managing nearly all of its council’s homes, has subsequently become the only tenant controlled Arms Length Management Organisation. A small number of TMOs have been established through a voluntary agreement with housing associations, although this number is growing as a result of the transfer of local authority housing stock to housing associations. Commission case study Watmos Community Homes is a notable example of transferred tenant management organisations, where 8 TMOs in Walsall established their own independent joint housing association landlord.
- **mutual and tenant owned transfer housing associations** – Waltherton and Elgin Community Homes became the only mutual housing association in England to emerge from Tenant Choice legislation in the 1990s. More recently, some local authority tenants and councillors, uncomfortable with the transfer of their homes to housing associations, wanted the option of transfer to tenant membership owned housing associations. Commission case study Preston’s Community Gateway Association was the first tenant owned transfer association set up, with three subsequent gateway transfers and more

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potentially in development stages. Two have also been established in Wales, using the equivalent Welsh Community Mutual model. As well as this, Commission case study Liverpool Mutual Homes also established itself as a membership based housing association, importing some features of the community gateway model, and in Scotland, Communities Scotland encourages transfer housing associations to offer membership to their tenants.

- **housing associations exhibiting features of mutuality** – as well as the above formal mutual housing models, there are a number of housing associations that could be considered to exhibit some characteristics of mutuality. Community based housing associations have emerged from local community activity without formal community membership structures, but with high levels of resident influence. Some landlords now ask their tenants to formally opt into resident involvement activities (eg. homeless charity St Mungo's has established a membership structure to enable their clients to exercise some control over services provided to them) and it might be argued that the strong loyalty and identity exhibited by some tenant respondents to their landlords in the TSA's National Conversation is a nascent, but as yet unformalised, form of mutuality. Some housing

associations are beginning to think in a co-operative fashion. Whilst not co-operatives themselves, a group of housing associations in the West Midlands have formed the Matrix Housing Partnership as a commercial co-operative⁵⁹.

- 4.5 **Privately resourced co-operative and mutual housing** - all of the above models have developed with some form of public funding to provide mutual housing solutions for people in social housing need. Without access to Government funding, some privately resourced co-operative and mutual housing organisations, many of them quite small, have emerged to meet specific housing needs:

- **short life co-operatives** – where co-operatives take responsibility for unlettable properties for an indeterminate period of time, which can span several years. Short-life co-ops, largely operating in London, where many of its tenants might be eligible for social housing in other parts of the country, enter into a lease agreement with local authority, housing association or private sector landlords, and issue temporary tenancy agreements to their members. Westminster Housing Co-op, one of the largest housing co-ops in the country, is a short life co-op with agreements with landlords in several London boroughs.



Commission case study – Liverpool Mutual Homes was formed following transfer of 15,000 homes from Liverpool City Council in April 2008. The mutual aspect and high degree of tenant involvement were key to obtaining a positive ballot response. LMH is one of few social rented landlords that has a tenant majority Board (9 out of 16) which is replicated on LMH's five neighbourhood boards. LMH has a membership open to tenants and aims to recruit the majority as shareholders. LMH has adopted some facets of the Gateway model and places a premium on value added approaches such as job creation beyond its housing improvement pledges to tenants.

- **non-Government funded ownership co-ops** - a small number of independent ownership (or in some cases management) rental co-ops have developed providing shared housing, usually in just one building, through the use of loanstock, ethical funding and other means. Many of these organisations have received support from a national organisation called Radical Routes.

- **co-housing** – eight co-operative co-housing communities (with as many as 60 others at varying stages of development) have been established to provide a community based approach to owner occupation (with the option of some shared ownership), with an emphasis on establishing mutual support networks (eg. for elderly people or families) through designing schemes to facilitate community interaction and the use of common space facilities. Springhill Co-housing in Stroud was the UK’s first new build co-housing scheme. The Threshold Centre in Dorset is the first mixed-tenure co-housing scheme to gain planning permission and Government funding and other Housing

Associations are actively considering similar partnerships.

- **community land trusts** – a generic term referring to community ownership of land or other assets deriving from the US, community land trusts offer community based opportunities for asset ownership to meet the needs of the community the trust serves. Various community land trust pilot schemes are currently under development, where land or other subsidy is being used primarily to enable affordable home ownership. The Building and Social Housing Foundation suggest that the community land trust model is particularly appropriate in rural locations as a means of creating homes for people on modest incomes but not eligible for social rented housing. They refer to the Stonesfield Community Trust, created in 1983 in response to escalating rents and property prices in the Stonesfield village in Oxfordshire, which has developed 14 affordable homes, a post office and local employment opportunities. Community land trusts do require some form of



Commission case study – St Mungos was set up in 1969 to tackle street homelessness in London and is the largest provider of hostel beds in the capital. As well as providing temporary and permanent housing, they offer a wide range of non-residential services covering outreach, resettlement, employment and training particularly for people with drugs, alcohol or mental health related problems. Outside In was set up in 2005 to give St Mungos’ clients a say in how the organisation is run. Membership of Outside In is open to all clients, and all clients are welcomed to general meetings, but membership has to be informally “activated” and this process of activation and the subsequent activities clients get involved in is a key part of their recovery process, helping them to build self-esteem and confidence. Membership of Outside In has steadily grown, although this fluctuates because the purpose of St Mungos is to enable clients to move on, and its membership have initiated a number of service related changes in the organisation – based on their personal experiences of what needs to change. Clients describe their ownership and membership of Outside In as being important to them because it starts to give them some element of control over their lives. It is a vital means of tackling isolation, providing peer support, and personal development that helps clients through a difficult and challenging period in their lives.

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public or private subsidy in order to make their homes affordable, but various approaches are being used to ensure that subsidy to community land trusts is locked into the trust and recycled.

Similar principles lie behind community buyout programmes in Scotland, coming about through legislation that gave communities a first option to buy land when it came onto the market and Government resource support that enabled local communities to buy. Successful community buy-outs, such as on the islands of Gigha and Eigg, have breathed new life through new housing, employment and social opportunities into previously dying communities.

4.6 **Mutual home ownership** - the mutual home ownership model has been developed as a particular form of intermediate market housing developed on land owned by a community land trust. Developed by CDS Co-operatives⁶⁰, mutual home ownership is proposed as a new way for people to own a stake in the housing market. Its intentions are to make it possible for households on modest incomes priced out of traditional home ownership to access the housing market. It treats housing as a consumer durable, not a speculative investment. Instead of owning an individual property or a percentage share of an individual property, resident members own equity shares in a portfolio

of properties mutually owned by them and other residents built on land held as a community asset by a community land trust. The number of shares a member owns depends on what they can afford. The more they earn, the more equity shares they can afford to finance through their monthly rental payments to the mutual. As incomes rise, they can buy more equity shares, and if incomes fall, rather than the member lose their home, they can sell equity shares if there is a willing buyer, or in specified circumstances, convert to a rental tenancy. The value of equity shares is linked to average earnings, which reduces risk for residents and retains affordability for future generations.

4.7 **Where are they?** Work carried out for the Commission by Gulliver/Morris⁶¹ identified some 836 co-operative and mutual housing organisations in the UK, managing a little over 169,000 homes (only 0.6% of all UK housing), of which 92,000 or 54% are owned by the co-operative and mutual housing organisation, the remaining 46% being managed on behalf of others. 62% are registered with UK housing regulators. 91% of UK co-operative and mutual housing is in England, with 5% in Scotland and 3% in Wales. Whilst co-operative and mutual housing organisations can be found as far afield as Northern Scotland and the Scilly Isles, most organisations exist in the major conurbation areas - 414 (54%) of organisations are



- located in Greater London (71% of TMOs), with other major stock holdings found in Midland and Northern cities.
- 4.8 Co-operative and mutual housing organisations are usually centred around one geographical area, which gives them a community identity that is co-terminus with their geographical location. Smaller organisations may be only one building or one development, whilst tenant management organisations are usually formed to take responsibility for management of a clearly defined estate or neighbourhood. The original homes owned by housing co-ops may have been developed in one location, but as they developed further, they may have bought or built homes anywhere they could in the wider neighbourhood. Similarly short life co-ops may stretch across wide areas, dependent on the homes they take management of. Larger mutual housing organisations such as Community Gateways can be spread over a borough or potentially further, but it is a distinct feature of the gateway model that they carry out focused work within areas that match local community identity.
- 4.9 **Who is housed by the sector?** Gulliver/Morris use CORE lettings data from the NHF (which only refer to social rented co-operative and mutual housing) to show the diversity of lettings amongst registered housing co-ops and community gateways and mutuals. They particularly highlight high percentages of lettings to black and minority ethnic applicants (32% housing co-op lettings and 27% Community Gateway and mutual lettings, as opposed to 20% of lettings by small housing associations and 17% by all housing associations), with particularly high percentages of south Asian and Indian applicants housed. However, Gulliver/Morris qualify these points by suggesting that percentages for housing associations may be lower due to the specialist and rural nature of some associations.
- 4.10 Gulliver/Morris identify that single adult households are the primary client group for housing co-ops and community gateways, with lone parent families being the second major household group housed, and multi-adult households with children the third. They particularly point out that people housed by co-ops tend to be younger – the average age of household heads being 36.5 as opposed to 45.3 for small housing associations, and with only 8% of lettings made to people aged 60 or over. Proportions of lettings by housing co-ops to people with a self-defined disability (9%) was lower than the housing association sector (18%), but was higher for community gateways (24%).
- 4.11 Whilst lettings to statutory homeless households was higher for community gateways and mutuals (24%) compared to all housing associations (17.6%), statutory homeless lettings were a lot lower in housing co-ops (7.4%). Nonetheless, 20.7% of new applicants housed by housing co-ops (compared to 20.5% by small associations) were non-statutorily homeless.
- 4.12 **Unifying factors** - the Commission faced the following particular challenges in carrying out this review:
- 1 to define unifying factors between co-operative and mutual housing organisations (that exist in them by virtue of them being co-operative and mutual);
 - 2 to understand whether unifying factors specific to co-operative and mutual models lead to any particular benefits (or whether those benefits could be derived without them being mutual);
 - 3 to determine whether benefits specific to co-operative and mutual housing organisations warrant public or other support in order to further development of existing or new models;
 - 4 to identify steps that could be taken by housing organisations and others to move towards co-operative and mutual housing.
- 4.13 The first of these challenges was comparatively easy. The central unifying factor behind all the co-operative and mutual housing models - that makes them different from other housing models - is their community and service user membership structure, through which members democratically own, control and make decisions (on a one member one vote basis) about their housing organisation (including the bricks and mortar in the case of ownership models). In most co-operative and mutual housing organisations, all residents are required to be members, but in others where residents can choose to be members, the more who exercise that choice and take advantage of the benefits that membership brings, the stronger the mutual identity.
- 4.14 The Commission also recognises that many housing organisations can and do recognise the value of community, and benefits derive from activities related to this value. The Commission's recommendations include "steps towards mutuality" that could be taken by housing organisations to adopt some mutual characteristics that may not involve taking on full mutuality.

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- 4.15 The second challenge, not as straightforward as the first, is to consider whether community membership and consequent member control makes a difference and how it makes a difference. This is the subject matter of the next chapter.
- 4.16 The third and fourth challenges are addressed in the eighth chapter and the recommendations of the report.

Key conclusions

- 1 There is a wide diversity of co-operative and mutual housing types that have evolved in different ways to meet particular needs. Some models have been state funded and some, usually smaller organisations, have been privately resourced. It may be possible to develop hybrid organisations that encompass existing and future co-operative and mutual housing models.
- 2 Co-operative and mutual housing represents 0.6% of housing in the UK in 836 organisations, the majority being housing co-operatives located in urban areas.

- 3 Co-operative and mutual housing is usually centred around a distinct geographical area, although it is not always the case that homes are in one location.
- 4 Social rented co-operative and mutual housing houses comparatively higher numbers of people from a black and minority ethnic background, and caters particularly for single adults and single parents. The age range of co-operative and mutual housing tenants tends to be slightly younger than other social rented housing.
- 5 The defining characteristic for co-operative and mutual housing is that its residents have a legal right to become its members which gives them democratic control on a one member one vote basis. As well as this, a mutual organisation encourages all of its service users to become members and participate in governance, and the more that do, the more mutual the organisation becomes.



Footnotes

- 58 Rowlands, R (2008) *Forging Mutual Futures – Co-operative and Mutual Housing in Practice – History and Potential* University of Birmingham Centre for Urban and Regional Studies. This research is available on the Commission's website
- 59 The Matrix Housing Partnership is a unique commercial co-operative structure, developed in partnership with Anthony Collins Solicitors, that could in the future become a blueprint for part of the overall architecture of the support structures for the co-operative and mutual housing sector
- 60 Rodgers, D (2009) *New Foundations: unlocking the potential for affordable homes* The Co-operative Party
- 61 Gulliver, K. and Morris, J. (2009) *Exceeding Expectations: The Nature and Extent of Resident and Community Controlled Housing in the UK*, Human City Institute, Birmingham. An extract from this research is shown on the Commission's website. Data was assembled by integrating Housing Corporation and Scottish and Welsh regulators data with data from Co-operatives^{UK} and the National Federation of TMOs
- 62 The democratic community membership structure works in different ways in different co-operative and mutual housing organisations, but common features are as follows:
- all tenants and other services users are offered shareholding membership of the organisation, usually for a nominal, non-returnable fee. In the case of most housing co-ops, many tenant management organisations, and co-housing schemes membership of the organisation is a pre-requisite for becoming a tenant or service user.
 - tenant, service user or community membership has to make up at least a majority of the shareholding membership. Most co-operative and mutual housing has exclusive service user membership
 - general meetings of the organisation are open and publicised to all members, and operate on a one-member, one-vote basis. Powers at general meetings will differ, but at the very least, the general membership has some electoral powers over at least some of the governing body members, and resolutions in general meetings would influence decision-making in the organisation's governing body. Generally, the smaller the organisation, the stronger the powers of the general membership. In the smallest co-operative and mutual housing organisations, the general membership are the governing body and no committee or board is elected. In slightly larger organisations (most housing co-ops and tenant management organisations), the general membership exclusively elects a management committee or board as the governing body, and has legal decision-making powers in general meetings. In the largest co-operative and mutual housing organisations – the Community Gateways - the powers of the general membership are limited, electing only the service user component of a board, mostly through an intermediary service user body.
 - in all cases, it would be expected that the co-operative and mutual housing organisation would operate a range of other different ways to encourage involvement in decision-making





5 Well, so what's the big deal?

This chapter considers:

- the performance of co-operative and mutual housing organisations against hard data (tenant satisfaction and performance indicators) and soft data (community, empowerment, life opportunities and environmental);
- whether and how any benefits derive from co-operation and mutuality.

- 5.1 Rowlands⁶³ refers to an evidence gap regarding co-operative and mutual housing. Very little performance data exists for co-operative and mutual housing organisations not registered with the TSA, but even with regards registered housing co-operatives, Rowlands points out that because of their small size, housing co-ops “are not required to collect performance indicators and therefore find it difficult to collate this information readily unless supported by another organisation which is subject to the [regulatory] regime”. Limited collective data is also available about tenant management organisations, the last research on the sector having been published in 2002⁶⁴.
- 5.2 This chapter extrapolates from the data that is available, most of which relates to housing co-ops registered with the TSA. Rowlands provides some data, and refers to other evidence⁶⁵ that is now “somewhat dated”. The TSA has recently published data regarding housing co-ops from its National Conversation⁶⁶. Data, assembled by Gulliver/Morris⁶⁷ for the Commission from TSA, Co-operatives^{UK}, NFTMO and NHF databases includes some performance information. Cairncross et al⁶⁸ provide information on performance in the tenant management sector.
- 5.3 Rowlands also expresses concern about an evidence gap regarding “the contribution of mutualism and co-operation to the benefits witnessed in these organisations”, and refers to the importance of understanding how co-operation and mutuality “influence day-to-day activity, process and relationships.” This chapter seeks to use Commission evidence, primarily evidence gathered at hearings, to develop this understanding.
- 5.4 **Delivering what people want** - the Commission came across a range of satisfaction data, all of which points to generally higher satisfaction ratings in co-operative and mutual housing, with some organisations returning extremely high ratings:
- Rowlands referred to much higher satisfaction levels (above 90%) found in returns from 4 housing co-ops;
 - high levels of tenant satisfaction were also reported to the Commission by the Scottish West Whitlawburn Housing Co-op, who surveyed a 16% sample using a door knocking exercise across their 600 homes, reporting that no tenants had expressed dissatisfaction with overall satisfaction listed at 92%;
 - CDS Co-operatives provided the Commission with satisfaction ratings from postal STATUS surveys carried out in 2008 for 45 housing co-ops, including 40 who buy services from CDS. These surveys produced an overall 78% satisfaction rating on a 41% turnout. 5 co-ops received 100% satisfaction ratings, and 22 satisfaction ratings of 80% or over, whilst 12 received satisfaction ratings of below 70%, with 2 having satisfaction ratings below 50%;
 - Commission case study Redditch Co-operative Homes report a 98% satisfaction rating;
 - in 2002, Cairncross et al⁶⁹ reported that 77% of TMO tenants (in a group of TMO case studies) indicated satisfaction, particularly finding a high satisfaction rating of 81% amongst black and minority ethnic tenants (compared to a 51% equivalent satisfaction rating amongst black and minority ethnic tenants in local authority housing at that time);
 - in 2006, WATMOS Community Homes recorded satisfaction ratings of 86%, with a range of 94% to 73% for its 8 constituent TMOs. Similarly, in 2008, London Borough of Southwark’s portfolio holder for housing Cllr Kim Humphreys said that their satisfaction surveys had consistently shown higher levels of satisfaction amongst TMO tenants, adding that “I want tenants in the borough to be happy, so it follows that I should be telling them about the potential benefits of setting up a TMO!”;

5 Well, so what's the big deal?

- TMOs managing local authority homes are required to have a five yearly continuation ballot in which all tenants in the area managed are balloted on whether the TMO should continue to manage. The NFTMO reported that they are “not aware of a single instance of tenants voting against continuation”, and it is more usually the case there are high votes in favour. For example, in 2007, 99.28% of tenants who voted (on a 29% turnout with 833 tenants eligible to vote) on the Friday Hill estate in Chingford, North London voted to continue with their TMO management arrangements, and in 2009, 91.86% (on a 35% turnout with 2,277 tenants eligible to vote) on the Belle Isle estate in Leeds voted in favour of continuation.
- 5.5 These generally high tenant satisfaction statistics have been confirmed for housing co-operatives by the TSA's National Conversation survey that showed an 88% satisfaction rating amongst housing co-op tenants, as opposed to a 77% rating for housing association and council tenants⁷⁰. The TSA conclude that “although they accounted for just one per cent of tenants, co-operative tenants were the most satisfied with their landlord compared to all other landlord types”. The TSA also conclude that a breakdown by landlord type “shows clearly that co-operative tenants rate their landlord more highly across all of the specified services.”
- 5.6 The TSA go on to record that when asked what, if anything, landlords needed to do better, “co-operative tenants were the group most likely to say that their landlord already does a good job (15%), in comparison only 2% of ALMO tenants, 3% of council tenants and 6% of housing association tenants said this.”
- 5.7 TSA satisfaction statistics for TMOs were 78%, but the NFTMOs consider that statistics relating to TMOs were “unreliable and contrary to what we believe to be the true position” due to a number of inconsistencies in the survey form used with regards the status of TMOs, and the lack of consideration of “the location and nature of the stock managed by TMOs”.
- 5.8 **Getting the hard nosed stuff right** - Rowlands refers to two major reports (by Price Waterhouse and Satsangi/Clapham) published by the Department of the Environment in the 1990s⁷¹ which

Table 4: TSA National Conversation - what does your landlord do well?

	Total	HA/RSL	Council	ALMO	TMO	Co-op
Base: All tenants in the postal consultation	23,441	16,982	3,019	1,505	370	205
	Mean	Mean	Mean	Mean	Mean	Mean
Help with housing benefit	3.91	3.93	3.85	3.76	3.69	4.14
Customer service (eg answering the phone quickly when you ring)	3.82	3.85	3.70	3.72	3.54	4.19
Giving you the chance to have your say	3.77	3.80	3.60	3.67	3.47	4.38
Keeping you informed	3.70	3.75	3.48	3.51	3.52	4.31
Repairs and maintenance	3.65	3.65	3.65	3.57	3.64	4.04
Health and safety for tenants	3.59	3.63	3.44	3.38	3.33	4.17
Dealing with complaints	3.44	3.46	3.33	3.34	3.20	4.05
Help with money or debt advice	3.44	3.50	3.20	3.32	3.11	3.61
Looking after the communal areas of your estate/building	3.31	3.65	3.07	3.05	3.14	3.80
Dealing with anti-social behaviour	3.22	3.28	2.97	3.01	3.08	3.71
Looking after the neighbourhood	3.09	3.12	2.97	3.02	3.04	3.55
Security in your neighbourhood	3.09	3.12	2.95	2.97	2.92	3.63
Providing community facilities	3.04	3.09	2.89	2.74	2.86	3.45
Help with getting a job or developing your skills	2.81	2.86	2.53	2.77	2.59	3.40

Reproduced from Tenant Services Authority (2009) National Conversation – phase one findings. The TSA table points out that “significant differences between groups are denoted by bold font. If a finding is shown in bold, it is significantly higher than the findings for other groups”.

“highlighted the efficiency of tenant controlled organisations in relation to a set of performance indicators and higher levels of tenant satisfaction compared to the social rented sector as a whole.” However, Rowlands points out that these reports are “somewhat dated” and that Satsangi and Clapham had not been able to identify whether the performance of co-ops was due to their small size or their co-op status.

5.9 The Commission had three datasets available to consider housing co-op performance information – Rowlands’s conclusions, based on limited and partial data from 57 co-ops; Gulliver/Morris’s data, based on information provided by the NHF; and information supplied by CDS Co-operatives on 44 co-ops it provides services to. The conclusions from these datasets are:

■ **arrears** – Rowlands concludes that “the average level of current tenant arrears is significantly lower overall in the co-ops than the national average (1.4% compared to 5.2%)”. Arrears recorded by the CDS co-ops were an average of 2.96%.

■ **vacancies and relet times** – Rowlands and Gulliver/Morris conclude that vacancies and relet times are lower than social housing norms, and CDS co-operatives record a void rent loss of 0.86%.

■ **repairs and “decent homes”** – Rowlands concludes that “co-ops fare comparably with the national average for routine repairs”, and referring to the Government’s decent homes standard, concludes that “co-ops reporting figures show a dramatically lower level of non-decent homes”, whilst Gulliver/Morris says that co-ops “compare favourably on repairs performance and housing ‘indecentness’ is dramatically lower (at 4% compared to 10% for small associations)”. CDS co-operative statistics show that co-op homes not meeting decent homes standards lie at an average of 0.93% - a figure amplified by one single co-op having 31% of their homes failing the standard – only 4 co-ops record any homes that do not meet the standard.

5.10 Gulliver/Morris conclude that “there is growing evidence from HCI case studies and others that resident and community controlled housing organisations are more than competent housing managers”, whilst north of the border, Tenants First Housing Co-op, the largest housing co-op in the UK, with homes spread across Aberdeenshire, reported that their recent Communities Scotland regulatory report had given them a grade “A” for housing management services and an “excellent” rating for their care and sheltered housing services.



Commission case study – developed in 2002, **WATMOS Community Homes** was set up to take transfer from Walsall Borough Council of 1,800 homes managed by the 8 neighbourhood tenant management organisations in the borough. With a board made up of 8 tenant representatives from the TMOs with 4 independents, WATMOS became the central core of the organisation whilst preserving local community control through the constituent TMOs

5 Well, so what's the big deal?

- 5.11 Cairncross et al⁷² is the only comprehensive information on performance in the tenant management sector. At that time, there were 202 established TMOs across 53 local authorities, with a further 81 in development. They concluded that "TMOs are providing an effective service in terms of their own aims and objectives. In most cases, they are doing better than their host local authorities and compare favourably with the top 25% of local authorities in terms of repairs, relets, rent collection and tenant satisfaction." However, they too pointed to limited available performance information, a problem they suggested was endemic in the local authority sector generally. WATMOS Community Homes reported an impressive set of statistics at the end of 2008/9, including average rent arrears across their 8 TMOs of 3.59%, and an average of 10.9 days to let a property against 25.8 days for the top quartile in the housing association sector.
- 5.12 **Building real communities** – Cairncross et al⁷³ identified that "the development of community spirit was widely identified by TMOs as one of their main achievements". They went on to say that 77% of residents in their TMO case studies felt that their TMO had made a quality of life difference.
- 5.13 Davids⁷⁴ identifies that housing co-ops "live out the ethics of real community living" and stand for "community warmth and community wellbeing". A common uniting factor of all co-operative and mutual housing is that the development of community, a shared sense of belonging and identity, lies at the heart of each organisation. Rowlands recognises this, firstly referring to a 2001 report⁷⁵ that "indicates the positive role that co-ops can play in addressing social exclusion", and then highlighting the ability of co-operative and mutual housing organisations "to develop high levels of bonding capital and contribute to making a place a community".
- 5.14 The following points are a sample of countless references to community gathered in the Commission's hearings and from other evidence:
- Jude Bramall from Lark Lane Housing Co-op spoke of "co-ops building a village feel in the big city", a theme developed by the Co-housing Network referring to co-housing as "a new tradition in living providing the benefits of yesterday's hamlets and city quarters";
 - Paddock Housing Co-operative's Margaret Cope explained that in co-ops "you look out for your neighbour, knowing that your neighbour will look out for you. And the children all know that they can knock on any door, and people will look after each other's kids as if they were their own";
 - Brian O'Hare from Huyton Community for the Elderly explained that "people look out for each other in the co-op" and go on holiday together. He also said that the reputation of the co-op had spread into the wider area and a number of local home owners participate in the co-op's community activities;
 - 20/20 Housing Co-operative's Helima Zindani said "my children have been brought up in the co-op. What a place to grow up! They immediately had a circle of friends, and lots of social occasions - summer and halloween parties, annual trips to the seaside. They never saw the need to hang around the streets. Their street was where we live, where they knew that if they stepped out of line another co-op member would be there to correct them";
 - Syed Maqsood from North West Housing Services reported that there are "virtually no incidents of anti-social behaviour in the co-ops. They keep their neighbourhoods safe and trouble free";
 - Alex Lawrie from Somerset Co-operative Services, discussing non-state funded co-ops, referred to "the community aspect and opportunity to take control of a person's own life" being "incredibly important and something special". Four members Cog Housing Co-op, who bought a house in Bristol in 2003 using loan stock and a 70% mortgage, said that "there are still a lot of repairs and renovation work to be done but the benefit of living together is that everyone works jointly which is very empowering and we have learnt a variety of new skills. Members eat together and cook using a rota system which helps with a feeling of a sense of community";
 - David Ogilvie from the Scottish Federation of Housing Associations said that "co-ops create balanced and engaged communities" - West Whitlawburn Housing Co-op had "created a community out of a broken place";
 - the Co-housing Network refer to how co-housing offers "particular benefits for children in terms of secure play-space and shared activities with their peers" and "companionship and mutual support from across the generations" for older people.
- 5.15 Such comments about community could have been made by any number of housing co-op members, and they illustrate how co-op members see the social fabric of their community as the essence of their co-op. Whilst the interaction of people has

come about because of the need to take a shared approach to running the co-op, for many people who live in co-operative and mutual housing, the mechanics of housing can be secondary to the community developed.

“Meeting the challenges of globalisation requires strong local communities, strong local leadership and strong local solutions. Co-operatives have proved to be a key organisational form in building new models to combat social exclusion and poverty, for example through local development initiatives. Co-operative members learn from each other, innovate together and, by increasing control over livelihoods, build up the sense of dignity that the experience of poverty destroys.”⁷⁶

5.16 **Power to the people** – the principle of encouraging people to participate in decision-making is of fundamental importance in all walks of life, but particularly with regards social rented housing. The three national tenant organisations⁷⁷ point out that “the reality is the current tenant constituency is largely disempowered” and that the TSA’s proposed “co-regulatory” system is dependent on “a major empowerment culture change amongst landlords, tenants and all other stakeholders”.

5.17 The challenge of how to stimulate ordinary people to move from a passive and debilitating ‘us and them’ dependency to an empowered and informed active involvement in democracy has been underestimated. Quick win schemes confuse and muddle the empowerment process and cannot take the place of the long term processes needed to genuinely enable people to participate in decision-making.

5.18 With this challenge in mind, the CCH claim that “co-operative housing is a systematic and ongoing method of empowering ordinary people to make decisions and participate in democracy”. Syed Masqood from North West Housing Services explained this further – “it is not possible to empower people in one day. It requires an ongoing approach over a period of time. In co-ops, members have the democratic right to vote on all issues; they receive proper training to exercise that right; they are enabled and confident to speak out; and the whole process brings people together.”

5.19 The democratic theory behind co-operative and mutual housing is important. Built on the principle of one member one vote, every member has a legal democratic and equal right to participate, an immutable right that exists as a permanent safety net for members. This doesn’t mean that every decision is put to a vote of all members. Members

vote on policy and strategic matters, delegating day to day operations to staff or particular co-op officers. It is up to each organisation to find ways to make the democratic right as meaningful as it can be within an effective governance and management structure. It is often the balancing of formal and informal activities that determines the success of the organisation’s democratic approach. For example, this balance is characterised by:

- informal social interaction, forming an important part of the development of the consensus of opinion, which is then formalised into the organisation’s formal decision-making structures;

- formal and informal social activities that maximise opportunities for social interaction (the Commission received reports about everything from fundays, trips, shared meals, gardening activities and even Ann Summers Parties);

- informal and organic ways in which members assimilate the shared culture, history and knowledge of the organisation. Training is often on the job and handed down from member to member. Adam (the son of a Tenant First co-op member) spoke of how he picked up what he needed to know at meetings over a period of time. This grass roots training is then augmented by formal training;

- balancing formality and informality at both general and committee/board meetings – ensuring that they carry out the necessary business at the same time as making them enjoyable events that members look forward to.

5.20 Community Gateway was designed to export the democratic participation inherent to co-operative and mutual housing into a more traditional housing association environment. This is done through a twin track approach where a membership structure is open to thousands of potential tenant members, and through neighbourhood based “community options studies”, where local people can choose from a wide range of empowerment options. The approach was always going to be particularly challenging in that it sought to develop democracy in large scale environments where the potential tenant members had rarely experienced participation in democracy before.

5.21 The approach has been largely successful. In a 2008 review report for Preston Community Gateway Association (CGA)⁷⁸, BCHS concluded that “there is no doubt that the CGA’s empowerment approach has been increasingly targeting real practical life issues for residents, and doing this in a way that has

never been done previously in Preston. Community option studies are beginning to engage with people who would never have come forward previously and the CGA's wider empowerment approach is identifying and beginning to tackle issues that would have previously been considered intransigent. The large numbers of people becoming CGA members may be an indication that the CGA has started to revive hope amongst a growing contingent of CGA residents."

- 5.22 **Building better lives** – democratic involvement in co-operative and mutual housing can benefit the individuals who take part. Cairncross et al⁷⁹ refer to TMO board members reporting "increased confidence and skills" and pointed to TMOs "acting as a focus for other community and regeneration initiatives, providing a resource at the estate level where local residents can promote and often base other projects and activities, while providing a contact point for outside agencies wishing to make links with the local community."
- 5.23 Evidence presented to the Commission suggests that a co-operative and mutual housing organisation can be a "local hub of social, cultural, recreational and economic activity"⁸⁰. We were informed of a number of personal journey stories, where individuals, often housed as a result of a catastrophic event in their lives, had used the safe and secure community environment of co-operative

and mutual housing to rebuild their lives, gaining the confidence and skills necessary to participate in other activities. Pearl Pelfrey from Green Dragon Lane Housing Co-operative referred to this as "healing", specifically referring to women referred to their co-op from women's refuges. Cyril Davenport told the Commission that his former membership of Townshend Housing Co-operative had changed his life – "when I moved in, I was depressed, out of work and no one would give me a job. In a co-op, everyone helped me, and an employer gave me a chance when they saw that I was the Secretary of the co-op. When I was a Council tenant, no one wanted me to get on."

- 5.24 People securing employment as a result of their co-operative involvement was a constant theme at Commission hearings and in call for evidence responses. Mick O Sullivan from Finsbury Park Housing Co-operative referred to "at least 8 people" who had been employed from his co-op; Mick Davies said that New Longsight Housing Co-op had been "particularly successful in our tenants getting employment as a direct result of their participation"; and Maria Walker from Dingle Residents Housing Co-op spoke of "loads of anecdotal evidence of people getting into work because of the security they get in a co-op." Brent Community Housing told us of their "history of providing routes out of unemployment for their members. Over the last 15 years as a direct result of their involvement in the



Commission case study – established in 2005 through transfer of its 6,500 homes from Preston Borough Council, **Preston's Community Gateway Association** became the first community gateway in the country. Its three cornered governance structure includes its membership, open to all tenants, its Gateway Tenant Committee, consisting of tenants elected by the membership, and its management board, including 7 tenants elected through the Gateway Tenant Committee.

co-op and training available to members, four of the co-op's last six chairs have gone on to have careers in the social housing and regeneration sectors. Many other members have developed the confidence and skills to find sustainable employment and lift themselves out of poverty, worklessness and addiction." Margaret Cope from Paddock Housing Co-operative referred to a former co-op member who had been a "young single parent with no idea what to do with her life when she came to the co-op. She would barely speak to anyone. We encouraged her to come out of herself and get involved, and when a job came up, we told her to fill in an application form, telling her you never know until you've tried. She got the job, and now she's got a house, a good job and responsibilities."

5.25 We have also been informed of membership leading to participation in a fabric of wider community activity including becoming school governors, parish councilors, and shareholders in local initiatives such as village shops, joining credit unions, leading play and youth groups, volunteering with HomeStart, developing allotments, and participating in cookery courses, bridge clubs, singing groups, yoga classes, book clubs, annual summer holiday programmes, dance classes and concerts.

"Our co-operative tenants have gained in confidence - all we did was to set their potential free. From having housing done to them for years, they now are involved in doing housing for themselves and they're keen to pass on the knowledge. Many have gained qualifications, and got jobs. Many have said it has changed their lives for the better. We don't just build high quality homes - we also build strong communities."⁸¹

5.26 Larger co-operative and mutual housing organisations have been in a position to take a more strategic approach to such activity. Examples we have come across include:

- Burrowes Street Tenant Management Co-operative's community leadership of a neighbourhood management pilot scheme across the Birchills area of Walsall, where working with residents from the wider area and Walsall Borough Council, they have established the Birchills Community Charter;
- a dazzling array of community infrastructure activities at West Whitlawburn Housing Co-operative, including their Bonus Ball Resource Centre, their health club, their employment support and advice service (including holding employment surgeries, running accredited training courses, providing childcare, transport

and IT facilities), and a pioneering scheme to install fibre optic links into new build homes. Susan Small from the co-op told the Commission that the tenant leadership wanted to "bring new technology into people's homes and establish social cohesion and community spirit". Based on schemes in Holland and London, the co-op intends to film local people discussing problems in the area, and use that as a means to bring the estate closer together;

- Preston's Community Gateway Association, particularly concerned with the effects of the recession on their tenants has initiated a "worklessness group" consisting of members and staff to look at how they can support people into employment. This adds to a plethora of existing initiatives that support individuals and communities, including welfare and debt advice, a free training programme that includes IT, presentation skills, food hygiene, first aid, child protection and DIY workshops, free access to the CIH's Active Learning for Residents qualification, free access to a local foodbank for community groups, provision of community buildings, grants and a community minibus for community groups, support for youth co-ordinators and a local faith forum, directly advertising training and development opportunities to local communities, and support to individuals and groups to set up social enterprises and community businesses.

5.27 **The environment** – with direct access to residents, co-operative and mutual housing provides fertile ground for developing environmental and low carbon initiatives. Some environmental initiatives have already been pioneered, including:

- the development of 36 homes as part of Redditch Co-operative Homes, in partnership with Accord Housing Association, a scheme commended in Homes and Communities Agency awards. Anticipated to cut carbon dioxide emissions by 55%, savings will be achieved through use of top quality off-site manufactured timber panels from sustainable forests featuring high levels of insulation and external cladding. Not only does this approach reduce waste, it will reduce running costs for tenants by up to two-thirds. Awarded EcoHomes grading excellent, this was the first scheme in the country to achieve the Code for Sustainable Homes level 3. Anne Harborne, a future resident of one of the homes, commented "we were very concerned about the effect that wasting energy is having on the planet, and we wanted to do something about it";

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- the installation in 2008 of solar panels and 14 biomass boilers, fed by wood pellets, at Sanford Housing Co-operative. Winning housing trade magazine, Inside Housing's 2008 award for most sustainable refurbishment, this initiative developed from their existing planned maintenance programme, and, with grant funding from the Energy Savings Trust, EDF Energy and additional mortgage funding from Triodos Bank being repaid from increased rent payments agreed by their members, Sanford estimates that the scheme has already achieved a 60% reduction in carbon emissions, and with additional behavioural and other changes, the co-op are aiming to achieve 80% reductions;
 - the installation of solar hot water systems in some of the homes owned by Balsall Heath Housing Co-operative in Birmingham in 2006, also winning an award from the Birmingham Community Global Climate Change Challenge. One year after the systems were installed, results indicate that the solar panels have reduced emissions by around 15%;
 - the development of tenant management co-operative, Cedarwood Housing Co-op in Harlow, Essex using sustainable timber and energy efficient communal boilers in 2002.
- 5.28 With limited development of co-operative and mutual housing for many years, it is difficult to assess the potential for reducing carbon emissions in the sector. Peter Gommon, an architect who attended the Commission's Sunderland hearing, considered that when he had worked in the past with new build housing co-ops, "the design process was more intimate, and gave the members ownership of the design". This was certainly the case at the award winning development of Homes for Change Housing Co-op on the Hulme estate in Manchester. Charlie Baker from Urbed and a former member of Homes for Change told the Commission that the involvement of residents had led to the development of the co-op as a mixed used community housing scheme alongside Work for Change.
- 5.29 Aware of the potential interest in climate change issues in co-operative and mutual housing, the CCH is currently participating in a DEFRA funded project in partnership with Co-operatives^{UK} and the Plunkett Foundation aimed at achieving measurable change in personal shifts towards pro-environmental behaviour in relation to energy usage, waste and travel. With only limited publicity to the co-operative and mutual housing sector, the project has yielded more than twice the ten housing projects that are intended to be part of the programme. Phil



Commission case study – Homes for Change Housing Co-op was established in 1985 as the co-operative option in the regeneration of the former notoriously poor and deprived Hulme council estate in Manchester, by residents who wanted to preserve the estate's indigenous community spirit. The development, undertaken in conjunction with a large housing association, was led by co-op members leading to an award winning innovative design with a mix of dwelling sizes and designs, and to the development of 32 business units through partner organisation Work for Change, which allows some co-op members to both live and work in the scheme.

Beardmore from the Birmingham Sustainable Energy Partnership and member of Balsall Heath Housing Co-operative told the Commission “the social networks and the ethical views in most co-operative housing make it an ideal environment in which to carry out this project. Co-op members are both tenants, and so have an incentive to see lower fuel costs, and landlords, and so have the means to make decisions to introduce carbon reducing initiatives.”

5.30 The Co-housing Network also identifies sustainability as an objective and a benefit of co-housing, through sharing resources in relation to a number of practical issues such as car pooling, washing machines, sustainable energy systems and shared shopping. International co-housing “helps to halve energy use. Co-housing households consume nearly 60% less energy in the home and operate car-sharing and recycling schemes. Communal office space, workshops and a gym on site reduces travel and associated emissions. Pro-environmental behaviours result in lower levels of consumption (including energy, land, goods) and waste production giving average savings of 31% in space, 57% in electricity and 8% in goods.”⁸²

5.31 **But is this because of co-operation and mutuality?** This chapter has set out a number of benefits of co-operative and mutual housing. But how much do these benefits stem from the fact that the organisations are mutuals? Could the benefits simply be because the organisations in question are small and therefore closer to the community?

5.32 The evidence submitted to the Commission clearly points to the benefits of co-operative and mutual housing deriving from their democratic community membership base.

5.33 Firstly, in co-operative and mutual housing organisations where tenants are not required to be members, the trend over time is that large numbers will become members. For example, Kensington and Chelsea TMO, managing approximately 9,000 homes, have a membership of over 5,000 of their tenants and leaseholders. Waltherton and Elgin Community Homes (WECH) has 604 members from their 658 homes, and they estimate that over 80% of WECH households have at least one member. 1,886 (28.2%) of the 6,700 tenants of Preston’s Community Gateway Association have signed up as members, alongside 651 associate resident members, whilst 2,648 have joined Watford Community Housing Trust (40.5% of those eligible for membership).

5.34 Christine Blackett, the tenant chair of Watford’s Gateway Committee said “we chose Community

Gateway because it was a tenant membership organisation which will allow us to democratically own our homes and work with our staff to make decisions about our future”. Karen Perry, the Head of Community Empowerment at Preston’s Community Gateway Association said “Membership is about choice. It’s about people choosing to take up the opportunity to have influence and control over the CGA and choosing to play an active part in making changes in their communities. Gateway members were fundamental in shaping the CGA and their continued involvement is the key to its success. We hope that members will take greater pride in their position as owners of the organisation and grow in strength and numbers.” Karen went on to refer to a visit to the CGA from tenants of an Arms Length Management Organisation who spoke to a number of tenants at random on the CGA’s estates – “they commented that there was a real sense of ownership out there that they put down to membership. Tenants were talking about our estate, our houses and our housing association in a way that reflected a real sense of influence and involvement.”

5.35 Secondly, during the Commission’s hearings and case studies, members of co-operative and mutual housing organisations repeatedly referred to the membership and control in housing co-operatives. The following comments were illustrative of many similar points made:

■ “With other housing organisations, you are a unit with no affiliation. In a housing co-op, you pay a membership fee and you collectively own your homes. Although you pay rent, you are a home owner. You are part of the co-op. We don’t have tenants – we have members”. Martin Vanderlee - **Tenants First Housing Co-operative**

■ “The co-op’s ownership of the homes is important because members feel like they are making decisions for themselves”. Brian O’Hare - **Huyton Community for the Elderly**

■ “Our tenants feel safer and more in control with the co-op than they would with other housing providers”. **The Sunderland co-operatives**

5.36 Thirdly, Rowlands drew the following conclusions that several of the higher performance levels identified in the data he had collated were due to features of co-operative management:

■ “Co-operators as owners of the business have a vested interest in the business and are less likely to either fall into arrears themselves or tolerate arrears from fellow co-operators”. Cllr Bill Hartnett from Redditch Borough Council made

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the point that “the tenant co-operators very quickly made the link between efficient running and management and improvements and savings to their co-op.”

- “Co-ops mentioned that voids are seen as a drain on the co-op’s resources. Often co-ops have put in place a pre-allocation system prior to a property being vacated. These findings may say something about the ability of the co-ops as smaller organisations to put the customer pressure into effective action.”
 - “The case studies suggest that experiential management (ie. tenants being responsible for the management of repairs and budgets) together with a sense of ownership combine to ensure that properties are well maintained.”
- 5.37 Fourthly, a number of people at hearings suggested particular features that were only possible as a result of the housing co-op model. Members of Two Piers, Argyle Street and Sanford Housing Co-operatives all suggested that their high density shared housing can only work through a democratic membership structure, and Charlie Baker from Urbed also mentioned that it had been co-op member involvement in the design stage and insisting on good soundproofing that had made “high density possible”. Daniel Russell from Redditch Borough Council commented that “no other housing association could have offered the continuity and involvement that has come from Redditch Co-operative Homes.”
- 5.38 BCHS, who assisted in the establishment of the community gateways in Preston and Watford, considered⁹³ that “people who become legal owners of an organisation could have a different and more positive relationship with the organisation – where they value the organisation, want to see it thrive and flourish – and may be prepared to take active steps to assist and support it.” They go on to identify that being “the guardians of the rules” means that members have control, for example, whether the Community Gateway merges with another association, an issue identified as a concern by housing association tenants in the TSA’s National Conversation.
- 5.39 Other forms of co-operative and mutual housing (eg. community land trusts, mutual home ownership, co-housing, mutual retirement housing and non state funded housing co-ops) only exists as co-operative and mutual housing, and if benefits derive from these models, those benefits could only be derived from their co-operative and mutual status. For example, the defining characteristics of co-housing that makes it different from conventional owner occupation are shared facilities, intentional

neighbourhood design, a participatory development process and ongoing resident management, common ownership and shareholding. Co-housing would not exist if it were not co-operative and mutual.

Key conclusions

- 1 Existing co-operative and mutual housing delivers what people want. Satisfaction ratings in co-operative and mutual housing are higher in housing co-operatives than other forms of rented housing.
- 2 Co-operative and mutual housing organisations are more than competent managers, with good statistics for managing rent arrears, letting homes, maintaining homes at a high standard, and getting repairs done efficiently.
- 3 But co-operative and mutual housing is often more about the supportive communities and the interaction between tenants they build. Members value highly the shared sense of belonging and identity they get from their co-operative and mutual housing.
- 4 Co-operative housing is a systematic and ongoing method of empowering ordinary people to make decisions and participate in democracy. Through a synthesis of informal and formal processes, co-operative and mutual housing leads to comparatively high numbers of people participating in democratic structures and decision-making.
- 5 Co-operative and mutual housing provides a non-threatening community based and comparatively straightforward environment where individuals can expand their skills and their outlooks on life in general.
- 6 By virtue of potential social interaction and the predominant ethical culture, co-operative and mutual housing is a fertile ground for promoting physical and behavioural change with regards to environmental issues.
- 7 The Commission’s evidence does clearly point to the benefits of co-operative and mutual housing deriving from their democratic community membership base.

Footnotes

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6 Myths and realities

This chapter discusses:

- co-operative and mutual housing and governance issues;
- negative evidence presented to the Commission about co-operative and mutual housing;
- whether this evidence is based on perceptions, historical or otherwise, or reality;
- what is needed to tackle problems that do exist.

- 6.1 Corporate governance is an important issue in public and private organisations. The 2001 Co-operative Commission raised questions about governance in co-operative consumer societies, and events over the last year have particularly highlighted governance issues in the financial sector, and in the structure of the British state. Co-operative and mutual housing is no different and there are important governance issues that need to be considered and addressed in the sector.
- 6.2 The Commission was presented with some negative views about the governance of co-operative and mutual housing. In particular, two eminent social rented housing stakeholders gave pertinent evidence at one of the Commission's hearings:
- Lord Best said that the small size of the co-operative and mutual housing sector was evidence that "it has not worked". He went on to say that there is "something inherent in the principles of co-operation that are the seeds of its own destruction" and suggested that when tested, the co-operative and mutual housing model "will fail". As evidence, he offered the loss of the co-ownership sector, where its members bought their homes when offered the individual purchase of their homes at very low prices⁸⁴, the possible predilection towards racism of many communities, and governance difficulties in co-ops when faced with community conflicts.
 - Richard Clark went on to say that work he had done in the past with co-operatives and mutuals had been doomed to "endemic governance failure". He said that there needed to be a "robust framework that ensures that organisations are run properly with checks and balances."
- 6.3 The TSA's RASA team⁸⁵ told the Commission that "20% of the providers covered by RASA are co-ops. 60% of the allegations on our allegations register come from co-op tenants. That is the main way that the RASA team becomes aware of governance issues. There are numerous reasons for governance failure. For example, where co-ops are run by general meetings rather than management committees, this can lead to a rather unwieldy approach to governance. Sometimes management committees don't have the necessary range of skills and sometimes co-ops don't have up to date policies, or fail to follow them. To try and improve governance arrangements, we are committed to exploring with the CCH what good practice guidance we can issue on governance, as well as a range of other issues that would be useful to the sector."
- 6.4 The CCH told the Commission that it had come across a "steady trickle of co-operatives and TMOs with governance and management problems. Some of them are major and significant problems that require a lot of work to put them right. Others are more mundane and more easily dealt with". Some of these issues had been raised by co-ops themselves requesting assistance, whilst others had been raised by members of co-ops dissatisfied with the way that their co-op had dealt with issues. For example, Julie Timbrell, a member of Lambeth Self-Help Housing Association, had approached the CCH with a number of allegations of mismanagement by her co-op, and subsequently gave evidence to the Commission about her allegations.
- 6.5 There is limited evidence available about governance in other co-operative and mutual housing organisations, but Cairncross et al⁸⁶ referred to some weaknesses in TMO governance. The Commission considered that the following issues need to be particularly considered in relation to co-operative and mutual housing:
- is there something endemic about the structure of co-operative and mutual housing that dooms its governance to failure?
 - are co-operatives exclusive? For example, do they exclude people from black and minority ethnic communities, either explicitly or by virtue of the way they operate?

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- do co-operatives and mutual housing organisations in reality only involve a small number of people? Do co-operative and mutual housing organisations renew themselves with a steady flow of new volunteers?
 - what happens if co-operative and mutual housing organisations become dominated by difficult individual members who use and manipulate the organisation's democratic structures for their own personal ends?
 - do co-operative and mutual housing organisations deal properly with issues of self-interest amongst members? When push comes to shove, does self-interest overpower community interest?
- 6.6 **Governance** – that there have been some governance problems in some co-operative and mutual housing organisations is not in doubt. The question is why there have been problems.
- 6.7 The single most important factor referred to by members of co-operative and mutual housing organisations has been the lack of support, advice, and guidance. For example, at the Sunderland hearing, Joseph Harriott referred to Summerhill Housing Co-operative being “in crisis a few years ago” due to “relationships between members becoming fractious and unworkable”. However, he said that strong leadership in the co-op and advice from a service provider had helped them to overcome the difficulties. Jim Noble from Sanford Housing Co-operative commented that “we had a lot of problems in the 1980s when we were largely self managing. Having a professional management agent now to provide us with continuity is very useful. We use CDS, themselves a co-op, which helps as they understand our particular needs.” Liz Quartey from New Longsight Housing Co-operative referred to the loss of the Manchester service provider as a reason for governance failure in ex-Manchester co-ops.
- 6.8 Evidence gathered also suggested that support to co-operative and mutual housing is about more than just being a reactive customer based relationship. Lord Best said that the support organisation needed to be a “source of leadership. [The support organisation is] sometimes going to say, you can't do that, that is madness. We have seen it a hundred times before and you will go over the cliff – don't do it”. CDS Co-operatives Executive Director David Rodgers responded to Lord Best that “the difference in a co-operative and mutual housing organisation is between control and advice. The support organisation's role is similar to that of a solicitor's or an accountant's – to give you firm, sound professional advice. Sometimes a solicitor will tell you, don't do that because it is not lawful. But organisations who provide support to co-operative and mutual housing organisations have to respect their right to make decisions”. This view is similar to the approach taken by the LHA-Asra Group⁸⁷ in providing support services to the four housing co-ops based in Leicester - “we're there to provide a back-up, a level of expertise, a level of knowledge, to keep an eye on how things are going, to highlight issues, to point out advantages that could be gained elsewhere, but to ultimately leave the decision up to the co-op.”
- 6.9 Current support, advice and guidance available includes:
- support provided, primarily to housing co-ops, through a variety of service providers, including specialist secondary co-operatives, housing associations and individual consultants. In 2001, the CCH identified⁸⁸ that the success of such service provision depended on the service provider's links to the co-operative housing movement through the CCH or other means, and that there had not been a serious governance failure in a co-op that receives support in this manner;
 - support provided through directly employed staff. Whilst some housing co-ops directly employ staff, Cairncross et al⁸⁹ identified that 85% of TMOs employ or second staff and concluded that “staff/board relationships are critical to the effective functioning of TMOs”;
 - in the case of the larger scale co-operative and mutual housing organisations, the establishment of community gateways and mutuals and such organisations as WATMOS Community Homes was itself the development of a support structure for smaller scale community organisations and activity;
 - support provided by the CCH, which has included the production of Codes of Governance for co-ops and TMOs⁹⁰, the Lambert/Bliss research document on how services are provided to co-ops, and more recently direct consultancy support to housing co-ops and TMOs;
 - support provided by the NFTMO, who have developed a TMO governance kitemark⁹¹, and a Common Assessment Model for new TMOs⁹², provide training and regional and national networking opportunities and provide a range of policy information. The NFTMOs have also been central to recent Government reviews of the framework for setting up new TMOs;

- the CCH and NFTMOs also hold annual conferences (in partnership with each other on a biannual basis) which provide practical support and networking opportunities for those who attend;
 - support provided by the Co-housing Network, and Radical Routes, a small organisation providing support to small non-stated funded housing co-ops. Evidence given to the Commission's Bristol hearing suggests that this sector is now struggling to maintain itself in an environment of high house prices. Support mechanisms for community land trusts are beginning to emerge, but they are largely dependent on charitable grant funding and matched funding from government and are, at best patchy, and at worst, confusing and hard for communities interested in setting up community land trusts to access;
 - some housing associations have provided support for the development of housing co-ops, most notably Accord Housing Association in their support for the development of Redditch Co-operative Homes, and some associations are also currently exploring providing support to co-housing schemes and community land trusts.
- 6.10 This support is somewhat limited, and some of it is voluntarily based. A key problem is its fragmentary and unco-ordinated nature – largely a result of the lack of recognition by the regulator and others of the distinct identity of the co-operative and mutual housing sector and its need for its own support and regulatory arrangements. This is particularly illustrated by the Housing Corporation's (and more recently the TSA's) struggle to respond to allegations made about housing co-operatives. On the one hand, some allegations arrive at the regulator's door simply because those making allegations knew of nowhere else to go. On the other hand, the Housing Corporation expected co-operative and mutual housing organisations to operate to the same standards of governance as large housing associations, and struggled to understand the operations of, for example, the general meetings of housing co-ops. The CCH is now working with the TSA to establish an accreditation framework for housing co-operatives and their service providers based on the Co-operative Housing Federation of Canada's 2020 Vision⁹³ and other relevant documents, which will both ensure that standard governance criteria are addressed, whilst considering how housing co-ops apply the co-operative values and principles. This type of approach may be relevant to other parts of the co-operative and mutual housing sector.
- 6.11 **Exclusivity** – in chapter four we summarised Gulliver/Morris's data on who the sector houses. There are some differences in the demographics of the people housed by other sectors. More black and ethnic minority people are housed, perhaps partly because most co-operative and mutual housing is in urban areas. Fewer elderly people are housed, perhaps because there are currently few sheltered schemes in co-operative and mutual housing. But the Commission came across no evidence that co-operative and mutual housing systematically excludes any particular group of people, or that any individual co-operative and mutual housing organisation has ever excluded particular groups.
- 6.12 Although more people who are non-statutorily homeless are housed, fewer people designated as statutorily homeless are housed. This may be because allocations systems are not designed to nominate to the sector. Preliminary findings in research being carried out by Sarah Blandy at the University of Leeds suggest that co-operative and mutual housing is likely to be more successful if residents are clear at the outset that they will have to contribute time and energy. This can be difficult to achieve under current allocations systems. The East Midland Development Agency supported this point, suggesting that allocations systems to co-operative and mutual housing organisations should "endeavour to identify prospective new households who are keen to be part of mutual bodies."
- 6.13 There is evidence to suggest that the sector performs well in terms of encouraging people from diverse backgrounds into leadership roles. Richard Crossley, the co-ordinator of the National Tenant Voice, particularly remarked of the 2009 joint annual CCH/NFTMO conference that, for a tenant audience, delegates included a large number of younger people and people from a black and minority ethnic background – a point also made by TSA Chief Executive, Peter Marsh – "I enjoyed speaking to tenants at the annual conference. I felt first hand the passion of members of the mutual movement and it was great to see such a mixed group - both in the age and ethnic diversity - of attendees."
- 6.14 **Involvement and renewal** – co-operative and mutual housing is about having a legal right to participate. In common with most forms of democratic systems of Government, it doesn't mean that all members exercise their democratic participation rights. Les Harborne from Breedon Co-op echoed concern from a number of co-op members that it was "always the same people attending meetings". Cairncross et al⁹⁴ noted that in TMOs, "few residents put themselves forward as committee members and elections are rarely



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- contested”, and that “AGMs are often poorly attended and sometimes inquorate”.
- 6.15 But Paul Mangan from Langrove Housing Co-op said that “participation in co-ops ebbs and flows and that’s a natural thing and might be the result of a particular kitchen programme or other community activities.”
- Cairncross et al also noted that 24% of TMO residents had attended meetings, whilst Thornholme Housing Co-op said that about 25% of their members are active, and 20/20 Housing Co-op estimated that on some occasions nearly a half of their co-op had participated, but that this fluctuates. Housing co-ops run by general meetings without elected management committees usually sustain greater levels of member involvement. For example, Rainbow Housing Co-op told us that their meetings are regularly attended by as many as 25 of their 30 members.
- 6.16 The CCH recognises that “some co-ops may have periods of minimal levels of involvement, but the numbers and the quality of participation in most housing co-ops far exceeds participation in other housing providers and in other service activities. Co-ops do tend to renew themselves. One minute you hear worrying stories about a particular co-op with only three active members - the next you hear that new people have joined their committee. Most co-ops have lasted through several generations of members – there’s a good record of sustainability for community organisations, particularly in an environment that hasn’t been supportive of co-ops.”
- 6.17 **Manipulation** – on occasion the ebb and flow of participation can lead to individual members exploiting a democratic deficit and the co-operative and mutual housing organisation falls prey to dictatorial control by one member or a group of members. CDS Co-operatives refers to the seven “deadly sins” of the “little Hitler” syndrome, the “us and them” oligarchy, corruption, favouritism, lack of accountability, secretiveness and failure to declare conflicts of interest, and apathy. When these problems happen, they can be difficult to deal with, particularly if they have become entrenched over time. It is particularly difficult to get democracy re-established because problems of this nature are likely to be characterised by a difficult atmosphere not conducive to building general active participation.
- 6.18 However, these problems are thankfully not that frequent, and, especially if the problem comes to light at an early enough stage, they can be resolved with the support of a service provider or another body who is good at resolving them. The CCH commented that “we have come across problems where individuals manipulate co-ops. The problem has been that there has been no guidance for co-ops so that they know what they should be doing or for co-op members so that they know what they should expect, and in most cases, we haven’t had the early warning system that would mean that we could nip the problem in the bud. We are now working with the TSA to look at ways of dealing with problem cases. Most problems can be solved, but, in one or two cases where the problems are intractable, we haven’t been shy about telling the TSA they need to close a co-op down.”
- 6.19 **Self-interest** – because governance of co-operative and mutual housing lies in the hands of the people who receive the service, theoretically they might be prone to conflicts of interest where individuals want decisions taken to benefit them personally. In practice, organisations usually have systems and methods to deal with conflicts of interest, and there is no evidence that personal self interest plays any significant role in co-operative and mutual housing.
- 6.20 Of course, personal self interest is likely to win out over community interest when people are offered windfall profits, as happened in the co-ownership sector. Most co-ownership societies closed down in the 1980s when their members were offered the opportunity to buy their homes often at very cheap rates. With substantial assets on offer to individuals, perhaps it says more that some co-ownership societies still exist. Personal self interest affects all walks of life - parliamentary expenses scandals, excessive salaries and bonuses for senior financial and housing executives being particularly public examples. The Commission found no evidence that the co-operative and mutual housing sector was particularly prone to personal self-interest.

Key conclusions

- 1 There have been governance problems in some co-operative and mutual housing organisations. Some of these problems have been real and have needed to be addressed, but the Commission did not find evidence that the problems are endemic.
- 2 Most governance problems could be resolved if comprehensive and sympathetic support and guidance was available, but this support has often not been available when needed. The lack of support and guidance reflects a failure to recognise co-operative and mutual housing as a distinct sector with a need for a specific regulatory, guidance and support framework.
- 3 Access to robust support, advice and guidance is essential for co-operative and mutual housing organisations. This can be provided in various ways, but the organisation providing support needs to provide support effectively and proactively, and needs to respect the independence of the client organisation.
- 4 There is no evidence that co-operative and mutual housing is exclusive or discriminates in its tenant and member selection processes. The sector houses a comparatively higher number of young people and people from black and minority ethnic communities and tends to encourage and support people from diverse backgrounds to participate in the leadership of the sector.
- 5 Co-operative and mutual housing is about having a legal right to participate, but not all members exercise this right. Active participation ebbs and flows. In some cases, very few participate, but generally the sector demonstrates far higher active participation than in other community or housing activity.
- 6 Like any democratic system of governance, co-operative and mutual housing can be vulnerable to manipulation of democratic systems by unscrupulous individuals, but the occurrence of this is rare. Problems of this nature can be more easily dealt with through proper checks and balances in codes of governance and best practice, early identification of problems and by having appropriate support systems.
- 7 Whilst there is a need for checks and balances through codes of governance and conduct, backed up by access to support, advice and training, there is no evidence to suggest that co-operative and mutual housing is particularly prone to problems of personal self-interest.
- 8 Work being done by the CCH, with funding support from the TSA, to develop sound governance through accreditation systems should lead to fewer governance problems.

Footnotes

- 84 These sales were carried out under Section 122 of the Housing Act 1980 – this gave the Housing Corporation powers to give consent to sales. Initially sales were only approved where the co-operative was wound up and all its members expressed the desire to buy the property they lived in. Although there was a flood of applications to wind up co-ownership societies in the early 1980s not all were wound up. By 2008 fewer than 40 of around 900 such societies remained.
- 85 The Tenant Services Authority RASA Team deals with regulation of small housing associations, including housing co-operatives registered with the TSA.
- 86 Cairncross, L, Morrell, C, Darke, J, Brownhill, S (2002) *Tenants Managing: An Evaluation of Tenant Management Organisations in England* Oxford Brookes University ODPM
- 87 Quoted from Lambert, B and Bliss, N (2001) *Providing services to housing co-operatives* CCH
- 88 Lambert, B and Bliss, N (2001) *Providing services to housing co-operatives* CCH
- 89 Cairncross, L, Morrell, C, Darke, J, Brownhill, S (2002) *Tenants Managing: An Evaluation of Tenant Management Organisations in England* Oxford Brookes University ODPM
- 90 CCH (2002) *Code of Governance for Housing Co-operatives* CCH and National Housing Federation and CCH (2003) *Code of Governance for Tenant Management Organisations* CCH and National Housing Federation
- 91 NFTMOs (2004) *The NFTMO Good Governance Kite Mark*
- 92 NFTMOs (2008) *Common Assessment Model*
- 93 CHF Canada (2008) *On the road to 2020: A guide to becoming a certified 2020 housing co-operative*
- 94 Cairncross, L, Morrell, C, Darke, J, Brownhill, S (2002) *Tenants Managing: An Evaluation of Tenant Management Organisations in England* Oxford Brookes University ODPM





7 So what's it like in other parts of the world?

This chapter looks at:

- the development of co-operative and mutual housing sectors in other countries, and what lessons can be learnt from international examples;
- why England has not developed similar co-operative and mutual housing sectors, and, based on international experience, what would be needed to develop a mature English co-operative and mutual housing sector.

- 7.1 85% of the 35,000 member organisations of the international federations that make up CECODHAS, the European liaison committee for social housing, are housing co-operatives. Most are very small, although some are very large, but housing co-ops own 18% of Sweden's total housing stock, 15% in Norway, 8% in Austria, 6% in Germany and about 4% in Ireland. This compares to 0.6% of housing in the UK. ICA Housing, the co-operative housing sector organisation of the International Co-operative Alliance, has a membership drawn from 30 countries across the world, and information about each country's housing co-op sector is available on their website⁹⁵. As well as being more numerous, co-operatives offer many examples of the long term sustainability of housing co-operatives as affordable housing providers, such as Co-op L'Aurora in Italy currently celebrating its centenary.
- 7.2 As is the case with the development of any system or method of doing things, there are three elements or phases that have marked the evolution of co-operative housing systems in other countries from their beginnings in the late 19th century in Germany and Austria to the present day. These phases are a development continuum and generally do not occur in a rigidly linear progression – it is not the case that one phase finishes neatly before the next one begins. Co-operative housing systems in different countries have developed different elements of each phase in different ways and sometimes in different orders. However, what can be concluded from the experience of the development of co-operative and mutual housing systems in other countries is that transition through each of the three phases is a pre-requisite for the development of a mature system of co-operative and mutual housing.
- 7.3 **Phase I: grass roots pioneering and experimentation** - the first phase or element is characterised by grass roots bottom up initiatives by trade unionists or housing and community activists experimenting with the development of housing co-ops as a means of meeting housing needs of people who aren't able to get a decent home they can afford. Germany, Austria, Sweden and Canada provide examples of this pioneering phase, with Canada's first phase coming later and being stimulated by the success of Scandinavian housing co-op sectors. Pioneering co-op housing experiments in Phase 1 are at greatest risk of failure because of the lack of an appropriate legal and financial framework in which to develop and a lack of professional and technical support.
- 7.4 **Phase 2: replication and consolidation** – phase 2 replicates, consolidates and adapts successful pioneering experiments, leading to the emergence of a recognisable co-operative and mutual housing sector. Regional and national federations of co-operative and mutual housing start to form; support services able to facilitate the development of co-operative and mutual housing begin to develop; and codes of conduct and best practice begin to emerge.
- 7.5 The development of secondary co-operative organisations, existing to promote, develop and provide services for primary housing co-operatives, who own the housing and house their resident members, are a common feature of this phase. In Scandinavia, the relationship between secondary and primary organisations is described as a mother and daughter relationship, because the secondaries give birth to the primaries. In Sweden and Norway, membership of the secondary is open to people in need of a home and interested in living in a housing co-op. The secondary develops a new daughter primary co-op in which the members in housing need are housed, at which point they become members of the primary. In Sweden, Norway and Germany, co-operative housing development was enhanced by the establishment of savings and loan schemes for members wishing to save a deposit towards their co-op membership shares.
- 7.6 The emergence of the co-operative housing systems in Austria, Germany and Czechoslovakia before the First World War, in Sweden in the 1920s, in Norway in the late 1940s and in Canada in the

1970s all show that during Phase 2, co-operative housing sectors, through emergent national representative organisations, can also become effective advocates for affordable housing provision in general and co-operative housing in particular. The success of this advocacy depends principally on whether national governments are sympathetic to and see the benefits of co-operatives. In some of these countries the success of co-operative housing systems led to favourable financial support or tax treatment, which acted as a further spur to development, although in Sweden it was the tenure neutrality of government support for housing in a national housing system that sought to ensure a decent home for all that enabled the benefits of co-operative housing tenure and ownership to emerge as a distinct form of tenure.

7.7 Phase 3: formalisation and public recognition – where specific provision is made for co-operative and mutual housing within national legislation and housing systems. This depends on the level of support national governments wish to give co-operative and mutual housing organisations and whether they wish to encourage their development. Specific Government support for co-operative and mutual housing resulted in the dynamic and significant sectors in Canada, Austria, Norway and Sweden. Where a government is neutral, co-operative and mutual housing tends to become part of an overall housing system without special provision to encourage development. Governments hostile to democracy, such as the Nazi regimes in Germany, Austria and Italy in the 1930s, legislated to constrain or abolish co-operative housing as distinct forms of tenure.

7.8 Phase 3 is characterised by legislation that defines the nature of co-operative housing tenure and co-operative organisations as corporate entities, including their governance and regulation, and makes specific provision for them in national housing systems and strategies. At best, legislation encourages co-operative and mutual housing development through specific tax treatment or financial support, and at worst, it constrains development. More neutral support would result in no special provisions other than pragmatic recognition of the nature of the sector. Sweden and Switzerland, where specific co-operative housing legislation and representative national co-operative housing organisations date back to the 1920s are examples of the most effective legislative treatment. In both, co-operative tenure has been established longest without major political disruption or change.

7.9 Of course supportive co-operative and mutual housing systems are not immune to the winds of political change, but international experience suggests that achievement of Phase 3 of co-operative and mutual housing puts the sector in a better position to either recover or adapt to change. Thus German and Austrian co-operative and mutual housing sectors were able to rebuild after the war, and the Italian sector was able to regain member control. The ending of the Cold War has also seen the gradual rebirth of co-operative and mutual housing in former eastern bloc countries where previously co-operative housing had been subsumed as organs of the state. Less dramatically, Swedish and Norwegian co-operative housing sectors have had to adapt to the removal of price controls on co-operative share values in the 1980s, which drove access to co-operative housing up-market, and Canadian and Turkish sectors have had



to adapt to the ending of Government assistance in the 1990s and 2002 respectively. The mature Co-operative Housing Federation of Canada (CHFC) was able to protect low income members during federal cost cutting exercises in the 1990s and has been well placed to support the Canadian national government's 2008 fiscal stimulus programme.

7.10 Governments that have supported the development of maturing Phase 2 and Phase 3 co-operative and mutual housing systems have used a range of legal, financial and administrative arrangements to encourage development dependent on the national environment. Federal state countries or those with devolved regional government have more diverse arrangements - USA having the greatest variety of arrangements. Similarly, international co-operative and mutual housing sectors have used various approaches and instruments to develop into phase 3 of development⁹⁶.

7.11 **What happened to the English co-operative and mutual housing sector?** Early building societies, building homes for their members, whilst providing them with savings and loan facilities, might have developed into a co-operative and mutual housing sector, but co-partnership and co-ownership were the first two recognised experiments into co-operative and mutual housing in England.

7.12 In the early 20th Century, co-partnership societies were developed as an early form of co-operative housing. Grass roots resident support did start to develop in them, but the movement declined after the First World War as support for municipal housing grew. Co-partnership societies had twin private investor and resident membership structures, and pressure from private investor

members of co-partnership societies to realise their assets, resisted in some cases by resident members, led to co-partnership societies reverting to either conventional home ownership or private renting by the 1960s.

7.13 Co-ownership, developed by central Government through the Housing Corporation in the 1960s and 1970s, suffered from not having enough grass roots support. Whilst some co-ownership societies do still exist, the way they were set up did not embed co-operative principles, and not surprisingly many members did not understand or value that they lived in a co-operative, and chose to buy their homes, often at very low prices, when given the opportunity to do so. Unprotected, co-ownership did not have the opportunity to mature into a phase 3 sector.

7.14 Most of the 1970s and 1980s common ownership developments came out of community activity, leading to a nascent "movement" with a distinctive culture. The movement progressed to the development of the CCH⁹⁷ and a network of support organisations, but it was stunted at birth by the changing Governmental approach through the 1980s. This has meant that any equivalent of the Phase 2 development that occurred in other countries has been slow, awkward and not as comprehensive as it has ever needed to be. Nonetheless, the continuing benefits derived from the development of co-operative housing in the 1970s and 1980s suggest that completing Phase 2 and entering Phase 3 with sympathetic enabling Government policy is possible and desirable.



- 7.15 In England two factors have also marked differences from the experience of other countries. Firstly, the absence of specific public support to develop the “ownership” co-operative and mutual housing sector has meant that either a small number of communities have done whatever they can to establish co-operative housing solutions without public funding that are fragmentary with access to limited support and guidance, or emphasis has been directed at adapting housing developed through other tenures to co-operative and mutual housing through tenant management or more recently community gateways and mutuals.
- 7.16 The tenant management sector has progressed into Phase 2 with the establishment of the National Federation of Tenant Management Organisations (NFTMO), and into Phase 3, with the 1994 Right to Manage, the NFTMOs receiving public support and recent legislative and other steps taken by Government to strengthen the sector and streamline the process of setting up TMOs for tenants.
- 7.17 Tenant management and community gateway have led to the development of strong community organisations, but they face the significant challenge of putting right decades of disempowerment in a regulatory and legislative culture not built for them. For TMOs, their ultimate lack of control of resources means that some may have long term financial difficulties, and the difficulties of establishing tenant management in the housing association sector have led some TMOs to pursue ownership transfer.
- 7.18 Secondly, international co-operative and mutual housing sectors are aimed at a wider cross section of the population. For example, most Scandinavian co-operative housing is aimed at an intermediate market, the Norwegian co-operative housing being a sector of choice for middle income earners, and in the Swedish sector, having had periods where it was forced up market by government policy, occupancy rights are traded at an unrestricted price in a co-operative housing market. Even the Canadian rental sector is accessible to a greater cross section of the community, with Canadian housing co-ops receiving “rent to income related” subsidy for low income members, but charging a closer to market rent to higher income members.
- 7.19 In England, the predominance of individual home ownership as well as the dismantling of the co-ownership sector, has inhibited the growth of any intermediate co-operative and mutual housing sector. This has meant that the UK co-operative and mutual housing sector has been polarised into the provision of homes solely for low income people in the social rented housing sector, a sector dependent on the taxpayer for capital subsidies.
- 7.20 Based on US and Scandinavian models that have enjoyed Phase 3 public recognition and support, a fledgling co-housing sector has emerged in recent years in the UK to provide a community approach to home ownership, with some interest from Government, particularly in relation to the provision of a mutual approach for elderly people.



- 7.21 More recently the difficulties of the housing market have led to proposals that the Government should provide support to stimulate the development of community land trusts and mutual home ownership to provide permanently affordable intermediate housing market solutions in rural and urban areas where house prices have moved beyond the reach of a majority of working households on average incomes. Little in terms of structured support is being provided for these innovative forms of tenure.
- 7.22 The challenge for these initiatives is to ensure that they are clearly seen as part of the co-operative and mutual housing sector so that they do not become subsumed into the home ownership market in the future in the way that co-ownership was.

Key conclusions

- 1 There are strong co-operative and mutual housing sectors in many other countries, most notably in Scandinavia, Germany, Austria, Canada, in emerging former eastern bloc countries, Turkey and India.
- 2 These co-operative and mutual housing movements have come about through a combination of bottom up grass roots development, development of appropriate representation and support frameworks including national representation, and national recognition of the distinctive nature of co-operative and mutual housing and various levels of national and local Government support – features of three phases of development that occur in different ways, but pre-requisite hallmarks of a process that leads to mature co-operative and mutual housing sectors.
- 3 National and local government support for co-operative and mutual housing, in partnership with effective co-operative and mutual representative structures, can lead to highly stable and sustainable forms of affordable, democratically controlled housing provision that maintains high quality housing in vibrant communities and neighbourhoods.

- 4 The English co-operative and mutual housing movement never developed into a mature sector because the three phases never came together. Early systems, including co-ownership, never got out of the starting gates because they were not rooted in the grass roots and were too easily dismantled. Ownership housing co-ops did develop from the grass roots and representation and support frameworks did emerge, but after the 1980s, they ceased to enjoy any significant Government recognition and support.
- 5 However, there is nothing to suggest that the UK co-operative and mutual housing movement does not have the potential to develop into a mature phase 3 sector if appropriate financial, legal and administrative arrangements are developed in partnership between a supportive government and effective sectoral bodies.
- 6 The tenant management sector has featured all the necessary elements of development, but it is more challenging to develop a widespread tenant management movement within a housing sector that is alien to it.
- 7 The English co-operative and mutual housing movement has also suffered by being polarised into the provision of homes in the low income social rented housing sector. This has not been the case in other international co-operative and mutual housing sectors.
- 8 There are signs that co-housing, community land trusts, mutual home ownership and mutual retirement housing may offer ways of widening the social and economic base of co-operative and mutual housing, but unless these forms are rooted in the co-operative values and principles and the mutual housing sector and developed with positive government support, they run the risk of becoming marginalised and providing only the temporary approach that co-ownership played.

Footnotes

- 95 Profiles of each country's co-operative and mutual housing sectors can be found on the ICA Housing website – www.icahousing.coop. These include details of the number of homes provided and the legal, financial and administrative arrangements in each country.
- 96 Examples of positive Government support arrangements and approaches and instruments used by third phase co-operative and mutual housing sectors are shown on the Commission's website.

- 97 In fact, it led initially to the development of the National Federation of Housing Co-operatives, an organisation that collapsed due to an over reliance on state support which was suddenly withdrawn. Perhaps this was an over ambitious attempt to progress to Phase 3 in circumstances that would never have enabled it.





8 Making it happen

This chapter:

- sets out what needs to happen to make co-operative and mutual housing an option available to more people in the country;
- states how existing housing organisations should move towards co-operation and mutuality;
- includes specific and practical action points to stimulate the co-operative and mutual housing sector;
- leads to a summary of what steps should be taken by different statutory and non-statutory organisations.

- 8.1 The following are needed to develop a mature co-operative and mutual housing sector:
1. **support from national and local Government** – a national and local Government framework that supports the development of co-operative and mutual housing.
 2. **a supportive housing sector** – a housing sector that throws its skills and expertise behind enabling people and communities to develop co-operative and mutual housing.
 3. **a supportive co-operative movement** – a co-operative movement that identifies that housing is a key part of the co-operative family and uses its dynamism, vision and assets to foster co-operative housing.
 4. **a strong co-operative and mutual housing sector** – a stronger and more focused co-operative and mutual housing movement that brings together all its different strands.
 5. **financing and enabling structures** – a system to enable access to finance and an enabling structure to help establish co-operative and mutual housing and provide appropriate guidance and support.
 6. **promotion and vision** – a national vision for co-operative and mutual housing, providing information for the general public, local authorities, housing associations and others that makes it clear what co-operative and mutual housing is, how it can be developed and how people can access it.

- 8.2 This is not a call for additional funding from the taxpayer, but it is clear that public and private investment in affordable housing is needed if the housing needs of our country are to be met. The Commission is calling for available resources and housing strategies to be realigned to enable the development of co-operative and mutual housing, and doing so because co-operative and mutual housing delivers good value for money, particularly in terms of wider social and community benefits that will save public money in the medium to longer term.

“The development of co-operative and mutual housing requires something put in place to encourage and develop co-operative and mutual housing and to inform communities about the option.”⁹⁸

- 8.3 **Support from national and local government** – agreed in 2002, International Labour Organisation Recommendation 193 made a number of recommendations with regards co-operatives generally. Stating that “the promotion of co-operatives should be considered as one of the pillars of national and international economic and social development”, the recommendation specifically made it clear that it referred to all sectors and all countries.
- 8.4 With a requirement that national governments report to their parliaments how they are responding to the recommendation, key points in the recommendation⁹⁹ include that:
- co-operatives should enjoy equal treatment with other types of enterprise;
 - national governments should create an enabling environment and facilitate access to support services;
 - national government should provide a conducive policy and legal environment; should grant support when justified by circumstances; and should develop partnerships with co-operatives where appropriate;
 - co-operative organisations should work with social partners to create a favourable climate for co-operative development.



8 Making it happen

- 8.5 The Commission concludes that the Government should, in partnership with the co-operative and mutual housing sector, develop a strategy to apply ILO recommendation 193 to housing provision, supporting co-operative and mutual housing within the framework of a national housing strategy aimed at meeting national affordable housing needs.
- 8.6 The Commission proposes that Government establishes a co-operative and mutual housing working group to bring together various statutory and non-statutory representatives with the co-operative housing sector to plan a cross departmental strategy to develop and support co-operative and mutual housing within the framework of Government's national housing strategy. The Commission welcomes the TSA announcement that it will set up a working group to consider elements of this strategy.
- 8.7 The Government should encourage and support all forms of co-operative and mutual housing – housing co-operatives, tenant management, mutual home ownership, co-housing, mutual retirement housing, and community gateway, with a view to them becoming part of the standard menu of options for local communities in determining what housing models are right for their neighbourhoods.

Action point 1

The Government should, in partnership with the co-operative and mutual housing sector, develop a strategy to apply ILO recommendation 193 to housing provision, supporting co-operative and mutual housing within the framework of national housing strategy.

Action point 2

The Government should establish a co-operative and mutual housing working group through the TSA, bringing together representatives from statutory and non-statutory bodies with representatives from the co-operative and mutual housing sector to plan this strategy. The Commission welcomes the TSA announcement that it will set up a working group to consider elements of this strategy.

Action point 3

The Government, the Homes and Communities Agency (HCA), the TSA and local authorities should:

- recognise the benefits and distinctive nature of housing co-operatives, ensuring that new affordable housing development is carried out through existing or new housing co-operatives;
- continue to promote and develop tenant management to existing tenants of local authorities and housing associations;

- recognise the potential of mutual home ownership as a new intermediate market tenure, facilitating the development of exemplar projects to widen the tenure choice available to households who are not able to sustain individual home ownership;
- support the need, in an ageing society, to develop co-housing and other forms of mutual retirement housing for older people to enable them, as far as is possible, to maintain independent living through living in housing communities that facilitate mutual aid and support;
- review the development of community gateway to identify its progress and to enable other large scale housing organisations to draw lessons from the model.

Action point 4

The Government, through the HCA, should:

- ensure that affordable housing investment strategies enable any local community in England that wishes to do so to develop housing co-operatives and other forms of mutual and community owned and managed housing. Because of the benefits they bring and the need for promotion, co-operative and mutual housing should be incentivised as an option for local communities;
- judge its affordable housing investment strategies to be failing unless a significant part of affordable housing investment each year is invested in co-operative and mutual housing development;
- ensure that the 'value for money' methodology it uses to assess investment in affordable housing development values the personal, social, economic and environmental sustainability benefits of investing in housing co-operatives and other forms of mutual and community owned and managed housing.

Action point 5

The Government, through the TSA, should ensure that:

- arrangements for registering co-operative and mutual housing are fit for purpose and designed to enable communities wishing to do so to relatively easily register co-operatives and mutual housing organisations;
- the regulatory and inspection regime recognises the benefits that derive from co-operative and mutual housing and are designed to be

appropriate to the scale, operation and member controlled nature of co-operative and mutual housing providers.

8.8 **Local housing strategies** – developing co-operative and mutual housing requires the support of local authorities and local people. Local communities need to be aware of co-operative and mutual housing options and the contribution they could make to their neighbourhoods. Co-operative and mutual housing should be seen as an essential ingredient in local housing strategies, capable of meeting various housing and community needs.

8.9 As part of promoting co-operative and mutual housing models, local authorities should review their allocations systems to enable people to express an interest in co-operative and mutual housing and for that to be considered in the allocations process.

8.10 Laura Shimili attending the Commission’s local authority hearing on behalf of the Local Government Association (LGA) said that “the LGA is enthusiastic to work with interested councils to develop co-operative and mutual housing. Our campaign to allow councils to retain locally raised income and have more access to funding could provide more opportunities for councils to meet locally determined priorities through co-operative and mutual housing.”

8.11 The Commission’s Local Authority hearing made it clear that the development of local co-operative and mutual housing strategies needed to be tailored to the needs of local circumstances. Redditch Borough Council set tough criteria for the development of Redditch Co-operative Homes, which have been achieved, including:

- affordable rents within 10% of Redditch Borough Council’s rents;
- 100% nomination rights from a council waiting list of people who had expressed an interest to live in co-operative housing;
- high levels of tenant involvement in management and development;
- high quality homes with a high specification interior, tenant choice and environmental efficiency;
- having a local office based in Redditch;
- council membership of the Redditch Co-operative Homes board.

8.12 Cllr Bill Hartnett from Redditch Borough Council said “it’s been a story of great success. Initially councilors were sceptical about co-operative housing, myself included, and we had to be convinced that it was going to work. But now all the political parties in Redditch support it, and I am one its greatest advocates. We are proud that it has delivered so many of the things that people in Redditch wanted.”



Commission case study – Redditch Co-operative Homes was developed in the late 1990s through a partnership between Redditch Borough Council and Accord Housing Association. Through RCH, six independent housing co-ops have been developed in the borough, who buy services from RCH.

Action point 6

All local authorities should incorporate co-operative and mutual housing into their housing strategies and local area agreements based on the following six points:

- ensuring that various models of co-operative and mutual housing are available to provide housing options for local communities;
- linking with people from the co-operative and mutual housing sector to publicise co-operative and mutual housing to local communities and generating a local authority wide debate about democratic housing options;
- ensuring that co-operative and mutual housing options are publicised to the public and developing allocations systems for social rented housing that enable people to express a preference for co-operative and mutual housing and this be taken into account in the allocations process. Local authorities should also enable pre-allocations for new build co-operative and mutual housing schemes;
- creating links with, encouraging and supporting existing co-operative and mutual housing in the local authority area;
- requesting partner housing associations to develop co-operative and mutual housing;
- using publicly owned land or buildings at less than the unrestricted use or open market value in order to generate co-operative and mutual housing solutions.

Action point 7

The LGA should promote co-operative and mutual housing options to local authorities, and assist them to incorporate co-operative and mutual housing into their housing strategies.

- 8.13 **A supportive housing sector** – considerable development and other expertise exists in the housing association and local authority housing sectors, and access to this expertise is needed to develop a co-operative and mutual housing sector. Particular ways the housing sector should assist include:
- **developing new homes** – developing homes for co-operative and mutual housing organisations is quite different than current housing association approaches and would require a re-alignment of existing skills sets, but housing associations in a position to develop new homes should develop new co-operative and mutual

housing organisations – affordable housing co-ops in the social rented sector; co-housing schemes for elderly and multi-generational communities; mutual home ownership schemes; community land trusts;

- **“short lifing” empty homes** – a tried and tested route, where appropriate, housing associations and local authorities should continue to “short life” homes to housing co-ops where they are unable to make use of empty homes in the short term;
 - **rationalising homes** – a process has now started whereby large landlords are examining their stock portfolio to transfer ownership of homes where it makes more community sense for them to be owned by another landlord. Currently this stock rationalisation is being conducted in a competitive fashion, where homes are transferred to the landlord that offers the most competitive bid, with minimal involvement of those living in the homes. Rationalising homes to co-operative and mutual housing would require a different approach but could yield a range of benefits for the people living in the homes;
 - **providing other services** – where appropriate, existing housing organisations should provide other services to co-operative and mutual housing organisations.
- 8.14 **Steps towards mutuality** – during the course of its work, the Commission was asked to identify steps that existing housing organisations might be able to take to move towards mutuality and derive some of its benefits. The Commission is not making an exclusive claim that social and community benefits in housing can only derive from co-operative and mutual housing. Where a housing organisation wishes to take steps towards mutuality, the points set out below are based on the evidence of work done with community gateways, a model specifically designed to import democracy, co-operation and mutuality into large scale housing organisations. The following are actions that large scale housing organisations could take towards co-operation and mutuality:
- **membership** - as recommended by Communities Scotland, housing associations could offer their tenants and other service users legal membership of the housing organisation¹⁰⁰. This is not necessarily a simple step, and to simply introduce large numbers of tenant members to a housing organisation without developing tenant capacity or ensuring that membership is meaningful could lead to

problems. However, the more power the membership has, and the greater the percentage of tenant members, the more mutual the organisation becomes, and the more the potential benefits that might derive from co-operation and mutuality. Community gateways were initially defined as having a tenant majority membership, but there have been some informal discussions amongst the gateways that the membership should be redefined as exclusively tenant;

- **representation of the tenant constituency** – most housing organisations are now introducing some body that enables representation of the tenant constituency, and this is a necessary step towards building mutuality in housing. The community gateways in Preston and Watford have established membership elected gateway tenant committees to work alongside their boards and management as an integral part of the governance framework and to enable the tenant leadership to participate in all decision-making and to lead the process of involving tenants and members generally;
- **local decision-making** – a key part of making membership meaningful and developing community identity relies on enabling tenants and communities to make decisions and have input at a level that they recognise as being in their local community. The TSA have proposed that social landlords should negotiate local standards with their service users, and community gateways are required to carry out structured community options studies in community defined “Local Community Areas” to encourage and support local people to identify the future of their neighbourhoods;
- **power at the local level** – options available could include local people being able to take control of decision-making in local neighbourhoods through tenant management or leasehold housing co-ops;
- **community empowerment strategy** – the process of empowerment is considered fundamental to community gateways and they are required in their rules to present a report to their Annual General Meetings on the progress of their community empowerment strategy. Taking on public accountability to show what steps are being taken to democratise the organisation would be an important step towards mutuality. Community gateways are expected to agree their community empowerment strategies with their tenant representatives;
- **sufficient resources** – any “steps towards mutuality” require sufficient resources,

particularly with regards staffing input into being able to have dialogue and create interaction with residents. Community gateways are generally expected to agree their community empowerment resources and the way that they will be used with their membership representatives;

- **cultural change** – achieving benefits through co-operation and mutuality is dependent on whether or not the will and the means are there to genuinely involve tenants in decision-making and to transfer power to tenant representatives. For the community gateways this has and continues to involve a considerable cultural change where all aspects of the housing organisation have to be considered from the perspective of involving tenants in decision-making. It particularly involved establishing community empowerment at the top of the staffing structure that is then cascaded down throughout the organisation.

Action point 8

Housing associations should provide development and other support to co-operative and mutual housing organisations as appropriate. In carrying out stock rationalisation programmes, housing associations should offer tenants the option that their homes are transferred to existing or new co-operative and mutual housing organisations.

Action point 9

The NHF should provide support and guidance to its members to develop co-operative and mutual housing.

Action point 10

Housing associations, local authorities and arms length management organisations should consider applying “steps towards mutuality” appropriate to their circumstances.

- 8.15 **A supportive co-operative movement** – the 2001 Co-operative Commission Report set out a blueprint for the future of the UK co-operative movement, which has led to the movement redefining its vision and its ethical, social and commercial purpose.
- 8.16 However, the small size of the UK co-operative and mutual housing sector has meant that housing remains the poor relation in the co-operative family. Whilst the members of co-operative societies are often keen to support co-operative and mutual housing options when they are explained to them, the co-operative movement has generally not recognised the potential of co-operative and mutual housing to create what the Co-operative Commission Report described as the “virtuous



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circle of co-operation". Consequently there has been little consideration in the co-operative movement of co-operative and mutual housing, and stakeholders from other co-operative sectors rarely distinguish between co-operative and mutual housing and other forms of affordable or sub-market value housing.

- 8.17 The combination of the co-operative movement's market facing consumer societies and the grass roots nature of the co-operative and mutual housing sector should place the co-operative movement at the forefront of the emerging local community agenda, potentially rebuilding co-operation and mutuality into the public consciousness as part of a locally controlled democratic housing movement, and potentially generating a new generation of members and customers of other co-operatives.

Action point 11

The co-operative movement should ensure that:

- it uses its financial, organisational and political strength to help the co-operative and mutual housing sector develop new financial, legal and operational frameworks that support and encourage the growth and development of the co-operative and mutual housing sector;
- its asset management strategies and procedures should contain positive policies and actions to ensure that, when the disposal of land and surplus assets is considered, communities are enabled to develop co-operative housing for their community when it is possible and makes social and economic sense to do so.

- 8.18 **A strong co-operative and mutual housing sector** – the Commission particularly recognises and supports the valuable roles that the CCH, the NFTMOs, the Co-housing Network and Radical Routes have played to build representation in the co-operative and mutual housing sector. Due to a lack of scale, these organisations are severely under-resourced, and their coverage of the co-operative and mutual housing sector is not comprehensive, with some parts of the sector, including community land trusts and community gateways remaining unrepresented.

- 8.19 The co-operative and mutual housing sector needs to start to believe in itself – its success, what it can do to change people's lives, indeed that it is a unique sector with a unique message to the world – so that it is better able to articulate its vision and message. Moving forward to a mature co-operative and mutual housing sector that can offer a spread of housing options will require more co-ordinated and professional representation, based on a firm financial structure.

- 8.20 A debate needs to take place where all those involved determine how best to structure the representation of the co-operative and mutual housing sector in the future. This debate needs to take place in conjunction with a range of other stakeholders including Co-operatives^{UK} and other parts of the co-operative movement, the CIH, the NHF, the Development Trusts Association and others. Whilst the co-operative and mutual housing sector needs to generate its own funding in the future to represent itself, a responsibility also falls on Government to facilitate co-operative and mutual representation until scale and capacity is established so that the sector can support itself.

Action point 12

The co-operative and mutual housing sector needs to recognise its success and sign up to its unique identity - so that it is better able to articulate its vision and message.

Action point 13

Representatives from the different co-operative and mutual housing sectors should come together, with the support of Co-operatives^{UK}, the CIH, the NHF and the Development Trusts Association and jointly determine how best to represent the sector to ensure a more co-ordinated and professional approach.

Action point 14

Government should provide seedcorn funding to support sectoral representation until sufficient scale is developed to enable the sector to fund its own representation.

- 8.21 **Financing and enabling structures** – the consequence of the global financial crisis, which has increased public sector debt and reduced the capacity of commercial lenders to invest in housing, is that the pre-crisis affordable housing delivery mechanisms, which subsidised affordable housing for rent by profits made by social landlords from developing housing for sale and shared ownership, no longer work. Rather than divert the content of this report into detailed technical discussion of possible new financial mechanisms in a rapidly changing financial world, the Commission has published a discussion paper on mechanisms for financing the development of co-operative and mutual housing on the Commission's website.

- 8.22 Key conclusions that can be drawn about financing the expansion of the co-operative and mutual housing sector at a time when access to both private and public funding is difficult are that:

- new and innovative financing mechanisms are required if the co-operative and mutual housing sector is to develop and the demand for affordable housing is to be met;
- the unique member controlled nature of some co-operative and mutual housing organisations gives them a capacity to raise finance in ways that differ from other affordable housing providers. For example, some member controlled housing organisations can secure investment using the open-market asset value of their housing, only politically and ethically acceptable where residents are in control of the asset and risks;
- any public or private sector funding or assets invested in co-operative and mutual housing should be invested in such a way as to avoid the demutualisation of the assets so that co-operative and mutual housing remains affordable for the community it is built to serve and for future generations. It should not be possible for community assets, some of which may have been developed through private individuals or organisations donating assets at sub-market prices for social and community benefits, to be easily dismantled as was the case with co-ownership societies.

8.23 More dynamic funding approaches have been adopted in other countries particularly in the Norwegian and Swedish co-operative housing systems. The potential diversity of co-operative and mutual housing models lends itself to a variety of funding approaches, such as where community land trust owned land may be used to develop affordable housing co-operatives, mutual home ownership, mutual retirement housing and co-housing schemes alongside one another. An example of this diversity of approach can be seen in the variety of funding mechanisms used by US community land trusts.

8.24 The Commission has received a number of suggestions and proposals regarding access to finance for co-operative and mutual housing schemes, some regarding existing financing mechanisms and some suggesting alternative approaches:

- TPAS recommended that some public funding should be ringfenced for new co-operative housing developments.
- CCH recommended the establishment of a co-operative sector Real Estate Investment Trust, a model used widely in the US and recently introduced in the UK, into which co-operative movement assets could be invested, so as to enable both the ethical development of co-

operative and mutual housing and returns on investments required by co-operative society members.

- the Co-operative Housing Finance Society Ltd (CHFS) recommended (and is investigating) the issuing of tradable co-operative housing investment bonds, a potentially attractive investment for pension funds and life assurance companies due to the dependability of the return, the open market value security, the long term ownership and maintenance of housing assets, and enhanced security through twelve month interest cover provided by CHFS as a loan guarantee society. However pension funds seek to invest large sums and so this approach would only be possible if co-operative and mutual housing development funding requirements were pooled and if there is a significant scale in the development of co-operative and mutual housing.
- reference was also made to potential ethical investors who might be particularly attracted to co-operative and mutual housing, which could range from large scale investors to small investors such as Triodos and the Ecology Building Society. Ethical investment may also include private land or property owners being prepared to transfer assets at less than full market value where they are satisfied that their assets will be permanently owned and controlled by the community – a certainty that is only possible through co-operative and mutual housing.
- for small schemes, co-operative and mutual housing can make use of “loanstock” to raise some finance, whereby investors receive a reasonable return on shares. Loanstock is used by the small co-ops developed by Radical Routes and was used in the 19th Century by the early co-operative consumer societies. Loanstock is not dissimilar to community investment methods used by Asian communities to facilitate home ownership.

Action point 15

Government, through the HCA and TSA, should support the development of new and innovative funding mechanisms for co-operative and mutual housing in concert with the co-operative and mutual housing sector and the wider co-operative movement.



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Action point 16

Government should ensure, through legislation and regulation, that public and private investment in co-operative and mutual housing is preserved as a community owned asset for future generations that cannot easily be dismantled or demutualised.

- 8.25 **Enabling support** - whilst occasionally co-operative and mutual housing development has come about entirely organically, most has come about because of the availability of specialist support that is dedicated and committed to co-operative and mutual housing.
- 8.26 Support is needed to provide communities with the technical assistance needed to set up co-operative and mutual housing. As well as support on development and funding issues, this involves training and capacity building support to develop the initial membership, from which some members emerge to govern the organisation and take directorial decisions. How this is done needs to reflect the circumstances of the organisation being established, but it requires specialist skills and experience. TPAS have specifically recommended that the Government should provide revenue funding to provide training and advice to develop strong and effective governance. The use of existing tenant empowerment grant funding that currently enables the development of TMOs needs to be extended to support the development of other forms of co-operative and mutual housing with systems that will include working with prospective tenants for new build schemes. For successful new build schemes, empowerment grant funding could enable a revolving loan fund, where grant provided to successful projects could be recycled by capitalising the grant funding into the business plan for the new organisation.
- 8.27 Some co-operative and mutual housing organisations manage successfully without access to any ongoing external support. Very small organisations usually do not need much support, although membership turnover and access to up to date guidance can present problems. Some larger organisations employ their own staff, but even they are likely to need access to some support to provide them with specialist information. Most co-operative and mutual housing organisations therefore need access to some level of ongoing support, either through service providers or through sectoral representative bodies and this support needs to be tailored and accredited specifically for co-operative and mutual housing.

8.28 If co-operative and mutual housing options are to become more widely available, consideration needs to be given to these support structures. Apart from a small number of support organisations who continue to provide services to co-operative and mutual housing organisations, support that is currently available tends to be fragmentary, unco-ordinated, and at times haphazard, with no consideration of what will deliver the best results.

8.29 The CCH has recently started to develop an accreditation system for housing co-operatives and for organisations providing services to housing co-operatives based on the Canadian co-operative housing sector's 20/20 vision. This accreditation system needs to be developed, and extended to include other forms of co-operative and mutual housing and organisations providing services to them.

Action point 17

Government should extend the use of tenant empowerment grant funding to include the development of all forms of co-operative and mutual housing.

Action point 18

The CCH's accreditation system, under development for housing co-operatives with funding from with TSA, should be extended to cover other forms of co-operative and mutual housing and organisations providing services to them.

- 8.30 **Promotion and vision** – co-operative and mutual housing can only become a successful part of the UK's housing options if it enters the hearts and minds of ordinary people and communities as a realistic option available sitting alongside traditional home ownership, private renting and social renting.
- 8.31 But the Commission's research with everyone apart from those already involved with co-operative and mutual housing has shown a staggering lack of knowledge of and misconceptions about the sector. The CIH's Sarah Davis referred to a need to increase awareness amongst the wider population, in housing organisations, and in Government, with templates and guidance available on how to establish organisations. TAROE stressed the need for "clear, accessible and easy to understand information."

“There is an evident need to raise the profile of what co-operative and mutual housing can offer as a more apparent credible option. There has been an unmet level of interest in such provision due to the one-dimensional approach to new housing provision. Co-operative and mutual housing has been pigeon holed as being a part of the social housing sector, but there is a need to promote its attraction to households who would not be likely to access social tenures.”¹⁰¹

- 8.32 The CCH has told the Commission that it fields two to three enquiries from members of the general public about forming housing co-operatives per month. The Co-housing Network field a similar number of queries. There is limited accurate information available about Community Gateway, and even in tenant management, there is only limited activity to promote the model to local authority tenants, and next to none to housing association tenants. Cllr Bill Hartnett referred to co-operative and mutual housing as “Britain’s best kept secret”.
- 8.33 In the absence of accurate information, a folk lore of misconceptions has driven public policy, or lack of it, towards the sector. The information and knowledge that is in existence is largely as a result of handfuls of very frayed but enthusiastic volunteer tenants or staff from organisations supporting co-operative and mutual housing. The sector requires a “one stop shop” approach, where members of the public, local authorities, housing associations and other practitioners are provided with a comprehensive vision and information about co-operative and mutual housing solutions.

Action point 19

Government should promote a co-operative and mutual housing vision and produce guidance for communities, local authorities and housing associations on co-operative and mutual housing – setting out options available, and how they can be developed.

Footnote

- 98 Jamie Martin from Open Communities, speaking at the Commission’s Liverpool hearing
- 99 Based on a summary by Stirling Smith (2004) *Promoting co-operatives – a guide to ILO recommendation 193* The Co-operative College
- 100 This would be possible for some housing associations, although it would be legally challenging for charitable trusts. In these circumstances, a form of tenant membership could be established through other means. The precedent of Kensington and Chelsea TMO shows that it is possible to develop tenant membership through an Arms Length Management Organisation providing the housing service for a local authority
- 101 East Midlands Development Agency (2009) – call for evidence submission





Appendix - proposals for action

A summary of the Commission's recommendations by organisation

THE CO-OPERATIVE AND MUTUAL HOUSING SECTOR SHOULD:

- recognise its success and sign up to its unique identity - so that it is better able to articulate its vision and message ([Action point 12](#))
- ensure that its sectoral representatives come together to jointly consider how best to represent the sector with a more co-ordinated and professional approach ([Action point 13](#))
- extend the CCH's accreditation system for housing co-operatives to other forms of co-operative and mutual housing and organisations providing services to them ([Action point 18](#))

THE CO-OPERATIVE MOVEMENT SHOULD:

- use its financial, organisational and political strength to help the co-operative and mutual housing sector develop new financial, legal and operational frameworks that support and encourage the growth and development of the co-operative and mutual housing sector ([Action point 11](#))
- develop asset management strategies and procedures should contain positive policies and actions to ensure that, when the disposal of land and surplus assets is considered, communities are enabled to develop co-operative housing for their community when it is possible and makes social and economic sense to do so ([Action point 11](#))

LOCAL AUTHORITIES SHOULD:

- incorporate co-operative and mutual housing into their housing strategies and local area agreements based on the following six points ([Action point 6](#)):
 - a) ensuring that various models of co-operative and mutual housing are available to provide housing options for local communities
 - b) linking with people from the co-operative and mutual housing sector to publicise the sector to local communities and generating a local authority wide debate about co-operative and mutual housing options

- c) ensuring that co-operative and mutual housing options are publicised to the public and developing allocations systems for social rented housing that enable people to express a preference for co-operative and mutual housing and this be taken into account in the allocations process. Local authorities should also enable pre-allocations for new build co-operative and mutual housing schemes
- d) creating links with, encouraging and supporting existing co-operative and mutual housing in the local authority area
- e) requesting partner housing associations to develop co-operative and mutual housing
- f) using publicly owned land or buildings at less than best consideration in order to generate community owned housing solutions

THE LOCAL GOVERNMENT ASSOCIATION SHOULD:

- promote co-operative and mutual housing options to local authorities, and assist them to incorporate co-operative and mutual housing into their housing strategies ([Action point 7](#))

THE CHARTERED INSTITUTE OF HOUSING SHOULD:

- promote co-operative and mutual housing options to local authorities, and assist them to incorporate co-operative and mutual housing into their housing strategies ([Action point 7](#))
- support and facilitate the development of a partnership between the co-operative and mutual housing sectors to consider how best to represent the sector to ensure a more co-ordinated and professional approach ([Action point 13](#))

HOUSING ASSOCIATIONS SHOULD:

- provide development and other support for co-operative and mutual housing organisations as appropriate. In carrying out stock rationalisation programmes, housing associations should offer tenants the option that their homes are transferred to existing or new co-operative and mutual housing organisations ([Action point 8](#))



Appendix - Proposals for action A summary of the Commission's recommendations by organisation

- consider applying "steps towards mutuality" appropriate to their circumstances (Action point 10)

THE NATIONAL HOUSING FEDERATION SHOULD:

- provide support and guidance to its members to develop co-operative and mutual housing (Action point 9)

GOVERNMENT SHOULD:

- develop a strategy to apply ILO recommendation 193 to housing provision, supporting co-operative and mutual housing within the framework of national housing strategy (Action point 1)
- establish a co-operative and mutual housing working group through the TSA, bringing together representatives from statutory and non-statutory bodies with representatives from the co-operative and mutual housing sector to plan this strategy (Action point 2)
- recognise the benefits and distinctive nature of housing co-operatives, ensuring that new affordable housing development is carried out through existing or new housing co-operatives (Action point 3)
- continue to promote and develop tenant management to existing tenants of local authorities and housing associations (Action point 3)
- recognise the potential of mutual home ownership as a new intermediate market tenure and support, and facilitate the development of exemplar projects to widen the tenure choice available to households who are not able to sustain individual home ownership (Action point 3)
- recognise the need, in an ageing society, to develop co-housing and other forms of mutual retirement housing for older people to enable them, as far as is possible, to maintain independent living through living in housing communities that facilitate mutual aid and support (Action point 3)
- through the HCA (Action point 4)
 - a) ensure that affordable housing investment strategies enable any local community in England that wishes to do so to develop housing co-operatives and other forms of mutual and community owned and managed housing. Because of the benefits they bring and the need for promotion, co-operative and mutual housing should be incentivised as an option for local communities
 - b) judge its affordable housing investment strategies to be failing unless a significant part of affordable housing investment each year is invested in co-operative and mutual housing development
 - c) ensure that the 'value for money' methodology it uses to assess investment in affordable housing development values the personal, social, economic and environmental sustainability benefits of investing in housing co-operatives and other forms of mutual and community owned and managed housing
- ensure, through the TSA that (Action point 5)
 - a) arrangements for registering co-operative and mutual housing are fit for purpose and designed to enable communities wishing to do so to relatively easily register co-operatives and mutual housing organisations
 - b) the regulatory and inspection regime recognises the benefits that derive from co-operative and mutual housing and are designed to be appropriate to the scale, operation and member controlled nature of co-operative and mutual housing providers
- through the HCA and TSA, support the development of new and innovative funding mechanisms for co-operative and mutual housing in concert with the co-operative and mutual housing sector and the wider co-operative movement (Action point 15)
- ensure, through legislation and regulation, that public and private investment in co-operative and mutual housing is preserved as a community owned asset for future generations that cannot be easily dismantled or demutualised (Action point 16)
- extend the use of tenant empowerment grant funding to include the development of all forms of co-operative and mutual housing (Action point 17)
- provide seedcorn funding to support sectoral representation until sufficient scale is developed to enable the sector to fund its own representation (Action point 14)
- promote a co-operative and mutual housing vision and produce guidance for communities, local authorities and housing associations on co-operative and mutual housing – setting out options available, and how they could be developed (Action point 19)



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