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With the legal structure of a housing co-operative people on low incomes can collectively borrow money and raise mortgages which would be beyond their reach as individuals.

In setting up housing co-operatives we empower ourselves by taking control over one of the most fundamental aspects of our lives and in the process we transfer property from private ownership to common ownership. Housing becomes a resource not a commercial commodity.

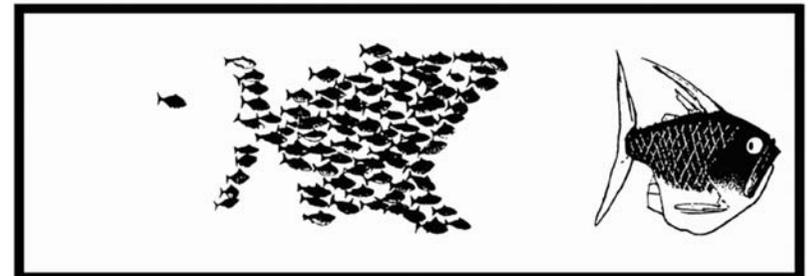
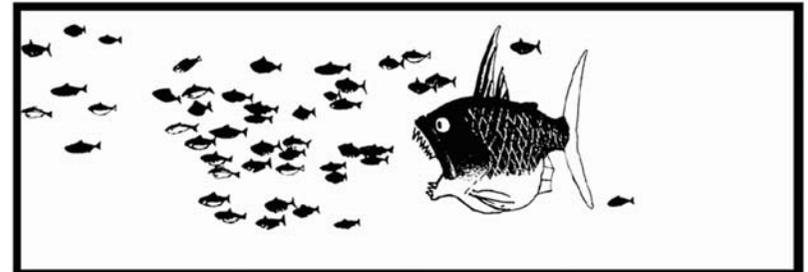
With fully mutual par value co-operatives [everyone owns an equal value share in the venture, usually a nominal £1] which this book promotes, the ownership of houses and land cannot be divided among individual members. The property remains in common ownership from generation to generation and if the co-operative is dissolved its assets cannot be pocketed by individuals. They must be passed to another co-operative or to a not for profit organisation with similar aims and principles.

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How to Set Up a Housing Co-operative



Radical Routes

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How to Set Up A Housing Co-op

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“Until one is committed there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative there is one elementary truth the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself then providence moves too... whatever you can do or dream you can begin it. Boldness has genius, power and magic in it. Begin it now.”

- Goethe

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Legislative changes may have occurred since publication. Sheets of updated information are available from the Catalyst Collective/Radical Routes through the Catalyst address in the back of this book.

Chapter [1] Housing Co-operatives

What is a Housing Co-operative?

A housing co-operative is not bricks and mortar, it's a group of people and the means they use to collectively control and manage their housing. It can buy and own property and enter into contracts.

Co-operatives are essentially housing associations governed by the tenants/members. They allow grass roots control over housing, providing rented homes where the tenants are collectively their own landlord. By setting up housing co-operatives we empower ourselves to take control over one of the most fundamental aspects of our lives and in the process we transfer property from private ownership to common ownership. Registering as an Industrial and Provident Society with the Mutual Societies Registration team (formerly the Registry of Friendly Societies) at the Financial Services Authority gives a group the legal structure which allows it to operate as a co-operative. One of the main benefits of this structure is that as an Industrial and Provident Society you are entitled to advertise and issue loan stock to the public. Loan stock is a means of borrowing money from sympathetic individuals and organisations without giving the holder any measure of control over the co-operative.

People set up housing co-operatives for a variety of reasons. Often they have relatively meagre incomes and are unable to afford a decent secure home without joining with others to pool resources and commitment. However, there are usually other common links within such groups. People who have difficulty finding suitable housing because of prejudice surrounding age, race, creed or gender have formed co-operatives. There are housing co-operatives for pensioners, black people, women and refugees. Sometimes a workers' co-operative will wish to house its members and develop a largely self-contained community, providing work and a home. Whatever the common aim a co-operative can be formed to cater for the particular needs and ideology of a particular group.

Three Kinds of Housing Co-operative

Short Life. Short life co-op's usually take over buildings in poor condition, perhaps due for renovation or demolition and consequently otherwise unlettable. These properties may be owned by individuals, companies or councils. An agreement between a co-operative and an owner is sometimes extended over years if delays occur in the planning process or a council does not have the money it needs to renovate its properties. Squatters sometimes form housing co-operatives in buildings which they occupy.

From group to group and in any one co-operative the members and the nature of the properties can vary. There may be a few members living in multiple occupancy of a flat

Controlling Change - A Guide for Tenant-Controlled Housing Organisations to Legal Structures & How to Change Them. Published by Partners in Change. 27, Sydenham Avenue, Liverpool, L17 3AV. ISBN 1-898955-00-X. £3.95.

Ethical Investment & Saver's Guide. Peter Lang. Published by Jon Carpenter Publishing, The Spendlove Centre, Charlbury, OX7 3PQ, Oxfordshire. ISBN 1-897766-20-3. £10.00.

A Guide to the Major Trusts. Published by The Directory of Social Change, Radius Works, Back Lane, Hampstead, London, NW3 1HL.

The Directory of Social Change publishes a large number of books on subjects which include: organising meetings, fund-raising events, lobbying, political action, conducting meetings, working as a team, legal aspects of running small organisations, raising money from trusts, tracking down charities in your local area, grants from Europe, grants from corporations, grants from government, grants for the environment and much else besides. Ask for a publications list.

Diggers & Dreamers. The Guide to Communal Living. Published by Diggers & Dreamers Publications. Available from The Edge of Time, BCM Edge, London, WC1N 3XX. ISBN 0-9514945-6-2.

The Housing Rights Guide. Geoffrey Randall. Published by Shelter. 88 Old St, London EC1V 9HU, keytitle@shelter.org.uk £18.00
Includes information on: Renting from a variety of landlords, Tenants Rights in a variety of circumstances, Mobile homes, Squatting, Housing Benefit, Council Tax and Grants & Renovation.

Shelter Guide to Housing Benefit and Council Tax £21.45 inc. p+p from Shelter (as above).
More detailed information on housing benefit + council tax.

above a shop or there may be members in families occupying an entire street of houses. Because of the condition of the buildings the rent the owners charge the co-operative is often minimal. If a council has buildings it cannot afford to renovate for its own tenants it may well be persuaded to let the them cheaply or free to a co-op, as this helps to prevent vandalism and further deterioration. The rent the co-op charges its members should cover the landlords rent plus management costs which include money to pay for work which may be needed on the houses.

Tenant Management Co-operatives. A TMC rents or manages property from a landlord who may be a private individual, a company, a local authority or a housing association. The co-operative has an agreement with the owner of the property which specifies areas over which the co-operative has responsibility such as aspects of maintenance. The cost of the responsibilities taken on by the co-operative are calculated and the money is either taken out of the rent by the co-operative or the owner repays the co-operative the agreed amount.

If you plan to plan to buy a house and live together as a co-operative but the group have not lived together before you might consider renting a house and operating as a TMC before taking the plunge. It should be possible to rent a large house as a group at a less than it would cost individuals to house themselves separately. Plus you get a base from which you can plan your next move. Changes in Housing Benefit legislation on shared houses have made this option less viable than it was but it is still worth considering.

TMC's are similar to short life co-op's in that they do not own the Properties in which their members live. They differ in that their housing is usually of a better quality and more permanent. In terms of what a housing co-operative can be both short life co-op's and TMC's are half-way there. Some control is made available to both but both still pay rent to landlords who have ultimate control over the properties.

Housing Owned by the Co-operative. Here the members collectively own the housing in which they live and have the responsibilities and privileges which any home owner would have but these are shared.

Legal Structures

There are different options for the legal structure of a housing co-operative and three main terms need explaining:

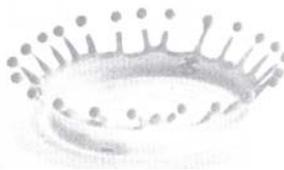
Co-ownership. Each member owns a share of the property and receives a share of the increased value of the property if the co-operative is wound up. In some circumstances members can be liable for debts incurred by the co-operative but the main problem with co-ownership is that when members leave they generally want to take their share of the capital with them. This means new members must be able to replace the capital taken out by their predecessors and this can be many thousands of pounds.

Par Value. Literally 'same value,' all members own the same value of shares in the co-operative, usually a nominal £1, so par value is the opposite to co-ownership. Par value status dictates who owns the co-operative and their influence [one share one vote]. If the co-operative is wound up assets cannot be sold and the proceeds divided up among the ex-members.

Fully Mutual [see also chapter 2]. All tenants are members and all members are either tenants or prospective tenants. Each member holds a minimum of one share, usually valued at a nominal £1, though the number of shares a member can hold is not restricted to just one unless the co-op is both fully mutual and par value. The value of the shares a member holds is usually the limit of the members liability should things go wrong. This book deals predominantly with par value fully mutual co-operatives since Radical Routes co-op's have found this to be the most useful and ethically preferable option. With this model the ownership of houses and land cannot be divided up among the members. The property remains in common ownership from generation to generation and if the co-operative is dissolved the assets must be passed to another co-operative or to a not for profit organisation with similar aims and principles. This must be specified in the dissolution clause of the registered rules.

Banks and building societies prefer an element of co-ownership when they grant a mortgage though some banks may insist on each member personally guaranteeing mortgage repayments, in which case it is best to find another bank or building society or you will each void your liability of £1 and, if things go wrong, may lose some or all of the money linked to your guarantee. Radical Routes has up to date information on who is lending money and on what terms.

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up and support
social enterprises

If you're starting a new co-op of any sort, why not give us a call? We can offer a lot of free advice and information and you may find you can benefit from our training, consultancy or financial services.

The Polishing Room, Flax Drayton,
South Petherton TA13 5LR
Tel: 0845 458 1473
<http://www.upstart.coop>

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ROUTES**



Tel: 023 80639111. Fax: 023 8022 9875. Web site: www.Zurichadvice.co.uk

[E] Related Reading

Buying Your Home With Other People. Dave Treanor. Published in 1987 by Shelter & The National Federation of Housing Associations [now called the National Housing Federation]. ISBN 0-90124-79-9. £5.95.

The Collective Housing Handbook. Sarah Eno & Dave Treanor. Published by Laurieston Hall Publications in 1982. ISBN 0-9508315-1-4. £3.50.

The Squatters Handbook. 11th Edition. Published by the Advisory Service for Squatters, 2, St. Paul's Road, London, N1. £1.00

How To Set Up a Workers' Co-operative. Published by Radical Routes. Available from: 16, Sholebroke Avenue, Chapeltown, Leeds, LS7 3HB, West Yorkshire. £3.

The Directory of Radical Routes Co-operatives. Published by Radical Routes. Available from Radical Routes, address as above. £1:50.

An Introduction to Radical Routes. Published by Radical Routes. Available from Radical Routes, address as above. Free.

Short Circuit - Strengthening Local Economies for Security in an Unstable World. Richard Douthwaite. Lilliput Press, Dublin, 1996. ISBN 1-874675-60-0. £16:95.

Control over our fundamental survival needs - food, energy and employment - are passing from people into the hands of an ever smaller group of ever growing companies. **Short Circuit** encourages people to cut ties with the system of global production and consumption and start co-operating locally to meet their needs through such activities as LETS, credit unions, energy conservation, food co-operatives, allotments, community farms and local wind and hydro energy systems.

This Land is Our Land. Marion Shoard. Published by Gaia. ISBN 1-85675-064-7. £10.99.

National Housing Federation [NHF]. 175, Grays Inn Road, London WC1X 8UP.
Tel: 0207 278 6571.

Radical Routes [general enquiries]. Cornerstone Housing Co-operative,
16, Sholebroke Avenue, Chapeltown, Leeds, LS7 2HB.
E-mail: enquiries@radicalroutes.org.uk Web site: www.radicalroutes.org.uk
Specific enquiries will be forwarded to the relevant people.

Registrar of Companies. Companies House, Crown Way, Cardiff, CF4 3UZ.
Web site: www.companieshouse.co.uk

Financial Services Authority. 25, The North Colonnade, Canary Wharf, London,
E14 5HS. Tel: 0207 676 4916 / 4918. Web site: www.fsa.gov.uk

Rootstock Limited. B.M. Rootstock, London, WC1N 3XX.
E-mail: info@rootstock.org.uk Web site: www.rootstock.org.uk

Slade & Cooper. [accountants], Fourways House, 57, Hilton Street, Manchester, M1 2EJ.
Tel: 0161 236 1493. Registered auditors and accountants with experience of housing co-
operatives.

Triodos Bank. Brunel House, 11, The Promenade, Bristol, BS8 3NN.
E-mail: mail@triodos.co.uk Web site: www.triodos.co.uk
An ethical/social bank which lends to co-operatives.

Unity Trust Bank plc. Nine Brindleyplace, 4 Oozells Square, Birmingham, B1 2HB.
Tel: 0121 616 14101. Fax: 0121 631 2365.
E-mail: admin@unitygroup.co.uk Web site: www.unity.uk.com

Upstart Services Ltd. The Polishing Room, Flax Drayton, South Petherton TA13 5LR
Tel: 0845 458 1473. E-mail: upstart@co-op.org Web site: www.upstart.coop
A workers' co-operative helping to start up and support social enterprises.

Zurich Insurance. Community Insurance Centre, Mountbatten House, Grosvenor Square,
Southampton, SO15 2RP, Hampshire.

Chapter [2] Formalities

Registration & Fully Mutual Rules

Registration. Registering as an Industrial & Provident Society with the Financial Services Authority (FSA) gives your group the legal status to collectively raise loans and purchase housing. You need at least three members before you can register as a fully mutual co-operative.

Registration is most easily done through 'promoting bodies' such as Radical Routes and the National Housing Federation. The process takes about eight weeks [see the appendix for details of the Radical Routes/Catalyst Registration Pack], registration through Catalyst currently costs £375 through the NHF it's currently around £820.

All the co-operatives' official documents like members share certificates, loan stock application forms, loanstock certificates, letter headed paper, and compliment slips must carry the full name and address of the co-operative, including the 'Ltd' part, and the co-operatives' register number allocated by the FSA.

Name. You will need to register rules in the name of your co-operative and you will need a name which is not already registered. However, if necessary, a small change to a name currently in use can make your choice acceptable. Check whether the name you have in mind is already in use at www.companieshouse.gov.uk. Agree a second name as an alternative in case the first is not accepted upon registration. Consider naming yourself a 'co-operative housing association' as this may clarify your status when dealing with officialdom.

Rules. There are a number of sets of 'model rules' [agreed as acceptable to the Registry of Friendly Societies] and amendments can be made as necessary, though there is a charge for this.

If you submit rules not already accepted as model rules the charge is currently £820. Time is a factor here too. Model rules don't have to be examined as closely as non-model rules and will not have to spend time sorting out amendments with the registry. If you find model rules don't suit your purpose find an organisation with similar aims and ask to look at theirs.

The adoption of fully mutual rules is recommended as the structure they enable is open and democratic and because fully mutual status is simpler than it might at first appear. It allows you to be large or small and creates the greatest potential for self-management. It allows exemption from both Corporation Tax and Capital Gains Tax* though you may be required to pay Corporation Tax and then reclaim it. Otherwise you only pay tax on interest gained on your reserves [the money you put away and save]. As the purpose of a housing co-operative is to house its members any such financial surplus must

be used to aid that purpose. There is no individual financial benefit to members other than what, we hope, will be a low rent and which will certainly become a low rent in time.

Under fully mutual rules all tenants are members and all members must be tenants or prospective tenants. Fully mutual rules do not allow non-members to live in the co-operative's accommodation so everyone is on an equal footing with shared responsibilities as landlords and tenants.

Fully mutual status also allows the possibility of withdrawing an individual's membership and hence their right to live in the co-operatives' housing. The circumstances in which such a decision might be justified can be left to your imagination. It's a useful safeguard.

Officers of the Co-operative. These are usually the Chair, the Secretary and the Treasurer. Fully mutual rules dictate the appointment of both a Secretary and a Treasurer but the model rules Radical Routes register co-operatives with do not require the existence of a Chair.

The Registered Address. You will need an address to which official correspondence can be sent. This will be the registered address of the co-operative and once registered a plaque or notice bearing co-operatives name must be put up outside the registered office. If you change the address after registration you have to inform FSA.

The only substantial changes that can be made within the co-operative without having to notify the registry are changes in membership and changes among the elected officers.

Shares. A Share Certificate must be issued to each member and each issue must be recorded in a Register of Shares. Each member must pay for their share [usually a nominal £1] which is not repayable. A Register of Members must be kept in the form of a bound book containing a record of the names of all members and the dates of their joining and leaving. The Necessary stationery can be obtained from the Stationery Department of the National Housing Federation or you can do it yourself based on the documents of an existing housing co-operative.

The Seal. An official metal seal must be purchased for use on official documents such as share certificates. You should be able to get a seal from any large stationery shop. A seal specific to your co-operative will have to be made, expect to pay about £15. If Catalyst are handling your registration the cost of the seal is included in the registration fee.

* The Housing Corporation deals with tax exemption even if you are not in receipt of state funding.

Bank Account

You will need an account in the full name of the co-operative with the Treasurer and at least two other members as signatories. At least two members should be required to sign any cheque written against the co-operatives' account.

[D] Useful Addresses

The Accountancy Co-operative. 56, Dorchester Road, Lychett Minster, Poole, BH16 6JE, Dorset. Voluntary and co-operative sector accountants.
Tel/Fax: 01202 621622. E-mail: office@accounts-coop.fsnet.co.uk

The Catalyst Collective. Catalyst Collective, Highbury Farm, Redbrook. NP25 4LX. Monmouthshire Wales Tel: 01600 775414. E-mail: catalyst@co-op.org Web site: www.eco-action.org/catalyst

Confederation of Co-operative Housing. Unit 19, 41, Old Birley Street, Hume, Manchester, M15 5RF. Tel: 0161 232 1588. E-mail: info@cch-uk.org

Co-operative Bank plc. PO Box 101, 1, Balloon Street, Manchester M60 4EP. With branches in many other towns and cities.

Co-operative Insurance Society Ltd. Miller Street, Manchester M60 0AL.
Tel: 08457 464646.

The Directory of Social Change. 24, Stephenson Way, London N1 TDP.
Tel: 0207 391 4900. E-mail: promo@dsc.org.uk
Publishers of many useful books, including A Guide to the Major Trusts, containing information on hundreds of trusts issuing grants amounting to hundreds of millions of pounds a year. How trusts operate, examples of donations they have made and advice on how to approach them. Other useful books too.

Ecology Building Society. 18, Station Road, Cross Hills, Keighley, West Yorkshire, BD20 7EH. Tel: 0845 6745566. E-mail: info@ecology.co.uk

Friends Families & Travellers Support Group. Community Base, 113, Queens Road, Brighton, BN1 3XG. Tel: 01273 234 777.
E-mail: fft@communitybase.org Web site: www.gypsy-traveller.org
Working on rules for travellers co-op's.

Housing Corporation. 149, Tottenham Court Road, London, W1T 7BN.
Tel: 0207 393 2000. E-mail: enquiries@housingcorp.gsx.gov.uk
They have regional offices which they will refer you to .

Investment Division. Address as Housing Corporation above. Tel: 01207 393 2045.
Information on tax relief for fully mutual housing co-operatives. The address for co-operatives in Wales is: Housing for Wales, 25, Lambourne Crescent, Llanishen, Cardiff, CF5 4ZJ. Tel: 01222 741540. Co-operatives in Scotland and Northern Ireland should contact Catalyst for appropriate addresses.

Industrial Common Ownership Finance [ICOF]. 227c, City Road, London, EC1V 1JT. E-mail: icof@icof.co.uk Web site: www.icof.co.uk

more money directed out of the conventional system the more difficult it will be for banks to finance exploitative, centralised and ecologically destructive activities and the more money will be available for alternatives.

What is proposed here is loaning and borrowing, the way in which the wealthy have always enriched themselves at the expense of the poor [who produce wealth but do not own it]. We may be playing the game of making money with other peoples money but there are essential differences here, and we can play the game better because there are no wages to pay as the administration is done voluntarily by members. By remaining small, co-operatives can avoid wasteful bureaucracy, and housing co-operatives are not taxed on their income. As money enters the co-operative it becomes communalised [the co-op collectively owns and controls it]. The uses the money may be put to are limited by the aims of the co-operative [to provide housing for its members]. Control of the money is decentralised, with each co-operative controlling its own loan stock. Ironically it is by being involved in the central mechanism of the profit oriented society that we can redirect resources and transform the nature of control and ownership over them. The prospect of such a transformation seems a long way off but at a time when there is confusion about how to create a decentralised and co-operative society, this process provides a method which avoids the authoritarian and alienating nature of state legislation and the social irresponsibility of the free market. It is a process which can be started now, at grass-roots level, on a truly human scale and you don't have to wait for a revolution.

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email icof@icof.co.uk www.icof.co.uk

Book Keeping

It is essential that you keep proper records of all income and expenditure in a ledger. You can buy analysis books for this purpose in any office stationery shop but they are expensive. Ruled lines in a book of plain paper will do, or us appropriate computer software. Keep records of both your bank account and petty cash, keep your cheque stubs, paying in slips and bank statements. File receipts for anything you buy and cross reference them with the entries in your ledger or petty cash book. You do not have to have your accounts audited by an accountant unless your profit is more than £10,000 but the FSA will want to see your accounts each year and will send you an annual return form which must be completed and sent in with your accounts. Compile them yourselves and have them inspected and signed by two lay-auditors from outside the co-operative, preferably by people with book-keeping experience. The treasurers of other co-operatives are acceptable. Send your form in promptly or you could be heftily fined. If you don't send in your return you could be removed from the register, so effectively no longer exist as a co-op.

Tenancies

Unlike tenants of housing associations or other landlords, the tenants of a fully mutual housing co-operative do not have an assured shorthold tenancy. Don't worry, this does not mean that your tenancy is any less secure than that of someone with a legally defined secure tenancy.

Assured tenancies are designed to protect tenants from unscrupulous landlords and landladies, but with a fully mutual co-op the tenants are their own landlord/ladies and presumably do not need protection from themselves.

You will have a 'contractual tenancy' – a right to occupy the property which is conditional upon you remaining a member of the co-op. If you are expelled or resign from membership you lose the right to be a tenant and have to leave.

Every tenant must have a written agreement signed by themselves and at least one representative of the co-operative before they move in. The term 'occupancy agreement' can be used to highlight the atypical nature of tenure in a co-op., as using tenancy agreements can cause confusion with more common tenancies mentioned above.

The co-operative must have an agreement ready when members move into the co-op's property. Have one ready well in advance. The co-operative is able to write its own agreement and can include clauses which aid smooth running. A model agreement can be supplied by the Catalyst Collective.

Houses in Multiple Occupation. Unless the co-operative has plenty of money and want to live in separate accommodation you will probably be sharing a house. In which case it will probably be advisable to avoid the status of a house in multiple occupation. An HMO is occupied by persons who do not form a single household*. They attract strict fire regulations which may involve extensive and costly internal and external works such as the addition to the house of a very expensive fire doors, fire alarms wired to the mains, emergency back up lighting.

If you are a fully mutual co-op who make decisions by general meeting, you should be

able to argue that you are a single household [like a family] not an HMO. HMO regulations vary from council to council, ask the relevant council for details of the regulations in your area. Don't give them the address of your house or they may decide to pay you a visit and demand alterations which you cannot afford.

In Scotland the definition of an HMO is far stricter but small co-ops have successfully argued that they should be exempt from HMO regulations on the basis that they in control of their own housing and so do not need to be protected from a dodgy landlord. The exemption applies to co-ops defined as 'intentional communities'. This means small, fully mutual co-ops who set their rents and make other important decisions by general meeting. All members must be housed in co-op property, and only members must be housed.

Housing co-ops in England and Wales have successfully argued they should be exempt from HMO regulations for the same reasons. We are not aware of any small co-op that has been classed as an HMO, even in areas where the local authority operate a compulsory registration scheme for HMO's.

Living as a single household can bring its own problems. The authorities may choose to see unemployed tenants as living together and their benefits might be cut [as with men and women living together in similar circumstances]. We are not aware of any instance of Social Security or Housing Benefit officials taking such action but the possibility exists. It is advisable to make sure that each tenant/member has a lock on their bedroom door and if you are expecting a visit from an official you might consider labelling cupboards with names. Showing territory staked out in this fashion should counter any claim that you are living at a level of intimacy that would allow the benefits of individuals to be cut.

Housing Benefit (HB) is not paid retrospectively so applications need to be in from the first day of occupancy. Members of co-op's qualify for housing benefit whereas home owners can only receive housing benefit on the interest on their mortgage repayments. It is worth getting well clued up on HB before you need to put in an application. Most local government officers have no knowledge of the nature of housing co-operatives, one recently said they were a "scam" to buy a house through housing benefit, until it was made clear to him that the members gain no benefits from the house purchase. Some co-ops have found it useful to contact their HB department before they need to put in a claim. If you provide information about the co-op it may help to ease suspicion and get claim processed more easily. Emphasising that you are a not-for-profit housing provider may help ensure a reasonable level of HB is paid.

Historically, small housing co-ops have been treated in the same way as private landlords, so any claim for HB is automatically referred to the rent officer service. The rent officer service sets the maximum HB level payable (and the amount set never seems to be anywhere near the actual rent charged on any property other than the most dodgy & dangerous...). The tenant can ask for a review of a rent officer decision – but the rent is just as likely to go DOWN as up.

However, if your council accepts that your co-op is a private sector housing

[C] The Implications & Potential of Housing Co-operatives

Setting up a housing co-operative has wider implications than providing accommodation for yourself and a few friends. It has an effect on the housing situation in this country. In setting up a housing co-operative you are helping to create a sector of housing which removes the ability of individuals to make [or lose] money from property, which they do by renting it to tenants and/or speculating on the housing market. This book promotes the development of fully mutual par value housing co-operatives. No member is able to make a profit from being a member. Financial surpluses are collectively controlled by the members but cannot be distributed among them individually. Surpluses can only be used to improve and develop the co-operative. Of equal importance is the fact that personal income is not a factor when a vacancy is to be filled. No lease or share has to be bought before an applicant becomes an occupant [other than a nominal £1 share for membership] and the rent of low paid or unwaged tenants can be paid through Housing Benefit. This is a form of housing which holds great potential for the materially poorer sections of the population who are increasingly denied decent shelter because of their lack of income and it's a great equaliser.

There are meagre choices for the homeless in Britain. In the short term many either squat or lodge in the overcrowded homes of friends or relatives, the so called 'hidden homeless'. Local authority and housing association housing is limited, difficult to get into and offers no real control to tenants, who can consequently become frustrated with their lot. Real democracy in housing as in other areas, only works on a human scale, where people feel some degree of control. Though mortgage re-payments can initially be a heavy burden, autonomy increases as the repayments near their end and so, in time, it becomes possible to substantially reduce the rent and/or consider buying a second house. Mortgages and other loans should become more easily available as banks and building societies see the co-operative becoming more financially secure.

Housing co-op's can be a financial catalyst for the creation of a co-operative, people orientated economy. The rules of a housing co-operative enable it to take money loaned to it and use that money to aid its development [see Loan Stock in Chapter 5] or loan it in turn to another similar organisation.

These opportunities could have a crucial effect in counteracting the current unjust economic mechanisms. It is the circulation of money which makes the economy tick and the structure of that circulation is maintained by social inequality. Through private ownership of money the wealthy can maintain themselves at the expense of those who have little money. Banks play a crucial role in this circulation by being able to decide who gets money and at what rate of interest. Being primarily profit motivated banks lend, not to those who are in most need, but to those who can give the best financial return. For co-operative and ethical organisations a different credit system is needed, one which will not simply look at profit but which will be ethically motivated and able to direct money into the alternative economic sector. Housing co-op's can help to develop this simply, at grass-roots level, without the need for interfering professionals and bureaucracy. The



[B] Getting help from Catalyst Collective

Catalyst is a workers' co-operative set up to help those working towards a sustainable and co-operative future. In part this involves helping to establish small worker and housing co-op's. In conjunction with Radical Routes Catalyst offer the following package for potential housing co-operatives. For a current fee of £375, covering the FSA registration fee and a payment towards the other work of Radical Routes, Catalyst see you through the whole registration process and try to set you on the way to successfully running your own co-operative. Fees are kept as low as possible in recognition that lack of money is often a problem when a co-operative is setting up. If travelling expenses are paid Catalyst can often arrange for someone to come to talk to a group considering setting up a co-operative. A place to sleep may be necessary but floor space is usually fine. Registration through Catalyst includes:

- 1] A name check.
- 2] A 'Registration Pack' which includes information sheets concerning the running of a co-op and the operation of a loan stock scheme to raise finance from supporters. Also, draft model documents [on paper and computer disk] for the following: an occupancy agreement, loan stock certificates, loan stock application forms, a register of members, a register of share certificates and a record of uses of the seal.
- 3] A 'Guide to Business Plans for Housing Co-operatives'. It is vital to convince building societies or other lenders that you have properly planned the finances of the co-op. If you have little or no experience of preparing business plans, this pack will guide you through it, it includes two computer spreadsheets [for a PC] and instructions on how to use them.

Items two and three above are also available separately, contact Catalyst for details.

- 4] A Company Seal [required by law to seal official documents].
- 5] Ongoing advice & support.

Catalyst are normally contactable by telephone and are happy to answer any enquiries [if they can't help you directly they have a wide network of experienced co-operators to fall back on]. Sometimes information sheets relating to specific queries can be collated and produced, although a donation will be requested. Catalyst provide these services because they believe in co-operatives, mutual aid and people working together to make the world a better place. If you think they can be of any help, get in touch.

association, as defined by the Housing Association Act (1985), they can agree the amount of HB they will pay you without referring you to the rent officer. Several Radical Routes co-ops have successfully argued that they are HA's not private landlords. It is far better to try to negotiate a reasonable rent level as a co-op rather than leaving it to individuals to challenge decisions once you've moved in. See the useful addresses section for more information.

Council Tax. Confusion about your status may extend to officials responsible for collecting the tax. As each member/tenant is a member of the Committee of Management it may be supposed that each individual tenant is a landlord/lady. This is not an accurate interpretation of your situation, advice received from the Department of the Environment says that the property owner [the co-operative] is liable for payment where more than one rent is payable on the property. Where an individual rents a flat or a family rents a flat or house they are personally responsible for paying Council Tax.

Management

You will need to choose between managing the co-operatives' affairs through monthly General Meetings where all members take part in discussions and decision making and a Management Committee to which members are elected. If you adopt management by General Meeting you will need to decide if decisions will be made by consensus or majority vote. Consensus is easier among a small group but finding complete agreement on most issues among larger numbers is more difficult.

Officers of the Co-operative

The officers are the Chair, Secretary and Treasurer. The Secretary and Treasurer have specific duties and should have written job descriptions so no confusion arises over what their responsibilities are. If you so wish the role of Chair can be nominal. Model job descriptions are available from Catalyst but the duties are basically these:

Chair. The Chair does not have to chair every meeting and can be no more than the official face the co-operative presents to the rest of the world. Apart from chairing meetings the aspects of the Chair's work can easily be covered by the Secretary. The rules Radical Routes/Catalyst use to register new co-operatives do not include the position of Chair and some co-operatives elect a Chair at the beginning of each meeting.

Secretary. The Secretary's duties include notifying members of meetings, distributing minutes, keeping records of membership and issuing tenancy agreements.

Treasurer. The responsibilities of the Treasurer include book keeping and issuing cheques.

The duties of both the Secretary and the Treasurer can be shared with other members. Sharing responsibilities spreads knowledge among the membership and allows continuity. A Co-Secretary and Co-Treasurer familiar with the work ensure that if an officer steps down or leaves someone is there to take their place.

Chapter [3] Raising Money

DIY

You need to raise enough money to cover that part of the purchase price not covered by the mortgage and to be able to repay the mortgage and any other loans through rent payments and/or some other means.

Most building societies will lend you 70% of the valuation of a property [the valuation may be more than the purchase price]. You will need about 30% of the purchase price as a deposit and enough money to cover stamp duty, legal fees and other costs. You will also need to cover day to day expenses like stationery and postage. You can raise money by:

- 1] Collecting subs from members at each meeting.
- 2] Asking friends and relatives for loans or donations.
- 3] Holding jumble sales and car boot sales.
- 4] Organising sponsored events in aid of your project.
- 5] Applying to charities. You may qualify for help from charities or other grant making bodies. Disability among your members may also enable you to get money from appropriate charities or social services. Get a copy of A Guide to the Major Trusts published by the Directory of Social Change, or ask for it at your local reference library.
- 6] Issuing loan stock [see next page and chapter 5].
- 7] Applying for Regeneration Money. Funds have been allocated for the regeneration of some run-down urban areas. If your area is one of these it may be possible to persuade the relevant bodies to include a tenant controlled housing organisation in the scheme. In which case a substantial part of the cost of your housing may be met. Contact your local authority in the first instance. You may be able to raise money this way and preserve your independence. However, read the following section [Public Funding for Social Housing] and be aware that you may only be allowed regeneration money if you give up the aim of tenant control and settle for tenant participation with control by a housing association. In which case you would probably not be able to operate as a co-operative.

rent in the private sector but the need to pay a deposit, lack of security of tenure and the 'couldn't care less' attitude of many landlords. Rents can usually be covered by housing benefit and those who are employed are happy to pay a rent which is more or less what they would expect to pay for private accommodation in the knowledge that their rent is sustaining and progressing the co-operative.

Of course it would be better if the rents were lower and this could be made possible through long term loans or interest only loans* at low interest rates. Unfortunately banks and building societies are not prepared to consider this at present as it involves too much risk. But as Radical Routes attracts more investment capital and becomes more established and more widely known in the financial world, its credibility will be enhanced and both institutional lenders and loan stock investors should come to regard long term loans to members as less of a risk.

Investment in Radical Routes is now made through Rootstock Limited. Inquiries should be directed to Rootstock Limited at B.M. Rootstock, London, WC1N 3XX.
Tel: 0870 458 1132

An excellent way of guaranteeing lower rent levels is to have a house donated or sold at a knock down price. You may think this is about as likely as winning the lottery but it has happened and it will happen again. There are people out there who are sympathetic and in a position to support co-operative housing by such actions and by donating money through wills. There are more who would be sympathetic if they knew these ventures existed. As word spreads and more people are made aware of the success of tenant controlled co-operative housing the frequency of such donations can be expected to increase. The numbers of houses coming into co-operative ownership in this way will always be small but to those whose homes these houses become, the contribution is significant.

*An interest only loan is a loan where you do not have to pay back any of the capital during the lifetime of the loan. You just pay the interest. The capital is paid back in one payment at the end of the period of the loan. If the term of the loan was longer than the original mortgage the co-operative might re-mortgage to replace this loan when necessary. This would work out easier in the early years but would delay the time when all the money the co-operative had borrowed had been fully paid back, and a genuine minimum maintenance only rent could be charged.

Appendix

[A] Radical Routes - A Secondary Co-operative

Radical Routes makes loans to its members but it is not a financial intermediary like a building society. It is a secondary co-operative, a co-operative whose members are not individuals but other co-operatives. The network is made up of housing and worker co-op's and co-operative social centres and the common bond between them is that they have a commitment to social change.

Radical Routes was started in the late 1980's by a small number of co-operatives providing housing for unemployed young people. Similar projects were set up as a result of this initial success with the existing projects providing help and advice. This mutual aid network took the name Radical Routes and has been growing and meeting together at quarterly gatherings since 1987. Because most of the original projects were started by unemployed people finance was a problem. Some of the new member co-operatives were able to lend money but this was insufficient to meet the needs of the new groups. Radical Routes became a secondary co-operative in order to raise money to lend to its member groups. Funds were raised in the form of loan stock, first from friends and supporters and later from the general public.

Lending is however, only one of our activities, others include: registering new co-operatives, mediation of conflicts, skills and knowledge sharing and social support. We have only one paid member of staff as yet, but as we are structured to promote and facilitate mutual aid and the members of our member co-op's voluntarily carry out the work necessary to keep the organisation operating successfully.

Radical Routes is comparatively tiny, its current turnover is less than £30,000 with total assets of just under £500,000. Its real significance is as an example of co-operation achieving results that confound the critics. No money has ever been lost as a result of non-repayment of a loan or portion of a loan, something otherwise unheard of in the world of finance and loans. There are about four hundred people involved in Radical Routes co-operatives and of those around ninety come to each quarterly meeting. Our unique decision making structure means that in the fifteen years of our existence we have made all but three decisions by consensus rather than majority vote. Twenty eight loans to member co-operatives have been made, a total of more than £400,000.

No Radical Routes co-operative has received funding from the Housing Corporation and because of this most member housing co-operatives now own their properties, or will do when their mortgages and other loans are paid off. And Radical Routes is now sufficiently established to be able to help members negotiate loans from sympathetic mortgage lenders.

Initial rents can be much the same as those charged by private landlords and this can put some people off. Yet, for many homeless people the biggest problem is not the level of

Loan Stock. As a registered Industrial & Provident Society a housing co-operative is entitled to advertise and issue loan stock to the public [see chapter 5]. This allows members, other individuals and organisations to invest money in the co-operative for a set period of time and at a set rate of interest. Some housing co-operatives have bought their housing with loan stock and a mortgage. Loan stock must be issued at set times, say, once a year for four months and for set reasons like the purchase or major repairs. Open ended periods of issue are forbidden.

Public Funding for Housing Co-operatives

In the early 1970's Reg Freeson, a member of the Co-operative Party and Housing Minister in the then Labour Government introduced state funding for housing co-operatives. The funding available compared to that spent on conventional housing associations was tiny. However, hundreds of co-operatives were in existence by the mid-1980's when the then Tory government began the effective abolition of the state funded option. Public money for housing co-operatives can still be had but the obstacles to tenant control in public sector housing are forbidding. What you end up with is likely to be, at best, a tenant management co-operative in housing owned by an association.

To bid for public money you must be registered with the Housing Corporation*. The registration of a co-operative has become a very rare event and development of new 'co-operatives' takes place under the wing of housing associations which bid for money on your behalf. Should you ever reach the happy stage of registering with the corporation and take control of your housing you will be subject to the rules and regulations of the corporation. These are difficult and restrictive. You will be monitored, obliged to wade through mounds of red tape and leap bureaucratic hurdles. Ultimately your housing will be owned by the state and what you can do with it is limited. Certainly you could not sell your home to buy a bigger house, or a property in another part of the country, or overseas. If you are contemplating setting up a housing co-operative of members who have a common link other than their housing, such as housing members of a worker co-operative, this too is not allowed.

Funding is made available on condition that your local council is given nomination rights to between 50% and 100% of the groups vacancies. Nomination rights are not allocation rights, they do not give a council the right to impose tenants you do not want upon the group but most councils assume that they can do this. Watch out! Many state sector co-op's have been wrecked by accepting into membership people whose sole priority is getting themselves housed and who have no interest in collectively controlling the housing in which they live.

* Registration with the Housing Corporation should not be confused with registration with the FSA. The latter gives you the legal structure which enables you to operate as a co-operative. The former allows you to bid for money from the Housing Corporation and gives you a degree of independence within the state sector.

Shared ownership schemes exist within housing associations and in some council housing with ownership eventually passing into the hands of tenants. These may be worth following up. Enquiries should be made to the Housing Corporation or local housing associations.

Tenant controlled co-operative housing in the state funded sector is more a historic curiosity than a practical opportunity. In a democratic society we could expect to see some public control over public housing, and restrictions on obstructive bureaucrats who dare to call themselves "civil servants" but this is not the world in which we live. If you choose to explore state funding you are taking on a major political fight where actually getting housed in a new self-governing co-operative is a distant dream. Good luck to you. Join the Confederation of Co-operative Housing for news and advice and start campaigning!

Trusts

As with a charity, the trustees would control the property on behalf of the people living in it. In England and Wales the number of trustees is limited to four, though this is different if the organisation is also a registered charity. The relationship between the trustees and the occupants of the house is defined in the Trust Deed. Non-trustee tenants would have security of tenure so the same difficulty in getting a mortgage that arises with charities applies with trusts.

Tax exemption can be arranged, it has to be negotiated with the Inland Revenue. You should seek advice on Capital Gains Tax [a tax on the increased value of the property] or you may find yourself presented with a heavy tax bill. There are also a complex series of laws around trusts, these impose limits on your actions.

A Limited Company

Many voluntary organisations use the structure of a company limited by guarantee and this can be used for a housing co-operative [in some circumstances a company limited by shares could also be the right structure]. The most likely situation in which a limited company structure might be appropriate would be one where a large group wishes to provide housing with other facilities, such as business premises or where such a mix of facilities involves different people in a variety of activities including housing as a part of the overall picture. For smaller groups who wish to incorporate housing and other activities a housing co-operative and a workers' co-operative with overlapping membership are recommended. A workers' co-op is a much more suitable legal structure for running a business.

If a company structure is chosen the problem with security of tenure which arises with charities and trusts applies again. The limited company [unlike a housing co-operative] is liable for Corporation Tax and Capital Gains Tax and there are complications with housing benefit and Council Tax for tenants who are directors of the company.

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and is bought and paid for. Rents on such properties ought to be set to cover only the cost of management and maintenance, currently around £15 a week, yet tenants can be paying £70 and more for a two or three bedroom house. The difference is effectively a hidden tax which can amount to more each week than the tenant pays in income tax. The money may go towards the provision of more housing but such provision might be expected to come from the general tax pool into which we all contribute, not from a hidden burden imposed on those who are usually on low incomes or unemployed. Public tenants are milked of cash, while frequently seeing the standard of their housing fall. Their rents can be relied upon to rise year after year whereas the value of mortgage repayments for home buyers can be expected to reduce over time].

A Shared Mortgage

It is possible to share a mortgage and buy a house with up to four people. However, all four have to be in work and their credit rating must be good. There are too many drawbacks for a shared mortgage to be a realistic option for most people who might begin to consider it. If one of the owners becomes unemployed that person cannot claim housing benefit because it helps to pay off a private mortgage. Also, rent from people living in the house has to be declared as income and is taxable and, if one or more of the owners leaves some way has to be found to pay them for their share of the house. If there are more than four of you in the group there might also be ideological and practical objections to control over the property being in held by some occupants and not by others.

Charities

Charities must comply with rules laid down by the Charity Commissioners. The aims of the organisation must be to support or advance education or health, or to combat various social ills which include homelessness and bad housing. Charities have the advantage of tax exemption on their incomes and are eligible for grants and gifts from other charities, companies and individuals who can offset donations against their taxes.

The downside for housing is this. The people living in the property have security of tenure, which can make it very difficult to get a mortgage because the bank or building society needs to be assured that if you were to default on the loan the house could be repossessed with vacant possession. The tenancy agreement would have to be worded so that no-one has the right to stay in the house if the lender needs to repossess and this is not possible if the house is owned by a charity. Also, the trustees of a charity cannot benefit from the charity, so they cannot be tenants. Control is therefore out of the hands of the tenants. And, if the Charity Commissioners are particularly busy the registration of a charity can take as long as two years. A group cannot register as both a co-operative and a charity as the charity option has a built in landlord-tenant hierarchy which, as potential co-operators, we presume you do not want anyway.

Chapter [4] The Walden Pond Story

Walden Pond is a small (five members, soon to be seven) housing co-op based on the South Coast. This the story of how we came into being as a co-op, how we resolved our chronic housing problems by buying a house, and how being part of Radical Routes helped us to achieve our dreams.

We began as a group of friends with a long history of living together, on and off, in shared rented houses. We had similar concerns and a common commitment to activism of one sort or another. We were easy working with each other, and comfortable with the idea of living communally. We led, and still lead, mixed lifestyles, with some of us working more or less conventionally, squeezing in good works in where we can, whilst others are (or would like to be) full-time activists. We moved around a lot, renting places. Some of us disappeared abroad for a while then came back.

Gradually it felt like we needed some stability. We had some friends in Oxford who were in a Radical Routes housing co-op called Jigsaw. Two of our members and their baby son were able to stay in a Jigsaw flat during a period of housing need in 1996. Besides being a very practical bit of mutual aid, this proved an excellent opportunity to observe the workings of a co-op from the inside. Jigsaw took us under their wing and, with their help, we rented a big house in North London. The idea of forming our own co-op was now firmly in our heads. We were angry at the overwhelming attitude that houses are a form of capital, to be invested in and speculated on, rather than a basic necessity of life. We agreed that it was important to demonstrate by example the possibility of removing housing from private ownership.

We got in touch with Radical Routes, and registered ourselves as a co-op through Catalyst in October 1997. We raised the £375 needed to register from our own savings. We got together a further £3000 of our own money to put into the co-op as loan stock. From that point we were able to cast free of Jigsaw's supportive embrace. We had done it: we were a co-op! However we still faced the problems of becoming financially viable, and, at some stage, we hoped, getting a house of our own.

The first two years as a co-op

We had some tough times. We were a co-op renting a house from a private landlord, and, it being London, we had to find a lot of rent every month. Our lives felt completely dominated by the distress caused by housing benefit problems. With benefit delays, rent officer inspections, and appeals against crazy unjust decisions, it seemed never-ending. One of us suddenly went abroad leaving an empty room that had to be filled. We had a disastrous experience with a member who stole from us and left owing a ton of money. To cap it all, the landlord decided to cash in on the property boom and sell the house. Arkady (four years old at the time and with a remarkably

penetrating voice) set about repelling all prospective buyers, but relocation was inevitable. We upped sticks and moved to a smaller rented house nearby.

We had heard a lot about Radical Routes - in some ways it was all a bit mysterious and intimidating. Nevertheless, these were people who had done what we wanted to do, people who knew how you went about writing a financial plan and talking to banks and yet were activists as well.

Some of us were less keen initially on RR than others. The work commitment was off-putting given that we had little free time as it was, but in the end these reservations evaporated. The joining procedure was nerve-wracking, partly because of our internally devised (and totally impractical, as it proved) deadline for extracting a loan from RR (only member co-ops can get loans) and buying our envisaged London mansion/revolutionary HQ/organic urban farm. Partly also because we were worried about whether we were radical enough for Radical Routes! We joined in summer 1999. Radical Routes was inspirational. We never looked back.

Buying a house: first faltering steps

Buying a house was always on our minds, but it took time to make it happen. Finding and buying a house was a three-stage, two-year, process for us, involving a succession of sometimes-painful collisions between dreams and reality. We began by thinking we'd find somewhere in London, maybe in the East End where houses were still relatively cheap. We drew up a financial plan based on a hypothetical £100,000 house, and applied to Radical Routes for a £15,000 top-up loan. The idea of the Radical Routes loan was to bridge the gap between what we thought we could raise and borrow elsewhere (loan stock, mortgage) and what we would need to buy a house. We also knew that getting approval from Radical Routes would make it easier when talking to Triodos Bank, who we were going to approach to lend us the bulk of the money as a mortgage. Radical Routes went over our plan, asked for some revisions, and agreed, provisionally, to lend us £13,000. It was the first real step towards actually buying a house: we felt we were on our way. However, we were in for some nasty surprises. When we got round to look at real house prices it was clear that it wasn't going to work. House prices were rocketing in London and there seemed no chance of finding a suitable house at the sort of prices we could afford. Around the same time we were given notice to move by our landlord, who wanted to sell the house and cash in on the boom. We took up a friend's offer to rent part of her big house in Brighton and moved down there in Spring 2000.

We spent almost a year in Brighton. Our immediate thoughts fell to buying a house in Brighton, but it soon became obvious that prices weren't that much lower than London. We were realising that we'd have to be more flexible in where we'd be prepared to live of we ever wanted to buy somewhere. We contacted Triodos Bank about getting a mortgage, and they came and visited us to find out about the co-op in a friendly, informal sort of way. After this, we sent in a formal application with another financial plan, still based on a hypothetical house because we had not found anywhere. We found them helpful and supportive. Anyway, Triodos gave us provisional approval for a mortgage, subject to seeing revised figures when we had found a real house!

Chapter [7] Options Outside Co-operatives

Individual Home Ownership

Most of us are encouraged to aspire to settling down with a 'proper job' and a mortgage. Owning your own home is seen as a sign of success and governments have done what they can to encourage this attitude. Britain now has its highest ever number of owner occupiers and those who do not see taking on a mortgage as a major goal in their lives may be looked upon as fools. We are the only country in Europe that has the aim of individual home ownership as such a major part of its culture.

Even if you have no ethical objections to mortgages they have major drawbacks. You are shackled for decades, tied to a certain level of income and your employment options may be restricted to jobs you MUST do. Many people are prevented from taking on work they might like to do in favour of better paid employment which they must endure. If you don't have a job that is secure enough or which pays enough, a mortgage may be an unwise move or an impossibility. And how many people have secure jobs these days?

Private Landlords

Horror stories about private landlords abound and the insecurity of a six month let is now the norm. If you have had the kind of experiences of private landlords many of us have had you won't need an explanation of why so many people want to get out of privately rented housing.

Public Landlords

In the state funded social housing sector financial cuts and government insistence that housing associations must raise money through loans from private banks are helping to push rents beyond the reach of many tenants. In the late 1980's the Conservative Government decided that housing association rents would gradually be increased to 'market levels' thereby undermining the very reason for the existence of housing associations [to provide decent affordable housing for those on low incomes and in housing need]. In parts of the country rents in the social sector are at higher levels than housing benefit will cover. Nevertheless waiting lists for council and housing association homes can be so long that you may wait years before being offered anything and if you are single an offer may never come.

State funded public housing can be as ruthless a rip-off as any private landlord could devise. Most housing association and council housing has been around for decades

Day, three days later on January 24th, we welcomed over 70 guests. “Great Potential” was the word on everyone’s lips. We did not manage to buy the sixth and middle house until October 99.

Life here since

We have done lots of campaigning and work in the local community especially with refugees; we have had peace festivals here and run courses; we have had international camps and still have volunteer week-ends once a month; we have a funded project here working with excluded young people who learn building skills, photography, bike maintenance etc. On the downside, the houses still aren’t finished - the plan has always been to turn them into a peace centre where we also live, complete with library and large meeting space for local people. We have never really had enough people living here, especially people with building skills! There always seems too much to do. We get burgled a lot. It does still inspire people though and we are well known in Coventry.

Risk

It is all a risk. At one point in the buying process Becqke withdrew, overawed at the enormity of what we were doing, but she came back. Triodos were prepared to risk the loan even though the sale of middle house had not been agreed at that stage. We were glad we did not know about the flooding until it was too late, in case it had put off our funders (and maybe even us), but as things have turned out, after two floods we managed to persuade the Council to dig up the road and within 6 weeks the pipes were mended.

Us

We like living here. We like sharing. We are glad we did it and will continue to learn and grow together. We think we have done something worthwhile which has effect way beyond ourselves.

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The remaining task to tackle was the raising of loan stock. Loan stock is money loaned to a co-op for a fixed term at a fixed (or zero) interest rate. Anyone can take out loan stock in the co-op: members, family, and supporters. We drew up a leaflet advertising loan stock in Walden Pond and wrote to everyone we knew. In particular, we wrote to our friends and contacts in the peace movement and direct action networks, pointing out the radical agenda of the co-op and how supporting their co-op was providing a base for activism as well as communally-owned housing. We scraped around ourselves to put more money in as members, and asked our families to help out too. We began issuing loan stock in spring 2000 and were amazed by the Autumn to have raised almost £40,000. In this respect we were in an unusual position, since co-ops are not often so lucky in raising loan stock.

Buying a house: it gets serious

So, in the Autumn of 2000 the key financial elements were in place - loan stock, mortgage, and Radical Routes loan (the latter two as provisional offers, not cash in the bank) - and we were getting down to some serious house-hunting. After some day trips to towns around Brighton, we began to focus in on Hastings and St Leonards-on-Sea, where large Victorian terraced houses were going for £60,000 to £90,000. We came up against the reputation of the town as perceived by outsiders - as a centre of drugs, crime, and deprivation - but we found nothing to scare us off. What we experienced of Hastings was a strong sense of community, thriving small local shops, a spirit of independence, and a tolerance for difference and quirkiness that has been ironed out of almost all of other towns. We spent time talking about what we needed in a house. We wanted some sort of garden, if only a small one, space for visitors, and a house that accommodated Arkady’s needs as a home-educated child. We also wanted office and studio space in the house, to give us the opportunities we needed to explore independent modes of working and earning a living, and to place our campaigning work on a firmer footing. Our lofty aim was to banish the piles of newspaper from the lounge, and the tins of oil paint from the bedroom.

After finding several “possibles” that we weren’t 100% happy with, we finally found a five bedroom three storey Victorian terraced house in St Leonards that we all felt was the house for us. The asking price was £79,950. There wasn’t much discussion - the previous months of house viewing meant we’d come to a sort of unspoken shared vision of what we were looking for - and it just felt right the moment we went through the door. We made an offer in writing of £78,000 at the beginning of November 2000, which was accepted. The seller was lovely and gave us tea and cakes when we came round on our many repeat viewings. We appointed a solicitor, who turned out to be dreadful (an all too familiar story). We spent a long time deciding whether to have a survey done - £600 seemed a lot of money - but in the end we went for it, reasoning that the house was old and whilst we couldn’t see any major problems we needed an expert opinion to confirm this. We contacted Triodos Bank and Radical Routes, sending them our financial plan revised to account for the true house price and expected housing benefit levels. Our solicitor largely twiddled his thumbs and failed to answer the phone. Despite his best efforts, things progressed. On the basis of the survey results we asked for an extra £1000 off the price, which the seller agreed to. We

handed over the 10% deposit to our solicitor. We arranged house insurance. And we waited. And waited.

Towards the end of January 2001, we finally got the OK to go to our solicitor to sign and exchange contracts. He bumbled away, shuffled some papers, and then said we could leave. We reminded him that we were meant to be there to sign the contract, whereupon he produced said contract and we did the deed. What would have happened if we'd failed to remind him doesn't bear thinking about. Anyway, there was no turning back now! Somewhat unusually, we agreed with the seller to move to the completion very quickly - two days after the exchange of contracts! This was because the seller was desperate to move and we were all fed up with waiting for no good reason. The solicitor didn't like it, but it went ahead anyway. On the day of completion, when the balance of the house price was to be paid over and the house was to become ours, there was one final panic. Our solicitor rang saying that the seller's solicitor knew nothing about the agreed completion date being that day! We were almost speechless - the solicitor's job is to ensure that such disasters don't happen. We phoned the seller, and got her to call her solicitor. It was all sorted out in a few minutes. We picked up the house keys from the estate agents later that day. Walden Pond Housing Co-operative now owned a house.

Consolidating and looking ahead

The co-operative solution to housing is working well for us. We've had some advantages, including our history of living together and our access to relatively large amounts of loan stock. Nevertheless, we feel the housing co-op solution should work for anyone. Perhaps it's a cliché, but it is nevertheless true that the important things are the people and their commitment: everything else will follow.

Walden Pond's aim is slow, cautious consolidation and growth. We're considering buying a second house and taking on two new members. We hope to introduce environmental improvements in our first house, such as solar water heating and solid-fuel-burners for space heating. The mechanics of the running of the co-op, and housing worries in general, are becoming a less central part of our lives. With a stable secure home and work space, we have found new energy and time to put into our activism, our work, our creativity, and our passions.

Chapter [5] Step by Step

The Group. So, you've got a group of keen and eager people together. What are you aiming for? A communal house or individual housing? Do you want to house everyone at once or build gradually towards a fully housed membership? If the latter, what order do you want to be housed in; who is to be housed first? Publicise yourselves and attract more people than you can house, if existing members drop out you will need to replace

Chapter [6] The Coventry Peace House Story

Why?

Because we wanted to live in a community based on nonviolence. We had come close to starting an ecovillage project in Warwick and then after a 3 month walk, visiting other co-ops and peace camps, we set up camp outside the Alvis Tank factory in Coventry, against whom we had been campaigning for many years. We were there for 13 months, but during that time were looking around for a more permanent base. It became obvious that it should be in Coventry because that has been home to the arms trade for a long time - and is a poor, violent city. Much as we might like to live in a beautiful wooded valley somewhere, we felt we could work for peace more effectively here.

Who are we?

There were 4 of us consistently on the camp and 3 of us who set up the Peace House. However, from the ecovillage in Warwick and before, throughout the peace camp and to the present day, we have been supported by many people. We are the ones who happen to be free to do this at the moment, but it would not and could not happen without the love and practical support of others.

Finding the right property.

Because Coventry was bombed a lot in the war (because of the arms factories) there are not many big old houses left. We wanted to be fairly close to the city centre so people could visit easily and then one day John spotted 6 houses in a row on a busy road near the canal which were all boarded up. We discovered that 5 of them belonged to Orbit housing association and one of the middle ones to the City Council. They had a big back garden which backed on to a park. They had been boarded up for three and a half years and Orbit were keen to sell. They all had holes in their roofs through which all the plumbing had been stolen. Because of their closeness to the hump backed canal bridge, which would cause access problems, developers had been unable to get planning permission to knock them down and rebuild. Local people knew they flooded a lot, but we did not know that until after we moved in. The City Council said they would not sell to us until the planning permission had been approved for change of use. We decided to go for it anyway.

The means

We knew of Radical Routes through Gaia Wholefoods in Leamington and Penny went to the spring gathering in 1998. Through RR we set up Coventry Peace House Housing Co-operative Ltd as a fully mutual Friendly Society. None of us had much money because two of us had given away all our worldly goods before we went on the 3 month walk and the third member, Becqke, didn't have any to start with. However we had been working in little part time jobs on the peace camp and had saved enough to pay the £450 to do this. We approached Triodos bank, who seemed keen to get involved, and we approached our friends and supporters for loanstock. The Orbit houses were £8,000 each and Triodos gave us a mortgage for £33,600. The balance we easily raised from loanstock.

The move

We had hoped to go from peace camp to peace house, but Alvis had stopped sending tanks to Indonesia by the end of July 98 and it was getting difficult trying to finalise everything from the camp, so we lived in a friend's house until we moved in on January 21st 1999. At our first Open

a member moving out and a new tenant moving in]. This is worked out as a percentage of income, usually 4%, though some lenders will expect more. Help with your business plan is included as part of the registration service from Catalist.

Despite the fact that co-operatives have a good record as sound financial institutions, many banks and building societies are wary of them. You will need to prove that you know what you are doing and that your project is financially viable. Choose a bank or building society that is interested in ethical investment as these tend to be more aware of co-operatives [see the list of addresses at the back of this booklet].

The bank or building society will want to know about your members. What do they do for a living? In what circumstances have they previously been housed? Do they have experience in running organisations? Do they have any experience of accounting or any other financial knowledge? Policies you propose to follow will also be of interest, particularly the arrears policy and the lender will want to see a copy of your registered rules. Most lenders will insist on you being registered before they will consider a mortgage as they like you to have a legal foundation before they enter into any transactions. This is also in the interest of the co-operative as it protects the members.

Mortgage. Do not apply to just one institution, keep your options open and apply to as many as you can. Raise a mortgage and get a survey done at the same time. The mortgage arrangement fee will be about 1% of the cost of the mortgage and a survey costs £150 - £250. The building society or bank may also want their own survey done by their own surveyors, for which you will have to foot the bill. If you feel you need a more extensive structural survey this will cost around £400 and some lenders will insist on this.

Solicitor. Employ a solicitor or conveyancer, or do your own conveyancing [books are available on the subject]. House buying will cost a co-op more in solicitors fees than an individual would have to pay. Fees can be negotiated but expect to pay around £500. If the house cost more than £60,000 you must also pay stamp duty*.

Exchange Contracts.

Move In.

Issue Tenancy Agreements.

* Recent legislation restricts stamp duty to properties over £150,000 in some deprived areas.

them with people who you can live with and who understand and support what the group is doing. Active involved but unhoused members are potential future tenant/members.

Money. You will need to cover telephone, stationery and postage expenses and raise money for registering the co-operative. Try pooling what you can spare, ask for subs of, say, £1 a week from members. You may find a charity or grant making body that will help, especially if you have homeless or disabled members among you.

From the beginning records must be kept and receipts properly filed away. Always keep a record of all transactions and if you are borrowing money make sure that the lenders and the group have a full understanding of the time-scale and any interest rates agreed.

Registration. It's a good idea to start the registration process at once as this can take time and you cannot act for a co-operative which does not legally exist. Decide whether your co-operative will be fully mutual [with all tenants members and all members tenants or prospective tenants] or whether you wish to have non-members living in the co-op's housing. Be aware that if you choose the latter you will lose your tax exempt status.

Documentation. Issue share certificates to members on receipt of £1. Get your publicity material sorted out. You will need new members at some point and a members pack is a good idea, containing a copy of the rules, the job descriptions of the co-op's officers, policies [such as membership and equal opportunities] copies of the loan stock documents issued to investors and any other information members and prospective members might need. Remember, if you are going to succeed in functioning as a co-operative all members will need the same information and more or less the same knowledge of how the co-operative functions. Knowledge is power and responsibility, it must be shared.

It's a good idea to have a tenancy agreement ready well before you move in. An arrears policy and a disputes procedure should also be drawn up and agreed before you find that you need them!

Loan Stock. For many co-operatives loan stock is the only means of raising the deposit on a property. Issues of loan stock can only begin once you are registered but loans can be accepted before registration and converted to loan stock afterwards. In such instances receipts must be given until loan stock certificates can be issued. Clear and detailed records of all loan stock transactions must be scrupulously kept. It's also a good idea to give potential lenders a form with which they promise, on six weeks notice, to invest an amount when you most need it. This system, and a generally well subscribed loan stock scheme are useful in convincing other people and organisations that you already have a certain level of support and are not undertaking the venture entirely on your own.

Loan stock certificates are issued to lenders as a receipt for their money. The certificate, impressed with the seal of the co-operative, is proof of the loan and stipulates the terms

and conditions, chiefly the agreed percentage of interest to be paid by the co-operative and the duration of the loan. The certificate is a legal document which guarantees the conditions of the loan. Keep copies of the loan stock certificates you issue and record the details in a Loan Stock Register. Remember that money loaned to the co-operative must also appear in the co-operative's accounts.

Each certificate specifies the rate of interest agreed on that particular loan. Interest is added each year in the form of further loan stock until the loan matures after the set period, usually five or ten years. You must allow for the complete repayment of the original loan plus annual interest in your budgeting. When you have used the money to buy a property the loan and interest are repaid through money put aside from your rents.

Lenders are liable to pay tax on interest. The Inland Revenue may ask for a list of your investors with details of the interest they receive and you must send the Inland Revenue a list of all investors receiving more than £250 interest in any one year. If your accounts are properly audited the auditor will deal with this as a matter of course.

Keep precise records of all transactions and make sure that all cheques received are made out to the co-operative, not to individuals. Dealing with other people's money is a matter of serious and continuous responsibility. But with adequate attention it is not difficult to master the process of managing a loan stock scheme.

Repayment can be made on a fixed date, say, 31st December 2008. Or to a fixed schedule such as three equal instalments on agreed dates after 31st December 2008. It is better to break up and spread the repayment of large single loans rather than be obliged to have to pay back umpteen thousand pounds in one go. In such circumstances, break up the loan stock with different repayment dates for different parts. Lots of small loans repayable over a wide spread of dates are preferable to a concentration of redemptions.

Interest is often set at 0% to 5% per annum [your rules will tell you the maximum rate of interest you can offer] leaving investors free to choose the rate they prefer within these parameters, set them differently if you wish. Alternatively, interest can be linked to an index [such as the rate of inflation, the Retail Price Index or the Property Price Index] but this has the disadvantage of making financial forecasting for your co-op harder and you never know quite how much interest you will need to pay over the period of the loan. Your co-operative is able to offer interest rates competitive with commercial banks and can organise its own terms of repayment. Interest rates on loan stock may be varied annually, such alterations must be agreed annually at a General Meeting of the co-operative and all conditions covering loan stock issues must be published with the issue and supplied to investors at the time of issue. Draft model loan stock documents and advice on running a loan stock scheme are available from Catalyst.

Purchasing loan stock does not give members extra status within the co-operative. The ownership of loan stock is a quite separate matter from membership of the co-operative. Likewise, non-members who own loan stock are not permitted to have any influence at all in the running of the co-operative. It is important that this is clearly stated at the outset and repeated when necessary or relations between members and investors, who could well be family or friends, may become strained.

Loans can be made by institutions as well as individuals and if an institution is looking for an ethical financial investment it is possible that you could offer them a rate of interest as high as any they could find elsewhere. It would be worth spending time researching this area as some of the more socially progressive charities could be sympathetic to investing money in a co-operative housing project.

Until the time comes to buy a property, money from loan stock and Donations should be allowed to accumulate in a deposit account where the interest on the total amount helps to covers the interest which has accrued on each individual loan. A proportion of the money raised through issuing loan stock may also be invested directly in socially useful enterprises to raise a return which pays interest on loans.

Property. Presumably you have some idea of how many people you want to House? Look around for the kind of houses that suit your purpose. Are they affordable? Are they in an area that is viable for everyone? One of the useful aspects of buying property as a co-operative is that you can take advantage of economies of scale. You can buy a house with nine bedrooms for a good deal less than it would cost to buy three, three bedroom houses. So you can house a greater number of members at lower rents and/or repay your loans quicker - but bear in mind the possible HMO problems mentioned earlier. In addition you may well get some land or a large garden.

A full deposit will be needed, this will have to be paid about a week before completion. It can be raised by the issue of loan stock, donations, grants, a secondary loan or a bridging loan [the latter is not recommended as interest rates may be expected to be very high].

Business Plan. Put together a comprehensive plan based on your anticipated income from rents and your estimated out-goings. Include everything. Your main income will be through rents and these payments must be regular. If possible make arrangements for members to pay by standing order and have housing benefit paid directly into the co-operatives' bank account. Out-goings will include, mortgage and loan repayments [don't forget the interest on the loan stock] maintenance costs [you will need to put money aside regularly in order to build up a reserve] and management costs such as stationery, bank charges, phone bills, affiliation fees and any other expenditure that members are not individually responsible for. Depending on how you organise yourselves the latter could include water, gas and electricity bills. You will also need to make an allowance for voids [periods when no rent is being paid due to a gap between