

Human City *HEADLINES*

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Commission on Co-operative & Mutual Housing: Scope, Remit & Initial Research Findings

OVERVIEW

An independent Commission to explore the historic role of housing co-operatives and chart potential mutual futures for this diverse sector has been set in motion by the Confederation of Co-operative Housing, Co-operatives UK, the Co-operative Development Society, social housing providers Accord, Matrix, Hanover and Trident, the Housing Associations Charitable Trust (hact), and is supported by the National Housing Federation and the Chartered Institute of Housing. The Human City Institute (HCI) and the University of Birmingham's Centre for Urban and Regional Studies (CURS) are carrying out independent research to support the Commission's deliberations.

The Commission will sit for around 15 months, publishing a series of interim reports, findings, and articles, organising a range of events to disseminate findings widely and promote the sector extensively with policy-makers, other sectors, residents and communities. An interim report will be published in Autumn 2008 and a final report in Summer 2009. The following, to mark the Commission's first 'hearing' of evidence at 'Co-operatives 2008' in Blackpool on 28th June 2008, constituted an overview of why the Commission has been established, its remit and membership, and initial research findings.

WHY A COMMISSION ON CO-OPERATIVE & MUTUAL HOUSING?

Interest in the third sector, of which co-operative and mutual housing organisations are part, has grown in recent years in relation to policy debates about social exclusion, cohesion, localised service delivery and active citizenship. Government and independent reviews of the regulation of the social housing sector generally, and greater involvement of residents and communities specifically, make little reference to the existing or future role of housing co-operatives: this is the backdrop to the Commission's work. The report of the Co-operative Commission in 2001 (the 'Monks' Commission) established a blueprint for measuring the effectiveness of mutual organisations and their potential role in the 21st Century economy and civic society. The co-operative housing sector now requires a similar systematic and critical appraisal. The Commission will be a time limited body (scheduled to run from April 2008 to September 2009) that aims to:

- develop an up-to-date picture of the co-operative housing sector in the UK and its historic achievements, successes and lessons to be learnt for future development;
- undertake an analysis of the environment in which the sector operates by exploring the role of housing and related co-operatives within the wider mutual arena and in relation to changes in the third sector generally;
- undertake case studies of existing housing co-operatives to illuminate current and future issues and potential ways/models to expand the sector over the next decade or so;

- assemble evidence from within and outside the sector via a series of regional 'hearings', symposia, via 'roundtable' debates, and through a range of media;
- highlight the achievements of housing and related co-operatives and scope out potential roles for the sector within the new housing and third sector agendas.

'The Commission is impartial and will receive evidence across the political spectrum and from a range of related sectors of the economy and civil society. The Commission on Mutual Housing is to housing co-operatives what the 'Monks Commission' was to the wider co-operative sector and movement in 2001; we aim to develop a long-term strategic framework for growth and management.' (Commission Chair Adrian Coles, Director General Building Societies Association)

The Commissioners

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| ◦ Adrian Coles (CHAIR) | Director General - Building Societies Association |
| ◦ Professor John Alder | Law Department, Newcastle University |
| ◦ Nic Bliss | Chair - Confederation of Co-operative Housing |
| ◦ Gavin Cansfield | Chief Executive - Hanover in Hackney |
| ◦ Terry Edis | Committee Member - NFTMO |
| ◦ Dame Pauline Green | Chief Executive - Co-operatives UK |
| ◦ Dr. Chris Handy | Chief Executive - Accord Housing Group |
| ◦ Blase Lambert | Member - Confederation of Co-operative Housing |
| ◦ John Morris | Chief Executive - Trident HA & Chair of HCI |
| ◦ Gunn-Britt Martensson | CECODHAS |
| ◦ Professor Alan Murie | CURS, University of Birmingham |
| ◦ David Orr | Chief Executive - National Housing Federation |
| ◦ Ben Reid | Chief Executive - Midcounties Co-operative |
| ◦ David Rodgers | Chief Executive - CDS Co-operatives |
| ◦ Sarah Webb | Chief Executive - Chartered Institute of Housing |

'We need to explore new ways to create the safe, sustainable and friendly neighbourhoods where people want to live and can fulfil their true potential. There is clear evidence that empowering people to shape and manage their own communities helps to forge a stronger, more equitable society and encourages active citizenship. We now need to explore how we can mainstream the excellent work of existing housing co-operatives and mutual housing solutions to shape the housing of tomorrow. The Commission has a vital role to play in that and I look forward to reviewing its findings and recommendations.' (Caroline Flint MP, Minister for Housing)

'Housing co-operatives are a valuable means of creating new affordable housing; I welcome the launch of the Commission on Co-operative and Mutual Housing and look forward to reading its findings and recommendations.' (Grant Shapps MP, Conservative Shadow Housing Spokesperson)

'I'm very pleased to see that the hard work carried out by housing co-operatives is being noticed in setting up the Commission. There remains a severe lack of social housing, and housing co-operatives could play a huge part in solving this, empowering individuals who face difficulty on the road ahead.' (Lembit Opik MP, Lib Dem Shadow Spokesperson)

'Housing co-operatives have the potential to play a key role in creating successful and sustainable places which are informed and conditioned by the views of those who live there. This kind of community ownership has been very successful in many European and other countries. The Commission has a critical role to play in identifying any barriers to their further development here and helping to remove those barriers.' (David Orr, Chief Executive National Housing Federation)

'We know from the success of cooperative housing schemes for older people in countries such as Denmark that a potentially successful model of mutual housing exists. This Commission will shed light on the opportunities for this form of housing to be adopted in the UK in order to meet the rising aspirations for increased engagement and control by retired citizens in the 21st Century.' (Lord Best, Chair of Hanover and former Chief Executive of the Joseph Rowntree Trust)

THE COMMISSION'S RESEARCH

Research Objectives & Approach

The Human City Institute (HCI) and the Centre for Urban and Regional Studies (CURS) have been tasked by the Commission to undertake wide-ranging research which initially focuses upon:

- ▶ *The forms of co-operative, mutual and community-based housing that have been tried in the UK and elsewhere in Europe historically and in a modern setting.*
- ▶ *How successful have these forms been in terms of providing democratically-controlled housing, communities and neighbourhoods?*
- ▶ *What are the critical success factors of co-operative and co-ownership housing models?*
- ▶ *What factors have undermined/are undermining the sustainability of co-operative and co-ownership housing in the UK?*
- ▶ *What forms of co-operative, co-ownership and mutual/community based housing might provide a sustainable model to deliver affordable, sustainable housing in the UK?*

Housing Co-operative Snap-Shot - Confederation of Co-operative Housing (CCH)

The Confederation of Co-operative Housing (CCH) was constituted in the United Kingdom in 1993. The CCH membership is open to all housing co-operatives, tenant-controlled housing organisations and regional federations of housing co-operatives. In creating a national confederation of housing co-operatives, the CCH recognises that there are many differing views across the country and the CCH attempts to reach a broad consensus from these views, and represent its members' views to government, policy-makers and other related sectors. CCH's aims are to:

- to promote co-operative and tenant controlled housing as a viable alternative form of tenure,
- to represent the interests of housing co-ops and other tenant-controlled housing groups,
- to provide a forum for networking between housing co-ops nationally.

CCH have been working with TAROE (Tenants & Residents Organisations of England), NFTMO (National Federation of TMOs) and CLG (the Department of Communities & Local Government) to develop proposals for a National Tenant Voice.

Additional consideration will be given to how co-operative and co-ownership housing models contribute to the development of communities and the delivery of local services. In essence, are mutual models able to address the challenge of creating and managing economically, socially and environmentally sustainable communities? The research approach is to establish a baseline for current activity and models within the housing co-operative sector, assemble a wide range of evidence from across the political spectrum and from a number of related sectors, to undertake case study work, and carry out more focussed research on specific topic areas, such as mutual home ownership and Community Land Trusts (CLTs).

'All around the world people are using co-operative principles to create affordable homes in thriving communities and I'm delighted to be part of this new Commission that will both explore the reasons behind this international success story and find ways of expanding its reach in the UK.' (Sarah Webb, Chief Executive Chartered Institute of Housing)

Backdrop: The New Housing Agenda

Social housing organisations across Europe face a rapidly changing housing market and policy environment resulting from privatisation and marketisation, a withdrawal of public subsidy, deep and wide demographic and social change, and the increasing importance of regulatory frameworks in housing and beyond. Social housing in England seen been reviewed extensively in recent years (Barker 2004; Hills 2007; Cave 2007). And provision and management of new affordable housing is increasingly integrated with private market housing, leading to new

challenges in creating and sustaining communities and neighbourhoods. These challenges sit alongside the need expressed by many social landlords to tackle wider socio-economic issues faced by residents such as worklessness and social exclusion (Brandsen et al, 2006).

This new housing agenda may be conducive to a more co-operative or mutual approach housing provision and management, and developing more sustainable neighbourhoods. As the credit crunch has threatened certain sections of the banking world and seen the near collapse of large private banks, the mutual building society sector in the UK has weathered the storm better than most and been seen as a safe place for money by savings customers. The tide is turning on the old economic model of big is beautiful and the re-emergence of mutual economic models is offering a new opportunity.

Co-operative Principles

Figure (1) - CO-OPERATIVE PRINCIPLES

Rochdale Principles	Principles of International Co-operative Alliance
<ul style="list-style-type: none"> ◦ Open membership. ◦ Democratic control (one man, one vote). ◦ Distribution of surplus in proportion to trade. ◦ Payment of limited interest on capital. ◦ Political and religious neutrality. ◦ Cash trading (no credit extended). ◦ Promotion of education. 	<ul style="list-style-type: none"> ◦ Voluntary and open membership. ◦ Democratic member control. ◦ Member economic participation. ◦ Autonomy and independence. ◦ Education, training, and information. ◦ Cooperation among cooperatives. ◦ Concern for community.

- **Human Nature** ~ The need for co-operation comes back to the idea that the sum is greater than the individual parts. Communities take on characteristics which are a development of those of the people within it. Individuals can gain more together than on their own, if for no other reason than numbers cannot be ignored, as illustrated through public demonstrations.
- **Efficiency and Effectiveness** ~ Whilst much has been written about the privatisation of society, there remain elements of life where mutuality is necessary. Recent research highlights that neighbourliness is valued by individuals and contributes to a better neighbourhood (Buonfino & Hilder, 2007), and that community is locality based, where there is a positive proximity to others and where there is support available (Scase & Scales, 2003; BMG, 2007).
- **Compromise** ~ At the same time co-operation is as much about compromise as it is perfect harmony and is therefore dependant on democracy to ensure that power is not concentrated at the centre or in the hands of the few. This requires a reconsideration and revitalisation of democratic structures to balance power and mediate differences.

The History of Co-operative Housing

Commentators agree that co-operative housing organisations have a lot to offer to the current policy terrain:

'The uniqueness of co-operatives derives from their ability to combine political and economic democracy through their blend of democratic control and common or joint ownership.' (Clapham & Kintrea, 1992: 39)

However, some commentators point to a lack of reflection on the past being a major barrier to their present and future success:

'It is interesting that co-operators, through a lack of sense of history, have often 'reinvented the wheel' as far as co-operative structures are concerned.' (Birchall, 1991: 4)

Exploring the roots of today's housing co-operatives reveals a plethora of experiments encompassing the Chartists, Robert Owen, Co-operative Pioneers, but most were small-scale (although Building Societies emerged as major mutual forms of saving in order to develop and buy housing). Three main substantive waves are generally identified in the history of housing co-operatives.

- **Co-partnership Movement (Early 20th Century)** ~ Industrialisation and rapid urbanisation created a burgeoning demand for housing, particularly from a newly emergent but 'property-less' middle class. The origins of these societies were less in the co-operative tradition but were picked up by other movements, key amongst them being the Garden City Movement. Co-partnership housing built on previous co-operative experiments by bringing together some of the principles with more conventional development techniques and housing offer. Initial co-partnership housing was neither owned by its occupants nor was it individually owned by one landlord. Both tenants and external investors could purchase dividend bearing shares in the company with a rate of return of 5% on the capital invested. The co-partnership housing companies were a step towards co-operation in the investment in housing but the outcomes mirrored some of the wider problems of housing provision and failed to adequately cater for lower income households. However, this model was praised for its ability to create communities of mutual benefit and self-policing. Ultimately finance and a lack of co-operation and learning between societies were the key factors in their lack of sustainability.
- **Co-ownership (1960s)** ~ Co-ownership housing was promoted by the Government as part of a package of measures to meet unaddressed housing need as a model that was designed to meet aspirations for home ownership amongst those households for whom the housing market was unaffordable. It borrowed from the Scandinavian model of co-ownership, although there is debate as to the degree to which the model was only partially imported. The associations were to be developed by founder members with control and ownership passing to the residents after development. Tenants built up equity through the rental payment and after a qualifying period of 5 years they were able to withdraw the equity they had paid to towards the mortgage and a corresponding proportion of the uplift on the property value. Co-ownership suffered from a series of inter-related drawbacks. The developments were often led by property professionals who had a vested interest in the scheme, who divorced the development from the management of the schemes and who often failed to pass control to the residents. Both the founders and the Housing Corporation has a mistrust of tenant-resident control. The societies were the proverbial round-peg in the regulatory system. The schemes were increasingly financially difficult to sustain as members withdrew equity. And the final nail was the introduction of the 1980 Housing Act and the extension of the Right-to-Buy. The lack of new development is attributed by the Housing Corporation to financial difficulties and a change in emphasis of social housing. The development of a new mutual home ownership model suggests that there is a role for this form of co-operative housing today.

- **Common Ownership & Tenant Control (1970s onwards)** ~ This is perhaps the most successful phase of development. This has taken place over the last 30 years with various waves of enthusiasm and encompassing a range of organisational types. Initial political support for a new wave of co-operative housing has slowly turned into political support for housing models which have by-passed municipal government. This wave has utilised a primary-secondary provider relationship.

Housing Co-operative Snap-Shot - Co-operative Development Society (CDS) Co-operatives

CDS Co-operatives is the largest co-operative housing services agency operating in the South of England providing a wide range of support services to 46 independent co-operatives, including managing almost 2,000 rented homes on their behalf. Comprehensive service delivery to these co-operatives includes those associated with management, finance, governance and administration. CDS Co-operatives was founded in 1975 and now owns and manages 690 rented homes. Registered with the Housing Corporation as an RSL and under the Industrial & Provident Societies Act 1965, CDS Co-operatives has also researched and is pioneering mutual home ownership for key workers and Community Land Trusts (CLTs) in partnership with the New Economics Foundation and the Housing Corporation.

The Position Today

Today there are 247 co-ops registered with the Housing Corporation, 25 co-ownership societies and 202 Tenant Management Organisations, at the last reliable count in 2002. There are 4 community gateway associations in development in England and two Community Mutuals in Wales. The role of community based housing associations is key to many partial stock transfers. In addition there are other non-affiliated co-ops, such as the Radical Routes movement. Although these numbers appear large their sustainability should not be taken for granted and the room for growth of these numbers should be considered. There have been few new registered co-ops in the last 15 years. Redditch Co-operative Homes and its affiliate co-ops have been an exception but may be a model to consider for future development in the current financial framework for housing associations.

'The UK has a small but flourishing co-operative housing sector. The Commission's aim is to move housing co-operatives closer to the centre of national policy debates by gathering evidence across the country to see how best to expand their future role.' (Nic Bliss, Chair Confederation of Co-operative Housing).

The advantages of co-ops are well known within the sector, but outside few people understand what a co-op is let alone their advantages. Evaluations of co-ops and TMOs have shown in the past that they are effective managers of housing and often outperform other forms of housing organisation. However the evidence is now dated. The benefits of these organisations are not solely confined to cost-effectiveness but also the gains that tenants make by being involved in them and research indicates the positive role that co-ops can play in addressing social exclusion (Clapham et al 2001). Political climate is currently more conducive to their development. A shift from government to governance and the role for communities to self-help assist the revitalisation of co-operatives. All political parties are talking about community ownership, co-operatives and mutuality. The alignment of these factors means that there is an opportunity and a potential for the development of existing and new mutual housing models. A series of persistent barriers are clear in the history of co-operative housing.

- **Finance** ~ The availability of finance has persistently been problematic for housing co-ops. State support for the model has largely been lacking and in recent years a shift towards private finance once again has undermined the ability of co-ops to secure capital for

development. Yet even where finance has been available, the costs of financing loans have often been the shortcoming for co-ops.

- **Support** ~ Support is vital to the success of housing co-operatives. Whilst their small size can have advantages for their community objectives, the provision of an effective and efficient housing service requires support structures. Where successful, this has been achieved via a primary-secondary structure. This is similar although not as far developed as the Scandinavian model. Additionally it takes time and energy to cultivate these organisations. As indicated below political support has often been lacking for these models and lobbying for such support to secure further resources for the sector should be a key role for the Commission.
- **Politics** ~ National politics have generally not been kind to co-operative housing developments. With the exception of a short period in the late 1960s and early 1970s, housing co-operatives have been overshadowed by a pre-occupation with home ownership for the majority and council (latterly social) renting for the minority. However, at times co-operatives have been hampered by a lack of local political support which has made their establishment more problematic. Yet where local political support exists, a healthy co-operative sector can be developed and fostered.
- **Regulation** ~ Since the introduction of regulation within the 'social' housing sector, co-operatives have been regarded as a square peg in a round hole. The inflexibility of the regulator to different models has meant that housing co-ops and other mutual models have been seen as 'different' and therefore troublesome despite the recognised benefit of outcomes achieved.
- **Commitment from Co-operators** ~ Understandably, this is not always in existence. Some co-operators behave more like tenants and are seemingly unwilling to participate in the operation of the co-op. This provides a challenge. Either co-ops are no different from other housing models and a landlord-tenant relationship exists or co-ops need to develop better means of harnessing the potential of informal means of participation and empowerment.

Housing Co-operative Snap-Shot - Redditch Co-operative Homes (RCH)

RCH, established in 1998, was established in partnership with Redditch Borough Council and the Accord Housing Group, which includes Birmingham Co-operative Housing Services (BCHS). The aim was to increase local community accountability and tackle high rents charged by mainstream housing associations in the Redditch. RCH has developed 250 homes on behalf of five primary housing co-operatives and now provides services to all five. Each of these housing co-operatives own and manage their housing via a lease with RCH, which own the freehold. RCH has developed a resident-centred design approach across the housing co-operatives it serves, and has pioneered environmentalism within a housing co-operative context: last year, at the cost of £5 million, RCH completed the development of 36 Norwegian-built eco-homes in six months.

An Opportunity for Development

A number of factors have combined which mean that now is a timely point to be considering the role that co-ops and mutuals can play in housing and the development of neighbourhoods and communities.

Sustainable Communities & Participation

- *Devolution and participative local governance*

- *An improved housing 'offer'*
- *Neighbourhood management*
- *Social enterprise and local economic development*

Affordable Housing, Asset-Building & Community Ownership

- *Complex housing need and new solutions*
- *Community ownership of assets*
- *Individual asset ownership*

Conclusions

The time is right for a reconsideration of co-operative and mutual housing structures to meet the challenges presented by the housing market and the need for more sustainable communities. The past history of these forms of housing provision provide us with valuable lessons for this consideration. Structures do still exist but many need support and development whilst additional innovation in new product types is needed to meet today's challenges. Having said this, the role that housing co-ops and mutuals can play goes beyond housing alone and increases their potential role as place making organisations. An up-to-date evidence base is needed to assess what already exists, how well it performs, the barriers it faces and the potential for new forms of delivery. This will be taken up in the next phase of the research.

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The full Working Paper by Rob Rowlands will be available from the CURS website from 21st July

www.bham.ac.uk/curs

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