

## Briefing Paper 17

### Housing scoping paper: co-operatives and mutual housing in the social rented sector

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*'If the Rochdale Pioneers were alive today, they'd be building housing co-ops!'*<sup>1</sup>  
(CCMH, 2009)

This briefing paper is one of six summarising scoping research on third sector housing. Social housing organisations face a rapidly changing housing market and policy environment. The credit crisis, public spending cuts and the new priorities of the coalition government present opportunities for the exploration of new means of production and management. Amongst these are co-operative and mutual forms. This paper looks at the existing forms of co-operative and mutual housing and considers the contribution they do and could yet play in addressing housing problems.

#### Defining the field

Mutualism is concerned with collective action, pooling resources and obtaining an outcome which is greater than the sum of the parts. A co-operative is *'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise'*<sup>2</sup>. Co-ops are underpinned by a set of 'co-operative principles' (figure 1). These encapsulate the broader theme of mutualism by outlining specific intentions in relation to economic participation, education, co-operation and

importantly democratic control, autonomy and concern for the wider community. The way this has been applied to housing organisations has led to a narrowly defined set of housing organisations, the majority of which are incorporated within the social housing sector.

This itself leads to an interesting debate about the mutual sector's future potential.

#### Evolution

What is clear from the literature is that a lack of reflection on past achievements and failures by co-operators and their sponsors has ultimately undermined efforts to build momentum in developing co-operative solutions.

*'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.'*<sup>3</sup>

The endeavours of early co-operators in transferring their principles of co-operation to housing in the form of housing co-ops as we know them today were largely unsuccessful. For example the Rochdale society owned and rented out 300 properties and in doing so was a collective private landlord and the Chartists used the collective ownership of property to achieve enfranchisement.

Table 1 indicates three main phases of development. Each phase has developed around a particular context and need, responding with a different model and form of structure and resulting in differing outcomes.

Table 1: Phases of Co-operative Housing Development in England<sup>4</sup>

	Context	Development	Outcome
<b>Phase 1: Co-partnership Housing</b>	<ul style="list-style-type: none"> <li>• Garden city movement</li> <li>• Industrialisation and housing need</li> </ul>	<ul style="list-style-type: none"> <li>• Collective ownership, dispersed stock</li> <li>• External capital and investors</li> <li>• Capital return on investment</li> </ul>	+ve <ul style="list-style-type: none"> <li>• Mutual respect</li> <li>• Sustainable community</li> </ul>
			-ve <ul style="list-style-type: none"> <li>• Power struggles</li> <li>• Lack of co-operation between societies</li> </ul>
<b>Phase 2: Co-ownership</b>	<ul style="list-style-type: none"> <li>• Aspirations for home ownership</li> <li>• New models encouraged</li> <li>• Scandinavian models</li> </ul>	<ul style="list-style-type: none"> <li>• Collective owners, individual tenants</li> <li>• Development separate from management</li> <li>• Experimental</li> </ul>	+ve <ul style="list-style-type: none"> <li>• Emergent low cost home ownership</li> </ul>
			-ve <ul style="list-style-type: none"> <li>• Mistrust</li> <li>• Regulatory and financing difficulties</li> <li>• Undermined by Right to Buy</li> </ul>
<b>Phase 3: Common Ownership and Tenant Management</b>	<ul style="list-style-type: none"> <li>• Political support for co-ops</li> <li>• Political support for by-passing municipal government</li> </ul>	<ul style="list-style-type: none"> <li>• Secondary-Primary relationship</li> <li>• Initial access to finance</li> <li>• Understanding of niche markets</li> </ul>	+ve <ul style="list-style-type: none"> <li>• Accessible to low income households</li> <li>• Rise in tenant control</li> </ul>
			-ve <ul style="list-style-type: none"> <li>• Financing tighter post '88</li> <li>• Regulatory difficulties</li> </ul>

Although responding to different contexts with different models at different points in time, similar stories of development and sustainability emerge from this history. The outcomes of these models are mixed. Each phase has been good at meeting specific housing needs at that particular time. However, the models have lacked flexibility to adapt to changing circumstances.

What emerges from this history is an insightful overview of the persistent barriers in developing mutual models of housing. These are:

- a lack of sustainable finance;
- a lack of coherent support structures to facilitate and sustain societies;
- a lack of sustainable political support.

Fig 1: Principles of International Co-operative Alliance<sup>5</sup>

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community

## Types of organisation

### Existing models

*Rental Housing Co-ops:* there are three main types of housing cooperative:

- ownership co-operatives which own the homes their members rent from the cooperative;
- tenant management co-operatives that manage housing owned by another social landlord; and
- short life housing co-operatives which manage temporary short life housing<sup>6</sup>.

Their defining feature is that they must be tenant-controlled and a majority of the tenants will be members of the co-operative and, in many co-operatives, all the tenants will be members (a “fully mutual co-operative”).

*Co-ownership Association:* a co-operative model designed to meet home ownership aspirations amongst households facing affordability difficulties in entering the housing market. An example of policy transfer from Scandinavia to the UK, the model was imported in part only with several of its components not implemented in England.

A key success factor explaining differences in activity between regions and localities is the existence of a network of supporting secondary co-ops in some areas. This highlights the importance of looking at the ecology of organisational fields rather than at individual organisations in the development of a thriving third sector.

## New developments

*Community gateway associations:* new mutual, community based housing associations developed in 2001 by the Confederation of Co-operative Housing in response to large scale voluntary transfer of local authority housing stock. In England there are four Community Gateway Associations at various stages of development: Preston, Watford, Braintree and Lewisham. The model is designed to offer an approach to stock transfer where tenant empowerment is at the heart of the process through a membership based organisation. As well as the community gateway, other models with mutual and community based aspirations exist in Wales (community mutual) and Scotland (the Glasgow Housing Association model). The proof of real ownership will be borne out in the opportunities which are made available to tenants to participate as owners of the organisation in its governance and the influence that this has in the decisions that are made.

*Community Land Trusts:* this model has been used so far to help facilitate the provision of housing to meet local needs predominantly in rural areas<sup>7</sup>, as mirrored in the coalition government's promotion of the model. Yet their impact is hindered by a lack of land, especially the requirement on public sector organisations to secure "best consideration" on asset disposals. The Scottish experience of CLTs has extended beyond housing and shown that community control of wider estates can have positive economic, social and environmental benefits<sup>8</sup>.

*Mutual Home Ownership:* a new form of low cost home ownership (LCHO) being developed to meet the aspirations of would-be home owners through an improved shared ownership offer. The most advanced model is that developed by CDS Co-operatives which has been supported by the Co-operative Party<sup>9</sup> although other variants are at different stages of development.

*Co-Housing:* form of housing development which is community focussed and may be developed as a part of the mutual offer. Its successes have largely been demonstrated in providing a supportive environment for the continued independent living of elderly households and as an alternative to institutional care. UK co-housing remains in its infancy.

## Effectiveness

Previous evaluations have highlighted the efficiency of tenant controlled organisations in relation to a set of performance indicators and higher levels of tenants' satisfaction compared to the social rented sector as a whole: tenant satisfaction tends to be higher than the wider social rented sector; small scale community based organisations deliver superior value for money; co-ops offer a flexible model capable of delivering a housing service of comparable quality and cost effectiveness as the best "mainstream" providers. Co-ops continue to perform favourably in relation to the wider social rented sector. The benefits of these organisations are not solely confined to cost-effectiveness but also the gains that tenants make by being involved in them. Case studies highlight the inclusive nature of the various co-operative housing organisations and their contribution to a cohesive and friendly community, highlighting their ability to develop high levels of bonding capital and contributing to making a place a community. However, whilst co-ops are in a unique position to combine political and economic democracy the same should be true of providing social and economic opportunity. Therefore co-ops have to adapt and innovate to meet the challenges their members and tenants face.

## Prospects for future development

Birchall's examination of the housing co-operative experience in Britain has identified five critical success factors for co-operatives from past experience. These are:

- *A positive climate of opinion:* the "Big Society" has provided a space for co-operative and mutual alternatives but the challenge will be in ensuring sustainable solutions which retain co-operative principles. This will require appropriate organisational structures to withstand conversion to a non-mutual form. Ultimately non-conversion will depend on commitment from both tenants/co-operators in using housing as a consumption rather than investment for good.
- *Commitment to the principle by tenants and future co-operators:* without willing co-operators there is no co-operative sector. Mutual structures should not be yet another new technical short-cut to addressing

problems. Tenants want the opportunity to be involved in decision making over important matters, yet few are keen to be actively involved. Shaping a structure for effective participation will require recognition of informal means of participation and input into decision making, necessitating bespoke solutions.

- *Start-up finance:* for new housing in the public sector will be scarce. Unless co-operative solutions are mainstreamed it is likely that models such as Redditch Co-operative Homes will be rarer still. However, this does not preclude a wider and independent development of co-operative housing which taps new sources of investment and in doing so develops a new, longer-term model of investment.

## Conclusion

The recent history of housing co-ops has illustrated what might be described as stifled evolution. Innovation has been important in the development and continued presence of the sector as indicated by the three main phases. However in recent times innovation has been more limited. Now innovation is needed more than ever to overcome internal and external challenges which could stifle further evolution.

If the Rochdale Pioneers were alive today they would be developing housing co-ops themselves and not waiting for government policy.

## Representative/umbrella bodies

Overall, the majority of the sector is represented by the Confederation of Co-operative Housing. It is primarily a campaigning and lobbying body for the co-op housing sector and works closely with the National Federation of Tenant Management Organisations (NFTMO) and Tenants and Residents of England (TAROE) to influence policy.

Alongside CCH is Radical Routes, it developed in the early 1980s from a number of independent co-ops housing unemployed or low income people who were interested in buying properties from which they could start other projects.

Radical Routes Ltd is now a secondary co-op and provides advice, assistance and a focal point for these projects and, through Rootstock, loans to facilitate development.

For the community gateway associations a network has been formed with the four English gateways and the first two community mutuals in Wales. This is still in its early stages and activity is primarily focussed on learning from the early pioneers.

## Key issues for further research

The four areas for follow up:

- The role of support and secondary co-ops in developing, strengthening and sustaining small scale, locally based primary organisations.
- The role of membership in mutual housing organisations and their governance.
- Explore the scope for new forms of co-operation which make feasible the development and growth of non-state funded co-operative and mutual housing models.
- The scope and limits to injecting mutually based organisational models into larger housing sector organisations.

<sup>1</sup> Report of the Commission on Co-operative & Mutual Housing

<http://www.ccmh.coop/sites/default/files/Commission%20Report.pdf>

<sup>2</sup> <http://www.ica.coop/coop/index.html>

<sup>3</sup> Birchall, J (1992) Housing Co-operatives in Britain Department of Government Working Papers No. 21 London: Brunel University

<sup>4</sup> Rowlands R (2009) Forging Mutual Futures - Co-operative, Mutual and Community Based Housing in Practice: History & Potential. Report to the Commission on Co-operative and Mutual Housing, Birmingham: Commission on Co-operative & Mutual Housing

<sup>5</sup> <http://www.ica.coop/coop/principles.html>

<sup>6</sup> TSRC Working Paper 11 scopes the work of self-help groups managing short life housing, some of whom are co-ops.

<sup>7</sup> University of Salford (2005) The Community Land Trust Model Salford: University of Salford

<http://www.communitylandtrust.salford.ac.uk/documents/The%20CLT%20Model.pdf>

<sup>8</sup> Satsangi, M (2009) Community Land Ownership, Housing & Sustainable Rural Communities Planning, Practice & Research 24(2): 251:262

<sup>9</sup> Rodgers, D (2009) New Foundations - Unlocking the potential for affordable homes London: The Co-operative Party

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