

HOUSING CO-OPERATIVES



Introduction

A co-operative can be described as an organisation set up for the benefit of its members.

A housing co-operative is a housing organisation run along co-operative principles. It is owned and managed by the members of the co-operative. Most housing co-operatives are Fully Mutual and any further reference to housing co-operatives in this document refer to this type, where only tenants or prospective tenants may be members, and only members may hold a tenancy. This means that decisions are made by the people who are affected by them.

Non-mutual housing co-operatives allow people who aren't members to take up tenancies.

Housing co-operatives provide a way for people to share in the ownership of property and live in it at affordable rent levels, as opposed to rent levels designed to generate profit for an individual or company. They are an alternative to home ownership in the traditional sense or renting in the private sector.

Ownership Co-operatives

Many housing co-operatives aim to own their own housing. This may be purchased through government grants or by mortgage. Tenants will usually pay well below market rents.

Shortlife Co-operatives

Shortlife housing co-operatives occupy housing that is in a poor state of repair or due to be demolished. The nature of tenure is short – often as little as 6 months - hence the name. However, members pay very low rents as a consequence.

Management Co-operatives

Some co-operatives managed housing for private landlords, agencies or Housing Associations (Registered Social Landlords). This is often a way for co-operatives to establish a trading record and reserves before applying for a mortgage. As the co-operative takes on the responsibility for keeping the rooms filled, and sometimes the maintenance or internal decoration, they pay the owner of the property less than they would receive normally. This saving is passed on to the members.

Housing co-operatives can take one, or even all, of these forms at different stages of their development.

Tenant Management Co-operatives

Tenant Management Co-operatives (TMCs) are organisations established to take over the management of existing housing stock e.g. a block of flats or an estate. They are organised on a co-operative basis, whereby the tenants elect the Board of Management. Recent developments have opened the door to stock transfers from Local Authority ownership to TMCs.

The Co-operative Values

Co-operatives are organised with reference to the following values:

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity (fairness)
- Solidarity

These values reflect the ethic values of:

- Honesty
- Openness
- Social responsibility
- Caring for others

THE CO-OPERATIVE PRINCIPLES

As adopted by the 1995 Centenary Congress of the International Co-operative Alliance (ICA). This is how the co-operative values are put into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to their members. In primary co-operatives members have equal voting rights (one member one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation.

Members contribute equitably to, and control democratically, the capital of their co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion with their transactions with the co-operative; and supporting other activities as approved by membership.

4. Autonomy and Independence

Co-operatives are autonomous, self help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their

co-operative autonomy.

5. Education, Training and Information.

Co-operatives provide education and training for their members, elected representatives, and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operators

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for the Community.

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Common Ownership

Many housing co-operatives are set up as common ownership organisations.

Common ownership is probably most easily understood by reference to a village common. Villagers have the right to make use of the common, they can graze animals, play sports there etc. because it belongs to them all. However, no individual can sell "their bit" because it is indivisible, they each own it all in common with everybody else. That is why it is likely to stay there as an asset for the use of all. While any member in a common ownership organisation wishes their assets to continue in the use of the business other members cannot take them away. Only where all agree that this is no longer appropriate can it be changed. The majority of co-operatives are common ownership. A clear commitment to common ownership can be a powerful argument for support from non-commercial investors such as Local Authorities and government departments. This is because common ownership co-operatives are proof against asset stripping both from the outside and inside.

The Company

The co-operative is referred to as a company but is actually an Industrial and Provident Society (IPS) registered with the Financial Services Authority (FSA) as a Friendly Society. It can trade, enter into agreements, sue, be sued and own objects & property. It is a legal entity in its own right. As a limited company, the directors are only liable for the limit of their share in the company. Most housing co-operatives issue a share of £1. A person must purchase a share to become a member.

Smaller co-operatives will be managed by General Meeting – a meeting which all members are invited to. Each member has an equal vote. Larger co-operatives may elect a Committee of Management. It is important to consider

many issues to decide which form of management will be most appropriate and effective.

As directors, co-operative members must make decisions that make good business sense. This is why co-operative members will vote to raise their own rent. Whilst it may seem preferable to have a rent freeze each year, it can not be justified as making good business sense. The co-operative has to build up reserves for future development or repairs. Today's co-operative members have a responsibility to leave a stable "legacy" for future members.

The members of housing co-operatives are not paid for work carried out in management of the company. They benefit from living in affordable housing. This is the "pay-off" for time spent working for the co-operative. Members who do not contribute are not only a threat to the ability of the co-operative to function, but are benefiting unduly from others' efforts.

As a Registered Friendly Society, a housing co-operative is required to keep accurate records:

- A list of who has been issued shares
- A list of members – current & past
- Financial records (Accounts)

Once a year the co-operative has to provide an Annual Return to the Registrar, to satisfy them that the business has been run in a fit & proper fashion, and that the co-operative is still operating according to its rules. According to the size of the co-operative and subject to its rules and the members' wishes, the co-operative will also have to arrange an audit.

Rules

Most housing co-operatives will have been registered under "model rules". Regardless of which rules the co-operative was registered under, it is important for all members to read them. Operating outside of the rules can lead to personal liability for bad decisions, fines from the Registrar or worse still, the co-operative being forcibly wound up.

The co-operative will also need policies which set out parameters within which the co-operative will carry out everyday business. These may also be known as "secondary rules" or "standing orders". Some co-operatives have very complex secondary rules, whilst others have virtually none. It is advisable to collate them for easy access and encourage all members to become familiar with them. It is also advisable to generate a procedures manual explaining how key tasks are carried out.

Responsibilities

The relationship between tenant and co-operative is not a simple one.

The co-op supplies the tenant with a service (housing) according to a contract (tenancy agreement/license). The tenant pays rent in return for the housing they occupy according to the contract.

However, the co-operative is run by its members. The tenant is a member and as such is responsible for ensuring that the co-op delivers the service.

A co-operator can simultaneously expect to receive a service whilst being responsible for its delivery!

The **member** is responsible:

- as a member, to participate in the smooth operation and democracy of the co-operative. To attend general meetings. To participate in setting policy.
- as a tenant, to pay rent. To behave responsibly towards other tenants and other duties as laid out in the tenancy agreement/license.
- as a director, to ensure that the co-operative is run in a fit & proper manner. All directors are responsible for ensuring that tasks are carried out. Even when tasks have been delegated, all directors are equally responsible for monitoring them. To make management decisions.

The **co-operative** is responsible:

- to provide tenants with suitable housing, and other duties as laid out in the tenancy agreement/license.
- to conduct business in a fit & proper manner.
- to keep accurate records & accounts of the business of the co-operative.

In practice many of the co-operatives tasks are delegated to individuals. However, all directors are equally responsible for ensuring they are carried out and making checks.

Who is a member and who is a director?

In Fully Mutual housing co-operatives, only tenants or prospective tenants may become members & only members may become tenants. Only members may become directors. If the committee of management is the General Meeting, all members will be directors. You can not “opt out” of the responsibility without opting out of the housing you rent.

Why it is important to have meetings

As a co-operative run by many people, it is important for a housing co-operative to have meetings. This is the main way in which decisions can be

made in a democratic organisation. Other methods (such as **all** members signing a proposal) are unwieldy and time consuming.

The rules will stipulate how much notice members have to be given, and how many members must be present before a meeting may take place. These rules exist to protect the democratic rights of everyone to participate in the running of the co-operative. For example, a small group can not hold a meeting to pass policies that the majority of members are opposed to without giving them the chance to oppose such changes.

Some co-operatives use majority to arrive at decisions, whilst others use consensus. Both have advantages & disadvantages, but it is for the members to decide what is most appropriate, within the confines of the rules.

The co-operative's business is the management of housing & related services. It makes no difference whether the housing is owned, managed, on shortlife basis and whether services means repairs, gardening or none other than running the co-op. The co-operative has to hold regular meetings to manage its affairs.

The purpose of the meeting is to assess how the company is faring. What is the financial position? Are rents being paid? Are members needs being met? Are repairs being carried out on time? The more information that is available, the better the co-op members can manage the company, and the more informed the co-op will be in making decisions. Good information can prevent disasters happening as indicators are spotted.

The meeting may also decide on policy. However, this is secondary to the business of managing the company.

Minutes (records) must be kept of all meetings. This is proof that the members have acted as best they could to prevent the company trading illegally. Without this proof, limited liability may not apply and members may be personally held liable.

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