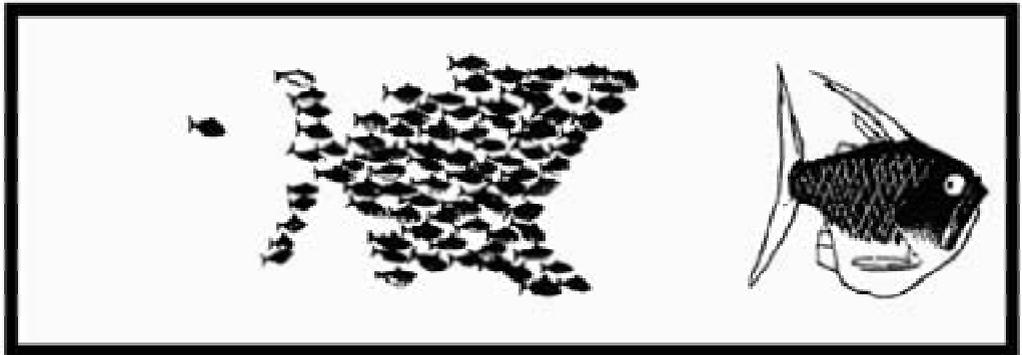
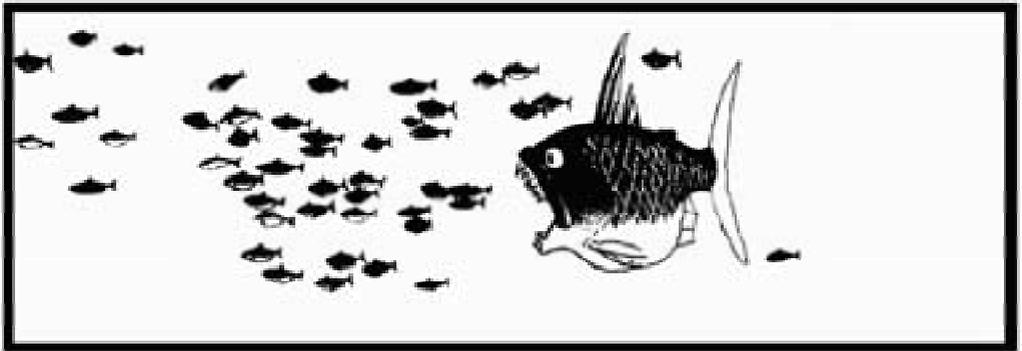


How to Set Up a Housing Co-operative



Radical Routes

7th Edition, April 2010



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Contents

- [1] Housing Co-operatives
What is a Housing Co-operative? / Three Kinds of Housing Co-operative / Legal Structures
- [2] Formalities
Registration & Fully Mutual Rules / Bank Account / Book Keeping / Tenancies / Houses of Multiple Occpancy Legislation / Housing Benefit/ Council Tax / Management / Officers of the Co-operative
- [3] Raising Money
DIY / Public Funding for Housing Co-operatives
- [4] Co-op Story (1)
Setting up Enheduanna Housing Co-operative
- [5] Step by Step
- [6] Co-op Story (2)
Setting up Coventry Peace House
- [7] Options Outside Co-operatives
Home Ownership / Private Landlords / Public Landlords / A Shared Mortgage / Charities / Trusts / A Limited Company

[Appendices]

Radical Routes - A Secondary Co-operative / Help from The Catalyst Collective / Useful Addresses / Suggested Reading

If you are reading this booklet more than a year after May 2010, legislative changes are likely to have occurred since publication.

Sheets of updated information are available from the Catalyst Collective/ Radical Routes through the Catalyst address, or from the Radical Routes website www.radicalroutes.org.uk. See the address section for contact details.

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 and give grass roots control over housing. They provide rented housing without landlords, or rather 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 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 Industrial and Provident Societies 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 links within such groups. People who might have difficulty finding suitable housing because of prejudice surrounding their 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.

Coventry Peace House is an urban co-op dedicated to peace, Fox housing co-op has a focus on living simply, with environmentally sound practices, and also rents growing land and houses members of Organics to Go, an organic veg home delivery service.

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-ops 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 above a shop and even in the shop itself; 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 keen to let 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 landlord's rent plus management costs, which include money to pay for any work 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 for which the co-operative has responsibility, such as aspects of maintenance. The cost of the responsibilities taken on by the

co-op 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.

TMCs are similar to short life co-ops 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 .

If you plan to plan to buy a house and live together as a co-operative, but the group has not lived together before, you might consider renting a house and operating as a TMC before taking the plunge. It may be possible to rent a large house as a group at a cheaper rate than if each individual were to rent a room separately. Plus you get a base from which you can plan your next move. Changes to Housing Benefit rules and legislation on shared houses has made this less of a viable option than it used to be, but it is still worth considering.

In terms of what a housing co-op can be, both short life co-ops and TMCs 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 have collective control over the housing in which they live and have the same responsibilities and privileges as any other home owner, 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 that new members must be able to replace the capital taken out by their predecessors, which 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 member's liability should things go wrong. This book deals predominantly with par value fully mutual co-operatives, since Radical Routes co-ops have found this to be the most useful and ethically preferable option.

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-op or to a not-for-profit organisation with similar aims and principles. This must be specified in the co-operative's 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 this 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.

Chapter 2 Formalities

Registration & Fully Mutual Rules

Registration. Registering as an Industrial & Provident Society with the Registry of Friendly Societies (incorporated into the mutuals department of the Financial Services Authority) gives your group the legal status to collectively raise loans and purchase housing. You need at least three members to 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. Registering through Catalyst using RR model rules currently costs £375 (including the FSA registration fee). You can also use the National Housing Federation's model rules, at a cost of £529, not including the FSA registration fee (see below).

The FSA charges an annual fee for submitting annual returns, but change of registered address, some rule changes and completed change of registration to Companies House are free.

All the co-operative's official documents (loan stock application forms, members' share certificates, loanstock certificates, headed paper, compliment slips, etc) must carry the

full name and address of the co-op, including the 'Ltd' bit, and the co-op's 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, 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 by the FSA. 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/FSA] and amendments can be made to these as necessary. Registering model rules with 1-6 changes costs an additional £80, with 7-10 changes an extra £310 and 11 or more changes or not using model rules at all, an extra £910.

Time is a factor for you here too. Model rules don't have to be examined as closely as non-model rules and you will not have to spend time sorting out amendments with the FSA. 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, because 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 have 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). This may involve much toing and froing with your local tax office. 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 ought to be a low rent and which will certainly become a low rent when the mortgage is paid off.

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 has equal 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-operative's 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 with which Radical Routes register co-operatives 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 the co-operative's name must be put up outside the registered office. If you change the address after registration you have to inform the FSA, but there is no fee.

The annual fee which you pay to the FSA means you can register rule changes, record or register other kinds of constitutional changes or even de-register without having to pay an additional fee

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 any stationery shop which sells legal stationery, 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 can be purchased for use on official documents such as share certificates. A seal specific to your co-operative would have to be made - expect to pay about £20 at any legal stationery shop or online. If Catalyst are handling your registration the cost of the seal is included in the registration fee. A seal is no longer legally required, but it's really cool.

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-operative's account.

Book Keeping

It is essential that you keep proper records of all income and expenditure in a ledger or using accounting software. 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. 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. As long as your co-op is not dealing in millions of pounds, the government does not require your accounts to be audited by an accountant. But your rules may require you to vote at the AGM to waive the audit. However, the Financial Services Authority needs to see your accounts each year and will send you an Annual Return form, which must be completed and sent in with your accounts. You can compile the accounts 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 get a hefty fine. If you don't send in your Annual Return you could be removed from the Register and effectively no longer exist as a co-op. You cannot appeal against this.

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. Using tenancy agreements can cause confusion with the 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 Catalist Collective.

Houses in Multiple Occupation (HMOs).

Unless the co-operative has plenty of money and everyone wants to live in separate accommodation, you will probably be sharing a house. The Housing Act 2004 decided that any property housing more than two unrelated people, who are not

leaseholders in that property, is a 'House of Multiple Occupancy' or HMO. The Act requires Local Authorities to hold a register of HMOs with three or more stories and to issue licences to the landlords. The Local Authorities are allowed to extend the HMO register to include smaller properties if they choose. It is mandatory for landlords of affected HMOs to get a licence to rent out each property. So you might be exempt if your property has fewer than three floors, depending on the extent of your local authority's register.

At time of writing (late 2009), Friendly Housing Action (the lobby group of small housing co-ops) is confident that the Department of Communities and Local Government will include an exemption in the next round of Housing legislation for fully mutual housing co-ops managed by general meeting.

This means you will NOT be exempt if:

1. The residents are not members of a housing co-op or
2. The housing co-op doesn't hold the lease or own the property or
3. The housing co-op's rules are not fully mutual or
4. The housing co-op is managed by a committee

You MAY be exempt if the residents pay rent to a housing co-op, which they manage collectively and which owns the property.

Licence requirements:

- Landlords must pay an annual licence fee, which varies between local authorities.
- Each local authority publishes building, fire and security regulations which landlords must meet. These are likely to include: fire doors, more than one toilet for more than six residents, mains operated fire alarms, specific ventilation requirements, etc. They will be readily available from the council, usually via their website.

Councils are usually reasonable about allowing landlords time to meet the building regulations.

If you don't get a licence, the landlord (co-op) can be taken to court and fined and the council can claw back any housing benefit payments paid during the unlicensed period. And you'll still have to get the licence and implement the requirements.

Housing Benefit.

If you are exempt from licensing regulations, the co-op should generally argue that it operates as a single household, while, contrarily, any housing benefit claimants should argue that they live alone. 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-ops qualify for housing benefit whereas home owners can only receive housing benefit on the interest on their mortgage repayments.

The Local Housing Allowance is the means by which a person's maximum HB is determined. This amount will be reduced in proportion to income level. A person on Job Seeker's Allowance/ Income Support or equivalent income will get the full amount. The LHA level is set by the rent officer service and depends on the 'Broad Rental Market Area' where you live and on the number of rooms a claimant is entitled to. The LHA level is set each month and should be advertised by local authorities and on the rent officer service website. This is helpful for co-ops who are working on a business plan.

Once a claim is made then that HB level lasts for a year. The way your allowance is calculated is determined as follows:

Single people/couples without children

There are two possible rates:

- 1) 1 bed shared accommodation – this applies to under 25's in most cases and to people who live in shared accommodation.
- 2) 1 bed self-contained – this applies if the claimant has one bedroom and exclusive use of a kitchen & bathroom OR if they have exclusive use of two rooms, but share a kitchen and bathroom.

People with children

A child is classed as living in the household of the person in receipt of Child Benefit. The bedroom entitlement depends on the age/sex of the child. One bedroom each is allowed for

- the parent/s
- up to two children under 10
- two same sex children
- any child over 16

So boys or girls are 2 to a room until they are 16. A boy & girl can share until one turns 10, then, unless they can share with a same sex sibling, they will be entitled to their own room. If a family lives in undersized accommodation, i.e they have 2 bedrooms, but are entitled to a 3 bedroom determination, then their claim will be assessed using the 3 bed LHA rate (this is useful if the rent on a 2 bed house is higher than the 2 bed LHA rate).

As of December 2009, any claimant

whose rent is lower than the relevant LHA rate can keep the first £15 of the difference. This freebie is likely to come to an end soon though.

Payment to the landlord:

LHA should be paid directly to the tenant. There are situations where this is not possible, such as when a person has no bank account or is incapable of managing their own financial affairs. All Local Authorities should have a policy on when LHA can be paid direct to the landlord

Caravans and house boats:

These are still dealt with under old HB rules. To set a rent level, you can ask the rent officer for a 'Pre Tenancy Determination' or you can set the rent at the LHA level, but be aware that it can be reduced. If you are given a maximum determination that seems low, you can ask for a redetermination, but be aware that the level could go down further.

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-operative's affairs through a Management Committee to which members are elected and regular General Meetings where all members take part in discussions and decision-making. 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 that 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 loan through rent payments and/or some other means.

Most building societies will lend you 70% of the valuation of a property [the valuation is not necessarily the same as the purchase price]. You will need about 30% of the purchase price as a deposit and enough money to cover the legal fees and charges. You will also need to cover day to day expenses, maintenance, stamps and stationery. 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] Asking local companies to make a donation to your cause.
- 6] 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.

7] Issuing loan stock.

8] 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 that case you would probably not be able to operate as a co-operative.

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 and 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. Open ended periods of issue are forbidden.

Public Funding for Housing Co-operatives

A view from Nic Bliss, Confederation
of Co-op Housing (CCH)

It may be possible to develop a housing co-op using public funding, and whilst it is not an easy route to go down, as of March 2010 there are glimmers that this might be a more possible option in the future.

About 450 housing co-ops were developed through public funding from the 1970s through to the early 1990s. However, this number had reduced to about 250 by the mid 1990s, partly because some of the housing co-ops were not well run and partly because the public “regulatory” framework operated by the Housing Corporation, with whom publicly funded housing organisations had to be registered, did not recognise the co-operative and community nature of housing co-ops. A key part of the problem was that the “social housing” which the Housing Corporation regulated was aimed at an increasingly disadvantaged and marginalised section of the community, with the bulk of society

encouraged and supported to opt for individual home ownership solutions – and so the framework did not exist to develop the mature co-operative housing sectors that developed in Canada, USA, Scandinavian and other European countries, which housed a much broader cross section of the community.

The splitting (in 2008) of the Housing Corporation into the Homes and Communities Agency (HCA) – which provides public funding for housing development – and the Tenant Services Authority (TSA) – which “regulates” the sector – is starting to enable more sensible dialogue between Government and the co-operative movement about housing. Also, the Commission for Co-operative and Mutual Housing (CCMH), set up jointly by the co-operative movement and the housing association sector, published its “Bringing Democracy Home” report, calling for a national co-operative housing sector in November 2009, with the support of the three main political parties. This report researched the co-operative housing sector and found that it outperformed most of the other methods of housing people – supported by research carried out by the TSA that showed that the most satisfied “social” tenants live in housing co-ops (by a long way). This context may mean that more publicly funded co-operative housing might be developed in the next few years.

However, given that it is probable that all Government funding is likely to be slashed in the next few years, publicly funded co-operative housing developments may not look quite like previous models. Future models could include:

- Co-housing schemes – small co-operative developments, particularly housing elderly people, in intentional communities where the homes could be a mixture of home owner, part home owner and social rented properties
- Community Land Trusts (CLT) – a model originated in the US, where co-operative membership organisations hold land or other assets, that have been publicly or privately subsidised, and use them potentially for a variety of social and community chosen purposes – such as developing a range of models of housing to suit different income levels – potentially through co-ops – and/or developing other community facilities
- Mutual home ownership – a specific CLT model of where the CLT – itself a community membership organisation – owns the freehold of properties, and individuals buy shares in and control a mutual home ownership society that manages the homes to a level that matches their income. When an individual wishes to move they can take the value of their shares (uplifted based on a

formula – as opposed to the market value of the property) with them.

- Housing co-ops – dependent on whether there is any public grant available to build “social housing” in the future, it may be possible in some cases to develop new co-ops for “social renting” (ie. the model of publicly funded housing developed in the 1970s and 1980s). However, it is more likely that publicly funded housing co-ops will come through a mixture of tenures and a mixture of models.
- Tenant management co-ops – it is also possible to establish a housing co-op which manages homes under an agreement with a housing association or local authority landlord. Most of these have been developed by existing tenants of housing associations or councils, but there have been instances where landlords have been persuaded to develop new schemes to be managed by tenant management co-ops.

The CCMH report may lead to greater publicity of all these potential models post the 2010 General Election, but if a group were interested in exploring these models further, they would need to (not necessarily in this order):

- a) develop a group of local people who wanted to explore co-operative housing options who potentially might be up for working on a project for some years to get what they want.

b] possibly get in touch with the Confederation of Co-operative Housing (www.cch.coop) who might be able to discuss options and point people in the direction of where need to go to develop their ideas

c] get support from the local authority for a scheme. No publicly funded housing can be developed without local authority support, but some councils can be persuaded to support co-operative forms of housing. Some starting points would be to speak to the local councillors, and to get in touch with the part of the council that deals with their housing strategy. If the council supports a co-operative housing scheme, they might be prepared to lend some support to a fledgling group – putting people in touch with people and organisations that could help. As well as this, for the first time since the 1970s, some local authorities may be in a position to develop new homes themselves – and might be interested in doing this through a co-operative housing option.

d] find a friendly housing association who would be interested in supporting the group to develop a co-operative housing option. Most public funding for housing is channelled through particular housing associations who are designated as the HCA's development partners, and these organisations should have the expertise to plan and design a housing scheme, negotiate its public and private funding (most schemes will

involve a mixture of public grant, and loan funding from banks), and work with the local authority. The only problem is that developing any community led projects is largely a new thing for most housing associations (particularly the development partners) and so they will have little knowledge of how to develop the fabric of a housing co-op, and people may need to be quite assertive to get this support.

e] understand that if a publicly funded scheme is to include any “social rented” homes, the condition of public grant is that the homes are let to people in the most housing need – and the co-op will have to agree a “nominations” agreement with the council about how that will happen. Existing housing co-ops may have agreements where they let 50% of their homes to people from council waiting lists, but this varies greatly. Historically, this has caused problems for co-ops who need new members to be enthusiastic co-operators, but there are now increasing flexibilities over the methods that can be used to select new members – which can include community criteria alongside housing need criteria. There are also a number of other regulatory standards that apply to publicly funded rented housing which a co-op would have to comply with, but this is becoming more co-op orientated with the development of the TSA.

Radical Routes editor adds:

It is worth emphasizing that, in Radical Routes' limited experience, most people in local government/Housing Associations/society in general will have great difficulty understanding how small RR-type co-ops work, in principle and in practice, and will certainly have their own agendas. If you do work with a large public body like a housing association, make sure to get proposals and agreements clear and in writing at an early stage – experience of relying on the good faith/promises of a few individuals in an organisation, shows that you will have no come-back if they renege on any deals or agreements.

Redistributing wealth through taxation and using the money to provide housing for the less well off is a sound activity compared to the current system of borrowing money from private banks at rates of interest which enrich the wealthy at the expense of the rent paying tenants who are usually living on low incomes. If you choose to explore state funding join the Confederation of Co-operative Housing for news and advice and start campaigning!

Chapter 4

One Co-op's Story

Enheduanna Housing Co-op

Our history of Enheduanna starts in 2006 when some of us decided that we had had enough of renting and wanted to use the money that we were currently throwing away to private landlords for a better use. We saw a contradiction between our anti-capitalist beliefs and our wholesale engagement in the housing market – perhaps one of the clearest examples of use of capital to exploit those without it.

A meeting was held in Birmingham, where most of us were living and discussions took place in York, where the rest of us were. Once we had some commitments of involvement we sent representatives to a Radical Routes gathering, which we'd heard about through Footprint, who used to print our zines. After a couple of gatherings RR's Co-op Support Group arranged for a member to come and visit us in Birmingham and explain how co-operatives work, Radical Routes' requirements from member co-ops and the joining process in detail. Fortunately for us we learned of a housing co-op in Oxford that had registered a few years before, but had never managed to buy a property. They agreed to let us have their co-op by simply changing all the directors and the address with the Financial Services Authority (who regulate co-

ops). This is how we ended up with our name which is something that the Oxford group chose and we've never managed to agree on a different one! Apparently Enheduanna is the earliest recorded female author, a priestess hailing from Mesopotamia.

After having a visit from Radical Routes and attending certain workshops at three consecutive gatherings, prospective member co-ops are required to make a presentation to a gathering before they can join, when they can submit a loan application. We were keen to join, get our loan and buy our house as soon as possible, so we made our presentation to the first gathering after our visit in Brighton. At that time there were not many new groups in the network, so people were extra curious to hear about us and what we were about. The presentation seemed to go well with lots of questions afterwards. People were very supportive of us and at the next gathering we had our application for membership accepted.

Because none of us had a great deal of financial experience we had some difficulty preparing our loan application. The Radical Routes Finance Group gave us the model spreadsheet that they had helpfully designed. This makes it easier for housing co-ops to forecast their income and expenditure across the course of the mortgage and other loans to buy the house. However, we made the mistake of assuming that

if the figures balanced the business plan would be acceptable. Because we had difficulty with the business plan and with getting help with it from Finance Group we were not able to produce something that they were happy with for the following gathering, which was our aim. Finance Group did not recommend our first loan application, which was obviously frustrating for us. However due to this Finance Group arranged a visit to Birmingham where we went through the spreadsheet and sorted it out. We learned a lot from this process and it certainly put us in a better position to run our own finances, now that we are managing our own co-op. Fin, one of our members, was asked to join the Finance Group to give us more of an insight into Radical Routes' financial requirements and to help us develop financial skills ourselves.

At this time the housing market was really at its dizzy heights, which made it difficult to budget for an affordable house large enough for all five of us, but we did manage to come up with something that everyone was happy with and at the next gathering our loan for £28,500 was approved. One of the conditions of this loan from Radical Routes was the raising of £28,000 of loanstock, which means loans from individuals and other co-operatives in addition to the mortgage and RR loan. It can be hard to raise loans in this way, particularly if you are not very far along the process (we wrote to every co-op in the co-ops UK directory

with no positive responses). Our recommendation is to set a target, put in what you can yourselves and then advertise how much is left to raise through the network and elsewhere. An actual figure as a target seems more achievable than an unspecified sum, especially when potential lenders can see that your members and other people have had the confidence to invest already.

We spent the next few months looking for houses, raising loanstock and talking to the Ecology Building Society, who gave us our mortgage. House prices began to fall a few months after we'd had our loan agreed and this allowed us to adjust our business plan reducing rent to £56/week (including council tax) rather than the £58 it was on before, whilst still allowing for a more comfortable margin of reserves than we'd been working with. We put an offer in on a large Victorian terraced house in Balsall Heath, South Birmingham, which we were particularly keen on because it had a large cellar. Unfortunately due to the estate agent's prevarications and our inexperience with the offers process we lost out on it, probably to a top hat wearing property speculator.

Luckily for us another house came up for sale a little way down the road from our current house. We had an offer accepted on that one for £135,000, a sum which would have been unthinkable a year before. We got ourselves a solicitor, put a

mortgage application to Ecology on the specific property and told Finance Group that we'd had an offer accepted.

The buying process for us was longer and more arduous than it needed to be and annoyingly involved us putting all our stuff in storage and a certain amount of sleeping on people's sofas for everyone. We are working with Finance Group to produce a guide for housing co-ops to tell them what to expect and what is expected from them to cut down on this kind of confusion. If anyone reading this wants any advice or help from us, please give us an email on the address below and we'll try our best to solve your problems!

In September 2009 Enheduanna got the keys to our home – a classic late Victorian mid-terrace house with a good garden in Selly Park, South Birmingham. There are five of us living there: Andrew, Fin, Ken, Chris and Lauren although several more have been involved in the process of getting here. The work involved in registering, joining, raising loans and buying the house is minimal compared to the frustration and annoyance we experienced living in rented accommodation with rat infestations, greedy landlords and lying letting agents.

We are all so happy to be in control of our own home, really grateful for all the support and encouragement

we have received from Radical Routes and proud to be involved in the continuation of the network.

Chris, on behalf of Enheduanna
contact: brumcoop@gmail.com
0121 472 6309

Note:

Although this article really only deals with the process of us getting a house it should be noted that this was only part of our interaction with Radical Routes. During this the whole time we have been involved in running Radical Routes in various working groups, giving talks and presentation and helping out other local co-ops where possible. We have got a lot out of the network (including friends!) and recommend involvement to anyone.

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 them with people whom you can live with and who understand and support what the group is doing. Actively involved-but-unhoused members are potential future tenants/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 amongst 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 [where all tenants are 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 member's 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-op, all members will need the same information and more or less the same knowledge of how the co-op functions. Knowledge is power and responsibility - it must be shared.

It's a good idea to have a tenancy/ occupancy 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, which can be 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, usually 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. Alternatively, investors may choose to receive an annual interest payment. 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. You must send them a list of all investors receiving more than £250 interest in any one year.

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 2016, or to a fixed schedule, such as three equal

installments on agreed dates after 31st December 2016. 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 is preferable to a concentration of redemptions.

Interest is often set at 0% to 5% per annum, 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 can offer interest rates competitive with commercial banks, but can organise its own terms of repayment. Interest rates on loan stock may be varied annually, but such alterations must be agreed annually at a General Meeting of the co-operative. 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-op. 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. If you can raise enough this way it is possible to buy a property solely with loanstock.

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 cover 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 of course!) 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 costs of implementing HMO regulations 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 when 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-operative's 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 for which members are not individually responsible. 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 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 Catalyst.

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]. Radical Routes is likely to

have up-to-date information on who is lending and on what terms.

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 just apply to 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 £300 - £400. The building society or bank may also want a 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 £500 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 solicitor's fees than an individual would have to pay. Fees can be negotiated, but expect to pay around £500. If the house cost more than £125,000 you must also pay stamp duty.*

Exchange Contracts.

Issue Occupancy/ Tenancy Agreements.

Move In.

* The threshold changed a couple of times during 2008-09, so you'll need to check it on the HMRC website. In some deprived areas, stamp duty is only payable on properties over £150,000. More info from www.hmrc.gov.uk/so/disadvantaged.htm.



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Chapter 6

One Co-op's Story

Coventry Peace House

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 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.

The houses were finally finished in 2005, before being flooded again so that we had to replace the brand new floors, but now they're lovely to live in. One issue for urban co-ops is that they tend to attract younger people who are often more transient. The finances are always a bit tight, but filling empty rooms with people just to get rents in is never a good idea and we've never succumbed to that, it's more important to make sure the right people are living here.

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 run a night shelter for refused refugees, a cycle workshop, which recycles and sells unwanted bikes and the WorldWide project which employs two people, working with adults and young people around issues which divide us, like racism. With so many projects here, the biggest challenge all the time is to guard against it becoming too much of a workspace and ensuring we still make it a home.

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.

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 on as fools. Yet by the time you have paid off your mortgage and finally become an owner you will have paid out around three times the original price of the property. 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'll know 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 1980s 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 some 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 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 £12 - £15 a week, yet tenants can be paying £60 or £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 going down, and 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 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, then 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 has been known to take as long as two years. A group cannot register as both a co-operative and a charity so the charity option has a built in landlord-tenant hierarchy which, as potential co-operators, we presume you do not want anyway.

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, but it has to be negotiated with HM Revenue & Customs. 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, which 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 where a limited company structure might be appropriate would be where a large group wishes to provide housing with other facilities, such as business premises, or where 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 (on profits over £10,000) and Capital Gains Tax and there are likely to be complications with housing benefit and Council Tax for tenants who are directors of the company. However, there are examples of housing co-operatives with this legal form.

International Co-operative Principles: ① Open, voluntary membership ② One member, one vote ③ Fair use of

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Appendix

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-ops (and other fully mutual, registered co-ops) and the common bond between them is that they have a commitment to social change.

Radical Routes was started in the late 1980s 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, and the existing projects provided 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 (more mature) member co-operatives could lend money, but this was insufficient to meet the needs of the new groups. Radical Routes became a secondary cooperative 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.

In 1998 we set up Rootstock Ltd, to take over the work of attracting investment into the network.

Rootstock is itself a co-operative (all the investors are members) and a member co-op of Radical Routes. Investors' money still goes only to Radical Routes, to make loans to its member co-operatives. Loans must be agreed by the whole network, based on business plans developed with experienced members and scrutinised by every member co-op.

Lending is, however, only one of our activities, others include: registering new co-operatives, conflict mediation, skills and knowledge sharing, social support and promoting social change, co-ops and co-operative solutions. We have only one paid member of staff as yet (although Rootstock also has some paid work), but we are structured to promote and facilitate mutual aid, so members of our member co-ops carry out the work necessary to keep both the organisations operating successfully.

Radical Routes is comparatively tiny. In 2009 its turnover was less than £30,000 and its total assets just under £500,000. Its real significance is as an example of co-operation, achieving results that confound the critics. For example, no money has ever been lost as a result of non-repayment of a loan or portion of a loan. There are about 250 people involved in Radical Routes co-operatives and, of those, more than fifty come to each quarterly meeting.

Our unique decision-making structure means that, since we started, we have made all but three decisions by consensus rather than majority vote.

No Radical Routes co-operative has received funding from the Housing Corporation (or its successor) and most member housing co-operatives now own their properties, or will do when their mortgages and other loans are paid off. 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 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 pay for private accommodation, in the knowledge that their rent is sustaining and progressing the co-operative, rather than benefiting an individual.

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 should increase. The numbers of houses coming into co-operative ownership in this way will always be small, but to those living in them, the contribution is significant.

Getting help from Catalyst Collective

Catalyst is a workers' co-operative set up to support those working towards a sustainable and co-operative future. In part, this involves helping to establish small worker and housing co-ops.

In conjunction with Radical Routes, Catalyst offers the following package for potential housing co-operatives: for a current fee of £375, covering the Financial Services Authority registration fee and a payment towards the other work of Radical Routes, Catalyst sees you through the whole registration process and tries to set you on the way to running your own co-operative successfully. 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 can be 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

5] Ongoing advice & support.

Catalyst is normally contactable by telephone and 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 provides 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.

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, often in poor condition 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 repayments 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 your co-operative becoming more financially secure.

Housing co-ops 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 maintain themselves at the expense of those who have little. 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-ops can help to develop this simply, at grass-roots level, without the need for interfering professionals and bureaucracy. The 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 people's 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 it doesn't have to wait for a revolution. Or even the next election!

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@accountancy.coop

The Catalyst Collective.
Nest Farm, High Street, Ilkeshall St
Margaret, Bungay, Suffolk NR35 2NA,
Tel: 0845 223 5254.
Email: hayley@catalystcollective.org
Website: www.catalystcollective.org

Confederation of Co-operative
Housing. Fairgate House, 205 Kings
Road, Tyseley, Birmingham B11 2AA.
Tel: 0121 449 9588, Email: info@cch.
coop Website: www.cch.coop

Co-operative & Community Finance.
Brunswick Court, Brunswick Square,
Bristol BS2 8PE. Tel: 0117 9166750
Email: (E) info@
co-opandcommunityfinance.coop
Web-site: www.icof.co.uk
provides sympathetic loan finance
to help people take control of their
economic lives and create social
benefit.

Co-operatives^{UK}. Holyoake House,
Hanover Street, Manchester, M60 0AS.
Tel: 0161 246 2900.
Email: info@cooperatives-uk.coop.
Website: www.cooperatives-uk.coop
The national voice for co-ops, which

lobbies on behalf of the co-op sector,
promotes co-ops and provides help &
advice. They also offer sets of model
co-op rules, but not for housing co-
ops.

The Co-operative Financial Services
•The Co-operative Bank Plc. PO Box
250, Skelmersdale, WN8 6WT. Tel:
08457 213213 Website: www.theco-
operativebank.co.uk With branches in
many other towns and cities.
•Co-operative Insurance Society Ltd.
Miller Street, Manchester M60 0AL.
Tel: 08457 464646. Website: www.
co-operativeinsurance.co.uk

The Directory of Social Change.
24, Stephenson Way, London N1 TDP.
Tel: 020 73914800
website: www.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 Email: info@ecology.co.uk,
website: www.ecology.co.uk

Eco-Village Network
PO BOX 1410, BRISTOL, BS99 3JP.
Tel: 0117 373 0346

Email: office@evnuk.org.uk
Web-site: www.evnuk.org.uk

Friends, Families & Travellers Support Group. Community Base, 113 Queens Road, Brighton, E. Sussex BN1 3XG.
Tel: 01273 234 777

Email: fft@communitybase.org
Web-site: www.gypsy-traveller.org/
Working on rules for travellers' co-ops.

Homes & Communities Agency.
HCA London: 110 Buckingham Palace Road, London, SW1W 9SA. Tel: 0300 1234 500. Email: mail@homesandcommunities.co.uk. Website: www.homesandcommunities.co.uk
State funding for social housing. They have regional offices which they will refer you to.

National Housing Federation [NHF].
Lion Court, 25 Procter St, London WC1V 6NY. Tel: 020 7067 1010
Email: info@housing.org.uk
Website: www.housing.org.uk

Radical Routes [general enquiries].
c/o Cornerstone Housing Co-op, 16, Sholebroke Avenue, Chapeltown, Leeds, LS7 3HB. Tel: 0845 330 4510 or 0113 262 9365
E-mail: enquiries@radicalroutes.org.uk
Web-site: www.radicalroutes.org.uk
More 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

Registrar of Friendly Societies. c/o Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS. Tel: 020 7676 4916 or 020 7676 4918.
Web-site: www.fsa.gov.uk

Rootstock Limited. BM Rootstock, London, WC1N 3XX. Tel: 0870 458 1132 Email: info@rootstock.org
Web-site: www.rootstock.org.uk

Slade & Cooper (Accountants).
Fourways House, 57, Hilton Street, Manchester M1 2EJ. Tel: 0161 2361493. Registered auditors and accountants with experience of housing co-operatives.

Tenant Services Authority. Maple House, 149 Tottenham Court Rd, London W1T 7BN.
Tel: 0845 230 7000.
Email: enquiries@tsa.gsx.gov.uk
Web-site:
www.tenantservicesauthority.org
The regulator for social housing.

Triodos Bank. Brunel House, 11, The Promenade, Bristol, BS8 3NN.
Email: 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
61614101 Fax 0121 6312365,
Email: admin@unitygroup.co.uk
Web-site: www.unity.uk.com

Somerset Co-op Services Ltd: 12
North Street, Stoke sub Hamdon TA14
6QP. Tel: 0845 458 1473. Email:
services@somerset.coop. Web-site:
www.somerset.coop
A workers' co-op helping to start up
and support social enterprises.

Zurich Insurance. Community
Insurance Centre, Mountbatten House,
Grosvenor Square, Southampton,
SO15 2RP. Tel: 023 80639111 Fax:
023 8022 9875, Web-site: www.
Zurichadvice.co.uk

Related Reading

Beyond You & Me: Inspiration and
Wisdom for Community Building.
Kosha Anja Joubert, Robin Alfred.
Published by Permanent Publications.
ISBN 978-1856230384. £19.95

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. Published
by the Advisory Service for Squatters,
2, St. Paul's Road, London, N1.
How To Set Up a Workers'
Co-operative (£3) and How to Set
Up a Social Centre (£4). Published
by Radical Routes. Available from:
16, Sholebroke Avenue, Chapeltown,
Leeds, LS7 3HB, West Yorkshire and
from the Catalyst Collective.

The Directory of Radical Routes
Co-operatives. Published by Radical
Routes. Available from both Radical
Routes addresses above. £1.

An Introduction to Radical Routes.
Published by Radical Routes. Available
from both Radical Routes addresses
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. If you haven't already read this I want a written apology from you by Monday.

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.

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 biennially by Diggers & Dreamers Publications. Available from The Edge of Time, BCM Edge, London, WC1N 3XX. ISBN 0-9514945-6-2. Website: www.diggersanddreamers.org.uk. Now only publishing online. The website is an excellent forum and resource for intentional communities and people wishing to find communities, and includes the 'Places needing People' tool.

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.

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