Co-operative Housing

A REVIEW

by

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This year marks the tenth anniversary of two events extremely significant to British Co-operative housing: the passage of the Housing Act 1974 and the establishment by the then Minister for Housing, Reg Freeson, of the Department of the Environment Working Party on Housing Co-operatives. The first created a financial system that enabled housing Co-ops to cater for people on low incomes; the latter addressed itself to the public promotion of such Co-ops.

The Situation before 1974

This is not to say that there were no housing Co-ops in Britain before 1974. All previous efforts had, however, to let their housing at cost which, in the British context, had made them uneconomic for most of the people whom they might best have helped. Such people had to rely on the (then) lower rents of council housing and/or the rent allowances and rebate system not available to Co-op members.

From 1964, for example, there had been a significant development of "co-ownership" housing where, with mortgage loans from the new Housing Corporation and building societies, "sponsoring societies" had had estates of flats and houses built to be taken over by Co-operatives of the subsequent residents. These residents paid a "rent" sufficient to cover loan repayments plus management and maintenance costs. On departure after more than five years residence, the member received a "premium payment" which was effectively based on the new rent that could be secured on the now vacant dwelling. Thus, despite being a selling point for co-ownership, the premium payment was uncertain and incalculable for the member and certainly did not usually meet expectations.

At the same time, co-ownership housing was becoming increasingly expensive with the immediate financial advantages over owner-occupation becoming marginal. In addition, it should be said that few co-ownerships were successful Co-operatives in the social sense if only because large number of co-owners remained ignorant of the nature of their form of tenure. They saw it merely as an unusual form of renting.

New Financial System –

Thus, for people working in areas of housing stress, co-ownership housing could offer little. A new opportunity was presented by the 1974 Housing Act, however. Piecemeal public support for housing associations was replaced by a single system of public loan and subsidy, the housing association grant system.

Under this system, housing associations registered by the Housing Corporation could borrow from the Corporation or local authority all the money necessary (subject to scheme approval and cost limits) for land and new building or existing buildings and their rehabilitation. Once the buildings were occupied, the associations called in the Rent Officer (a public official) to fix a "fair rent". This rent determination was largely a comparative exercise and took no account of costs of provision. In the 1970s "fair rents" were typically slightly higher than council rents. The amount for repayment by the association to the lender was then calculated from that rent, net of a "management and maintenance allowance". From experience that calculation gave an affordable amount of repayment of between 10 and 20 per cent of what the association had borrowed (including interest); the remainder of the loan was wiped out by "housing association grant".

— And Registration

Housing associations, essentially charities or non-profit benevolent associations providing housing for rent, already existed in profusion. The Corporation registration process introduced in 1974 was primarily a process of checking the fitness of such associations for the receipt of public funds. Some people saw an opportunity for this system to be used for Co-operatives: why not Co-operative housing associations where the membership and the committee consisted of the association's tenants?

By the end of 1975, three such Co-ops were on the Corporation's register, differing from the previous co-ownership societies in that their tenant-members paid no more than a "fair rent" and had no financial interest in their Co-op which was "non-equity" (or, more correctly, the equity was collective and could not be distributed) and differing from other housing associations in that their tenants were also their members.

Public Promotion of Housing Co-ops.

This beginning was built on by public promotion of the idea. The new Minister for Housing, Reg Freeson, who was already convinced of the benefits of housing Co-ops, set up a working · ty under the chairmanship of Harold Campbell to look at ways of encouraging the development of Co-operative housing. One of the consequences of that working party was the establishment in 1976 of the Co-operative Housing Agency as an agency of the Housing Corporation with the task of promoting housing Co-ops. In the following year nearly forty new housing Co-ops were registered by the Corporation which had meanwhile promised up to ten per cent of its capital funds to Co-ops.

That apparent generosity, which was intended as a gesture of support, became something of a burden. The still infant Co-ops were unable to use that level of money and within two years the inability to spend more than two per cent of the Corporation's capital funds was being talked of as failure. This, together with a change in government to one that had no particular regard for Co-ops, led to a much lower key approach to their public promotion. The Corporation's specialist staffing was dismantled and the number of Co-op registrations declined. They now average twenty or so a year (although all are now sure of funding which some of the earlier ones were not). Somewhat ironically, more local authorities now favour Co-operative housing associations although most now lack the financial ability to give them much support.

This has to be considered in combination with the less favourable legislative framework now in force. As a consequence of the 1980 Housing Act all housing associations, including Co-ops, are required to have their rents re-assessed every two years and to impose any increase in two equal annual instalments (there had previously been a rent limit). This combined with the present government's measures to make owner-occupation easier, makes the promotion of new Co-ops more difficult and their longer-term survival more problematical.

The Record of Progress

Nevertheless, Co-ops do continue to make progress. To start with, they refuse to go away and, indeed, keep spawning new ones. For the past three years, the Housing Corporation has been registering just over twenty a year. In the last full financial year (1983-84), the Corporation committed almost four per cent of its capital funds for rented housing (£14.4 million) to Co-op programmes. The provisional allocations at the beginning of the current year saw five per cent (£21.8 million) going to Co-ops.

The spread of Co-ops is geographically far from even. Around two thirds of the Corporation's Co-op expenditure is going to London. In general terms the other pockets of Co-op development are associated with the existence of local Co-op federations which employ the specialist staff necessary for such development. Indeed, the Corporation insists that new Co-ops have a development agreement with such a body (or an experienced housing association) before registration. Thus, Co-ops have developed well in Liverpool, Tyne and Wear, Birmingham and Leicester where such federations have become established. Elsewhere they are very patchy.

Two Case Studies

The two illustrative case studies that follow demonstrate two aspects of British Co-op development although both are concerned with areas of urban housing stress. Ged McCormack's contribution from Banks of the Wear Co-operative Housing Services (the Co-op federation for Tyne and Wear) deals in the main with their experience of rehabilitation of run-down privately rented housing. Houses are purchased vacant or are purchased with the private tenant-members already living there. Banks of the Wear CHS has managed to combine well social concern and technical competence and this has earned it an excellent reputation. Like all pure housing Co-op federations, however, it lives on a financial knife edge having to rely on a continuing supply of new work.

The other contribution, by Sophy Krajewska of Co-operative Development Services (Liverpool), illustrates a different approach. This was pioneered by the Weller Street Co-op, a group of tenants in housing due for demolition, who acquired a vacant piece of land close to their previous houses and worked closely with an architect in designing a small estate for themselves. Hesketh Street Co-op developed on similar lines and the Housing Corporation now has eleven such Co-ops in Liverpool on its register. Several consist of council tenants from some of the city's worst tenements. They secured funding from the city council but unfortunately have become something of a political football and funding from the city has now been stopped.

Both approaches represent success stories for Co-operative housing, however, and, given renewed public support, can provide lessons for further successful development.

Postscript

This note has been entirely concerned with Co-ops that have corporate ownership of their members' housing. Another aspect of British Co-operative housing has been management Co-ops, where tenants' Co-ops exercise some or all of the management of council housing. When a housing authority, the Greater London Council was keen on the idea (most of their Co-op housing was in Islington and is now owned by the borough) but Glasgow has developed the idea furthest. Otherwise, this form of Co-operative is not very extensive despite strong support from the last Minister for Housing, John Stanley.

Note of the Author

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