

Housing Co-operatives in Crisis

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The co-operative housing sector in Britain has recently been in the paradoxical position of experiencing universal political support for its achievements, rapid growth in some areas, and severe problems in others, culminating in the launch of a 'Time for Action' campaign and the sudden winding up of the National Federation of Housing Co-operatives (NFHC).

The paradox takes some explaining, and that can only be done if we analyse each type of co-operative and each country separately. For instance, in England while ownership co-operatives, being developed through the Housing Corporation's grant system, are in severe difficulties, and short-life co-operatives are beginning to decline, management co-operatives in both council and housing association stock are experiencing rapid expansion. In Wales, co-operatives have only just got going, and development is more likely to be in more diluted forms of tenant participation. In Scotland, co-operatives fit much more centrally into the strategy of tenant management; community ownership co-operatives are being developed in large numbers as the main way to tackle run-down council estates, and they have had outstanding success (Clapham et al., 1991).

1988 — A Crucial Year

1988 seems to have been a crucial year. A new Housing Act was enacted, which gave council tenants the right to choose a new landlord if they were dissatisfied with the council's service. The Housing Corporation was given the job of promoting and regulating this 'Tenants' choice' legislation, bringing together council tenants and new landlords in a complex series of procedures designed to provide tenants with a genuine choice between alternatives. It has led several groups to use the legislation to develop new transferred ownership co-operatives. The numbers of such co-operatives are likely to be quite small, but the bargaining power which has resulted from the legislation has put tenants in a strong position to become involved in estate management through various forms of self- or joint-management.

Tenant management co-operatives (TMCs) in particular have benefitted politically from the 1988 Act; the prospect of tenants choosing a new landlord has galvanised councillors into promoting TMCs as an alternative to losing their housing stock altogether. Their promotion and development had been quite complicated and time-consuming, but two new initiatives helped to simplify the process. First, an NFHC working party produced a set of modular management agreements which allowed groups to make up their own co-operative 'off the shelf', and experience was systematised in a development handbook (NFHC, 1991; Williams & Swailes, 1991). The number of management co-operatives is thought to have doubled from around 100 in 1988 [see Birchall, 1991¹] to around 200 in 1992.²

Secondly, this new commitment to tenant choice has led to criticism of the lack of tenant participation in housing association management, which in England and Wales generally offers tenants no forms of participation in decision-making (in Scotland, associations have always been much more community-based and accountable to tenants).

Impact on housing associations

For the first time, the Corporation³ is tackling openly the problem of paternalism in housing associations, encouraging them to develop proper means of tenant participation. Performance

expectations now include the development of representation by tenants on management committees, separate structures for consultation, and where possible the encouragement of management co-operatives. There is both a stick (the threat of reduced development funding if associations' management is not responsive to tenants) and a carrot (new grants for promotional work with tenants), which should ensure that the Co-operative option becomes better known.

Fewer common ownership co-operatives —

Also in 1988, a deterioration in the relationship between the National Federation of Housing Co-operatives and the Housing Corporation led to the setting up of a Department of the Environment review committee which reported at some length on the problems facing the movement (Department of the Environment, 1989). This strengthened the political consensus that co-operatives were 'a good thing', and boosted the prospects for management co-operatives and more diluted forms of tenant participation on existing estates (bringing in a grant system designed to help council tenants to explore co-operative options). Yet it did nothing to secure the future of that mainstay of the housing co-operative movement, the common ownership co-operative. In contrast to management co-operatives, the development since 1988 of Housing Corporation funded common ownerships in England has dropped drastically (see Table 1). In 1989-90 just 163 co-operative dwellings were produced, 0.86% of all dwellings produced by housing associations in that year. Assurances have been given that the output will improve in 1992-3, but the figures show that in the three years since the 'Tenants in the Lead' report, co-operatives have struggled to produce a very small percentage of the total output.⁴

Table: Recent and projected output of 'Housing Corporation Grant' funded Co-ops (⁴)

Year	Number of co-operative dwellings	% of all housing association dwellings
1989-90	163	0.86
1990-91	211	1.65
1991-92	348	1.13
1992-93	918	1.77

Source: Presentation by Gregory Lomax (Housing Corporation) at a Housing Co-operatives Conference, Birmingham, April 1992.

— And the reasons

What has gone wrong? Co-operatives in London had been scoring badly in the Corporation's annual monitoring reports, and it was suspected that officials were undermining an officially supportive policy by refusing to register new co-operatives. However, the main problem has been a radical change in the funding regime, with a new emphasis on the need to raise private capital to make up the difference between a fixed rate of grant and the cost of development.

Despite assurances that they would be protected, this has seriously disadvantaged co-operatives and small housing associations. In 1988-9, large associations took immediate advantage of the new system, using a streamlined 'tariff' system of funding which allowed them to increase their output dramatically, in some cases merging to create even larger associations, and raising huge loans in the international money markets. This resulted in an embarrassing overspend in the Housing Corporation's development budget, and in the resulting crisis it has not been able to keep to assurances that co-operatives would receive protected funding.

Effect on secondary co-operatives

How has this complex picture of growth in some areas and decline in others affected the secondary co-operatives, whose job it is to promote and develop these various forms of primary co-operatives? They had been relying heavily on fee income from development of common ownerships, and were in financial crisis even before the dramatic fall in co-operative registrations. They were able to benefit from the grant regime which followed 'Tenants in the

Lead', taking on most of the work of promoting and developing new forms of tenant participation on council and housing association estates. But this was not enough to save them, and out of 16 secondaries, all but three have either converted into community housing associations, or become specialist departments within larger housing associations.

In order to survive they need a property asset base and a regular income from housing management; two conditions which only a traditional landlord-type housing association can provide. Sympathetic co-operative development will continue, but in a non-co-operative form.⁵

Demise of NFHC

The sudden demise of the National Federation of Housing Co-operatives has yet a different cause. The Federation had grown rapidly during the late 1980s, through grant aid from the London boroughs, the Department of the Environment, and the Housing Corporation. A shift from recurrent to project based grants meant that the Federation had to negotiate for its survival on its output of special projects, and the quantity and quality of these was simply not enough to sustain it. Despite the appointment of a new director who it was hoped would provide strong management, the grants all ended, and in late 1991 the Federation had to go into voluntary liquidation.

Underlying this reliance on grants is a weakness all too familiar to other types of co-operative movement, the unwillingness of primary co-operatives really to back the Federation with independent funding through membership subscriptions. The very diversity of the movement had meant that it proved difficult to offer services to each type; local authority management co-operatives had remained largely outside the membership, and short-life co-operatives, while taking up 48% of the membership, complained that they were getting very little back. It had also proved difficult to balance the interests of London co-operatives with those of the regions, and a view had grown up that the NFHC was too London-biased.⁶

Conclusion

It is clear that two main forces have been at work; government policies and the practices of those agencies charged with carrying them out, and the actions and reactions of the co-operators who are trying to promote the interests of the movement. Sometimes it seems that the former outweighs the latter so much that co-operatives become merely pawns in a game the main purpose of which lies elsewhere, in the battle involving a central government determined at all costs to break up council housing, local authorities intent on persuading tenants to stay with them, and a housing association movement anxious to show its credentials as a more effective form of rented housing. But we cannot leave the actions of the co-operators themselves out of account; co-operatives need a supportive legal and financial environment, but only real people who believe in co-operative principles can do the work of nurturing new co-operatives into existence.

The right government policies?

So we need to ask two questions about the future. First, how can government policies be made to work consistently in a supportive way towards the various types of co-operatives, and secondly, how can co-operators be enabled to promote their cause more effectively? On the first point, the Co-operative Party has spelled out the ideal solution, a new Co-operative Housing Act which will set up a specialised Co-operative Housing Agency to develop via regional secondary co-operatives, but this will not be likely unless the Labour party wins an election (Co-operative Party, 1991). Here is a more realistic minimum list of requirements:

... continuing registration of new groups, increased access to development funding, the extension of Housing Association Grant to local authority tenants in England, adequate provision for on-going training, a major review of Co-op performance and Housing Corporation monitoring practice, and the development of a comprehensive network of service agencies (Duncan, 1991, p. 43).

The main point is that ownership co-operatives in England need a guaranteed percentage of the Housing Corporation's programme, and access to private funding. The Corporation has recently regionalised its development programme, and (as a result of the 'Time for Action' campaign) has made a commitment to develop sympathetic policies towards co-operatives which will not be so dependent on the views of a few officials at the centre. Co-operatives are becoming part of larger consortia and, at the expense of some autonomy in development, are at last gaining access to private funding; recent successes in the London South region are showing the way.

A renewed national federation?

Secondly, the future depends on a renewed national federation, which can unite a disparate movement and speak authoritatively on its behalf. Since the demise of the NFHC, at least seven groups have come forward eager to lead the way to a new federation; clearly, there will have to be a major constitutional initiative and a willingness to set aside differences if their interests are to be reconciled. A consensus seems to be emerging that a new federation will need to go back to its roots in the regions, remaining small and lean, less dependent on outside funding and much more representative than the NFHC had become.

Interim arrangements depend on grant aid once again from the government, and servicing by the National Federation of Housing Associations (NFHA). Whether the movement ought to move closer to the larger housing association movement is debatable; many ownership co-operatives are already members of the NFHA, and it has an active committee representing many primary co-operatives and co-operative development agencies. It is notable that the Scottish co-operatives are represented as a subset of the Scottish Federation of Housing Associations, in an arrangement which works quite well. However, English associations tend to be much larger and less tenant-controlled than their Scottish counterparts. What will emerge is probably a new federation dependent on the NFHA⁷ for servicing, but hopefully retaining its independence.

The vigorous 'Housing Co-ops — Time For Action!' campaign continues and an all-party committee of MPs is working with it to ensure that the housing co-operative movement's voice is heard. Fellow co-operators should ask themselves what they can do to help. In particular, perhaps we ought to try to lend support through the UK Co-operative Council?

References

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Notes

1. A later version of this paper appeared as a chapter in A. Heskin & J. Leavitt (Eds.) (1995). *The hidden history of housing cooperatives*, pp. 51-78. Centre for Cooperatives, University of California.
2. According to Co-operative Housing International, there were 202 tenant management co-operatives in the UK in 2002 managing a total of 84,000 homes owned by local authorities (ICA, 2002 — <https://www.housinginternational.coop/co-ops/united-kingdom/>). The National Federation of Tenant Management Organisations was set up in 1992 and is part of The National Tenants Organisation (<https://nationaltenants.org>) which also includes the Confederation of Co-operative Housing.

3. The Housing Corporation was a public body that funded affordable housing and regulated housing associations. It was wound up in 2008. Paternalism of social landlords has continued to be an issue that has been brought to the fore in the aftermath of the Grenfell Tower disaster (<https://www.grenfelltowerinquiry.org.uk/>), with the publication of a 'new deal' for social housing tenants including tackling stigma and paternalism (social housing green paper published alongside a social housing white paper — <https://www.gov.uk/government/consultations/a-new-deal-for-social-housing#full-publication-update-history>; see also Ejiogu & Denedo, 2021).
4. Figures for housing co-operatives in the UK differ according to what is being counted. An oft cited report produced by Co-operatives UK points to 685 housing co-operatives across the UK (Mayo in Lee & Cuthbert, 2019, p. 4). The Confederation of Co-operative Housing (April, 2022) points to 875 co-operative housing organisations and over 196,000 homes in the UK (<https://www.cch.coop/>). The UK Government registered social housing providers listings (May 2022, updated monthly) shows 204 housing co-operatives (registered societies identifying as co-operative) in a total listing of 758 (including community benefit societies) of 1,613 registered providers (<https://www.gov.uk/government/publications/registered-providers-of-social-housing>). The Financial Conduct Authority's mutuals public register lists 1,409 registered housing and housing services providers; 519 registered in the period 1988-2019 (<https://mutuals.fca.org.uk/>).
5. Examples include: Community Led Homes which is a partnership between the Confederation of Co-operative Housing (a company limited by guarantee), Locality (company limited by guarantee and registered charity), the National Community Land Trust Network (charitable incorporated organisation), and UK Cohousing (company limited by guarantee). CDS (a community benefit society) supports the development of housing co-operatives.
6. The Confederation of Co-operative Housing (the successor to the NFHC) was set up in 1993. The CCH annual membership fee (as of 2022) is a flat fee of £110, plus a variable fee based on the number of members that a co-operative has (£2.50 per member).
7. The NFHA is now the National Housing Federation and in Scotland — the Scottish Federation of Housing Associations, both representative bodies for housing associations and stock transfer organisations.

References

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