
Housing Co-operatives in Crisis

by Dr Johnston Birchall

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-op and each country separately. For instance, in England while ownership Co-ops, being developed through the Housing Corporation's grant system, are in severe difficulties, and short-life Co-ops are beginning to decline, management Co-ops in both council and housing association stock are experiencing rapid expansion. In Wales, Co-ops have only just got going, and development is more likely to be in more diluted forms of tenant participation. In Scotland, Co-ops fit much more centrally into the strategy of the main funding agency, Scottish Homes, and of the local authorities; both tenant management and community ownership Co-ops are being developed in large numbers as the main way to tackle run-down council estates, and they have had outstanding success. (1)

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-ops. The numbers of such Co-ops 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-ops in particular have benefitted politically from the 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-op 'off the shelf', and experience was systematised in a development handbook (2). The number of management Co-ops is thought to have doubled from around 100 in 1988 to around 200 in 1992.

Impact on Housing Associations

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). For the first time, the Corporation 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-ops.

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-ops -

Also in 1988, a deterioration in the relationship between the National Federation of Housing Co-ops 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 (3). This strengthened the political consensus that Co-ops were 'a good thing', and boosted the prospects for management Co-ops 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-op movement, the common ownership Co-op. In contrast to management Co-ops, the development since 1988 of Housing Corporation funded common ownerships in England has dropped drastically (see Table). In 1989-90 just 163 Co-op 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-ops have struggled to produce a very small percentage of the total output.

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

Year	Number of Co-op 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

- And the Reasons

What has gone wrong? Co-ops 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-ops. 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-ops 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-ops would receive protected funding.

Effect on Secondary Co-ops

How has this complex picture of growth in some areas and decline in others affected the secondary Co-ops, whose job it is to promote and develop these various forms of primary Co-op? They had been relying heavily on fee income from development of common ownerships, and were in financial crisis even before the recent dramatic fall in Co-op registrations. They were able to benefit from the new 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-op development will continue, but in a non-Co-operative form.

Demise of NFHC

The sudden demise of the National Federation of Housing Co-ops has yet a different cause. The Federation had grown rapidly during the late '80s, 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-ops 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-ops had remained largely outside the membership, and short-life Co-ops, 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-ops with those of the regions, and a view had grown up that the NFHC was too London-biased.

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-ops 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-ops 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-ops 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-ops, 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-ops, but this will not be likely unless the Labour party wins an election (5). 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” (6).

The main point is that ownership Co-ops 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-ops which will not be so dependent on the views of a few officials at the centre. Co-ops 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-ops are already members of the NFHA, and it has an active committee representing many primary Co-ops and Co-op development agencies. It is notable that the Scottish Co-ops 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 NFHA 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.

NOTES

1. See D Clapham, K Kintrea and L Whitefield *Community Ownership in Glasgow: an Evaluation*, Scottish Office, 1991.
2. See National Federation of Housing Co-ops *Modular Management Agreement*, London, 1989, and M Williams and K Swailes (eds) *Tenant Management Co-ops: the Development Handbook*, London Borough of Lewisham Co-ops Team, 1991.
3. See Department of the Environment *Tenants in the Lead*, HMSO, 1988.
4. Figures presented by Greg Lomax of the Housing Corporation at a Housing Co-ops Conference, Birmingham, April, 1992.
5. See National Executive Committee of the Co-operative Party *Housing Co-ops: Quality Homes*, Co-operative Union, 1991.
6. See Pete Duncan *Co-operative Housing: beyond Customer Care to Consumer Control*, Institute of Housing, 1991, p.43.

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