

FORMING A HOUSING CO-OPERATIVE

This National Housing Federation leaflet sets out general information about housing co-operatives, and how to set up a new one.

What is a housing co-operative

A housing co-operative is a society controlled by its members whose objects include the provision of housing for its members by means of construction, improvement or management. Housing co-operatives are normally registered as Industrial & Provident Societies with the Mutual Societies Section of the Financial Services Authority (FSA) and do not trade for profit. In order to seek registration, a co-operative must have at least three members, and its rules must be acceptable to the FSA.

What sort of housing co-ops are there?

Tenant Management Co-operatives - These are co-operatives which manage properties on behalf of local authorities or housing associations. The co-op normally has a management agreement with the local authority or association, specifying the areas over which the co-op has control, the financial arrangements, and other conditions.

Short life Co-operatives - Co-ops which have short term licences on property owned by local authorities, housing association or various statutory bodies. The property will normally be unimproved, awaiting improvement or demolition.

Permanent Co-operatives - Co-ops which are registered with the Homes and Communities Agency (HCA) (see below) as well as the FSA. These co-ops both own and control these homes in which their members live. They are accountable to the HCA, which has a statutory duty to supervise the conduct of housing providers and co-operatives for which it registers and provides funds.

Who do we need to contact?

The Homes and Communities Agency - The HCA is a statutory body which maintains a public register of housing providers and housing co-operatives. It is also the statutory regulator, setting high standards of management across housing association homes and acting as a watchdog for tenants.

Registration with the HCA is different from registering as an Industrial & Provident Society. The HCA has its own criteria for registration, which mainly relates to the ability of an organisation to use public money responsibly, and to develop and manage its properties.

Registering with the HCA is not easy. See www.tenantservicesauthority.org for more information about the HCA and registration criteria.

The Homes & Communities Agency (HCA) - a statutory body that brings together responsibility for both the land and the money to deliver housing, community facilities and infrastructure ensuring that homes are built in an economically, socially and environmentally sustainable way. Registered Housing Co-operatives are eligible to receive loan finance and grants from the HCA or from a local authority in order to build, purchase or improve homes to let to their members at fair rents. For more information go to www.homesandcommunities.co.uk

Banks and private lenders - The 1988 Housing Act brought in the era of private finance. Until then, the part of the cost of new housing that was not covered by housing association grant was met by mortgages provided by the HCA or local authorities.

The National Housing Federation - We are the national voice for social housing and the trade body for 1200 or so not-for-profit organisations that build, regenerate and manage social housing. We offer a range of services, advice, publications and training. Together, our members manage two and a half million affordable homes for over 5 million people.

Lion Court
25 Procter Street
London WC1V 6NY

Tel: 020 7067 1010
Fax: 020 7067 1011

Email: info@housing.org.uk
Website: www.housing.org.uk

What is the legal framework?

The Financial Services Authority (FSA) - The FSA maintains a register of certain non-profit making organisations, like housing co-ops and many housing associations. The FSA has to make sure that the rules of these organisations satisfy the legal requirements, and that these organisations are running themselves according to their rules. In other words, you can't start a housing co-op without the approval of the FSA and once the co-op is running the FSA will supervise the co-op to the extent of making sure it is keeping to its rules.

The implications of registration with the FSA - Once a housing co-op has become registered under the Industrial & Provident Societies Act 1965, it becomes a legal entity; this means it can enter into contracts - like contracts for buying houses - the co-op can sue and be sued, and can hold property in its own name. When the co-op is registered it is entitled to put 'limited' after its own name, and all members will have limited liability; this means that co-op members' liability for any debts of the co-op will normally be limited to the amount of their membership share (normally £1).

Registration with the FSA does give some reassurance to various agencies - the local council for example - that the co-op is properly constituted, is properly functioning according to its laid down rules, and the co-op is keeping proper accounts.

Getting registered with the FSA does **not** entitle a housing co-op to anything at all. It is also expensive. So don't rush into registration. Before you register, you should be working with a development agent - a secondary co-op for example - and have a good indication from the HCA that your proposals are likely to be accepted.

Is registration guaranteed? - The simple answer is no. The FSA does not have to accept every housing co-op, although most are registered. The FSA will want to know that the proposed housing co-op is running on co-operative principles. For example, that the co-op is being conducted for the mutual benefit of its members, and that there is proper democratic control i.e. one person, one vote. Most housing co-ops should be able to prove that they are properly following co-operative principles. The FSA will also want to make sure that the co-op's rules are acceptable, and meet the requirements for running a housing co-operative.

The Housing Association Ombudsman - The Ombudsman is concerned with maladministration by HCA registered organisations in their duties as landlords and providers of services. It has the power to consider complaints from tenants and other service users if it is considered that the complaint has not been properly addressed by the Co-operative.

The Ombudsman can only deal with cases that have first been through an organisation's internal complaints procedure.

What are the rules for?

The rules of a housing co-op perform three different tasks:

- The rules determine how the internal affairs of the co-op should be run - the rules are the co-op's constitution. For example, the rules will state how elections to the committee are carried out.
- The rules determine the relationship between the co-op and the outside world. For example, the rules will lay down an annual return giving details of the co-op.
- The rules are effectively a contract by the co-op with each and every member. The Co-op must follow its own rules so it is important that co-op members understand the rules.

Model rules?

A co-op seeking registration can, if it wishes, draw up its own set of rules. But this can be a time consuming and expensive process, so it will most likely be cheaper and easier to use one of the sets of 'model' rules. These model rules are acceptable to the FSA without amendment - although a co-op can make its own amendments if it wishes to do so.

Registration through the National Housing Federation

The Federation has two sets of model rules which are suitable for housing co-ops: the model Co-op FM2001 and the model Co-op NM94 rules.

The FM rules are fully mutual; the NM rules are not fully mutual. Full mutuality means that all tenants must be members and all members must be tenants or prospective tenants. The non mutual rules state that tenancies can only be granted to members, but membership is open to anyone acceptable by the co-op whether they are prospective tenants or not. Generally speaking, co-ops which are intending to seek registration with the HCA and intend to use long life property, will find fully mutual rules the most suitable ones to use.

If you use the Federation's model rules, your co-op is expected to join the Federation at the same time. The Federation has the copyright to its model rules and it likes to be sure that co-ops registering and using model rules have a fair chance of success. Co-ops joining the Federation also have access to a range of benefits and services.

Joining the Federation is a straightforward procedure, and includes agreeing to abide by a Code of Governance. The Code seeks to encourage the highest standards in the housing movement.

How much does it cost?

Registering a co-op with the FSA can be expensive. Do not proceed with the registration unless there is a good chance of securing finance from the HCA, or the local authority, to carry out the schemes you propose.

Please contact the Registrations Officer at the National Housing Federation for up to date information about fees payable – telephone 020 7067 1032 or email Stephen.tulip@housing.org.uk

Head Office Lion Court, 25 Procter Street, London WC1V 6NY

**NATIONAL HOUSING
FEDERATION REGIONAL
OFFICES**

LONDON

Lion Court
25 Procter Street
London WC1V 6NY
Tel: 020 7067 1010
Fax: 020 7067 1018

SOUTH EAST & SOUTH WEST

101 Victoria Street
Bristol BS1 6PU
Tel: 0117 929 7388
Fax: 0117 930 4423

**EAST OF ENGLAND, EAST
MIDLANDS and WEST MIDLANDS**

1st Floor, White House
111 New Street
Birmingham B2 4EU
Tel: 0121 634 1530
Fax: 0121 634 3669

**NORTH EAST, NORTH WEST,
MERSEYSIDE
and YORKSHIRE HUMBERSIDE**

City Point
701 Chester Road
Manchester M32 0RW
Tel: 0161 848 8132
Fax: 0161 848 8134

**TENANT SERVICES
AUTHORITY**

The national telephone number
for all telephone enquiries for the
HCA is: 0845 230 7000

or you can write to:

Enquiries Team

Homes and Communities Agency
1 Park Lane
Leeds LS3 1EP

Plus there are two headquarter
addresses as follows:

Homes and Communities Agency
Maple House
149 Tottenham Court Road
London W1T 7BN

Homes and Communities Agency
4th Floor
One Piccadilly Gardens
Manchester M1 1RG