

The Mutualisation of Housing: A Role for Wales Cooperative Centre?

Executive Summary

The policy of housing-stock transfer is a politically divisive one, and Wales Cooperative Centre should be clear about its position on this issue before becoming involved in supporting the policy.

The policy of stock transfer, and the financial rules on which it is based, do not appear to be written in stone and it would be a high-risk strategy for the WCC to put all its eggs in the mutual basket when resistance to stock transfer is high and this policy as a whole might be reversed.

The Community Housing Mutual Model in the UK, and the Community Gateway Model in Wales, are both experimental at this stage and have not been implemented by any local authority.

If any local authority housing departments implement the CHMM there will be an immediate need for experts who combine in-depth knowledge of housing and mutual issues. WCC needs to decide whether it should wish to provide these experts, based on an assessment of how likely it is that the CHMM will be taken up.

The main block to the CHMM is reluctance and distrust on the part of tenants, who must vote in favour for the model to be implemented. WCC could use its expertise in mutual systems to increase the credibility of the model amongst social housing tenants.

Whoever owns the housing stock in Wales the WHQS targets for 2012 make investment in widespread renovation works inevitable and Wales Cooperative Centre is in a position to lobby to ensure that the contracts under which this is done include a minimum level of commitment to works being carried out by construction cooperatives, and a minimum level of training.

Several construction-related cooperatives do exist in Wales and are in contact with Wales Cooperative Centre (Owens Roofing and EOM Electrical are two examples). WCC could propose that these businesses act as mentors for the development of a network of construction cooperatives in deprived communities.

The Bevan Foundation have researched low-demand housing and WCC might consider working with them to develop a proposal for a demonstration project based on cooperative regeneration in a low-demand housing area in the Valleys.

The Mutualisation of Housing: A Role for Wales Cooperative Centre?

A Note by Molly Scott Cato
Wales Institute for Research into Cooperatives, UWIC Business School,
Cardiff

The heart of the concept of mutuality is that those receiving a service are the members of the organisation which provides the service.

Mutuo, *Transferring Ownership*, 2001.

Background

There are a range of suggestions about how the public housing sector should be remodelled but the political imperative is clear: change is coming and those with a concern for the quality of public housing and the level of involvement of tenants should get on board and influence the direction of travel.

The stated objective of housing policy in England as well as Wales is the need to improve the standard of housing stock and the service offered to tenants. This is in spite of research showing that three-quarters of tenants are satisfied with the public sector landlord (this compared with 80 per cent satisfaction amongst those who were transfer organisation tenants: see Bromiley *et al.*, 2004). Behind this stated objective are two ideological motivations:

- The belief that the market is more efficient and that public ownership is outdated and archaic;
- The idea of the participatory community and the need for 'active citizenship' so that users of public services should be involved in decision affecting their lives, a central tenet of the New Labour 'third way'.

The combination of these objectives and motivations has led to the development of a series of policies that have made change in the housing sector inevitable.

Table 1, taken from the *UK Housing Review 2003/4*, indicates changes in the types of housing tenure by UK region or devolved authority over the past ten years. The figures show that there has been a lower level of transfer of housing out of the public sector in Wales than in any UK region or devolved area. Wales also has by far the lowest level of housing association tenure; the only other region coming close is London, with its own unique circumstances. The figures on transfer of housing from public-sector ownership make clear the reality that those authorities with highest house values and therefore the most valuable housing stock have sold it, with the more depressed regional economies maintaining a higher level of publicly-owned housing.

Table 1. Percentage Changes in the Regional Stock of Dwellings by Tenure, 1991-2002

Region	Owner-occupied	Private rental	Housing assocn.	Public sector	Total
North-East	15.4	23.2	155.9	-31.6	5.8
Yorks./Humbs.	10.2	35.2	102.2	-19.4	7.2
North-West	24.4	-41.6	132.0	-31.5	6.8
West Mids.	12.1	23.7	228.6	-37.3	7.3
East Mids.	13.8	25.2	170.0	-22.9	10.6
East	13.3	28.2	124.1	-28.6	10.7
London	4.4	43.2	93.1	-26.0	6.0
South-East	12.0	15.9	289.5	-44.2	10.0
England	12.5	13.8	144.9	-30.5	8.1
Wales	11.1	15.5	85.7	-15.3	8.3
Scotland	38.4	23.8	127.7	-36.7	10.4
N. Ireland	32.2	61.9	110.0	-35.3	14.7
UK	14.7	14.9	140.5	-31.1	8.5

Source: UK Housing Review 2003/4: Table 21.

Table 2 looks at the other side of the political argument, by presenting data concerning measures of the quality of housing according to type of tenure in Wales. The figures show that, contrary to the political arguments, the percentage of public-sector housing in a poor state of repair is barely any more than the percentage of owner-occupied housing and that the real site of poor housing is in the private rental sector.

Table 2. Welsh housing conditions: unfitness and disrepair by tenure, 1997/98

Tenure	Occupied dwellings	Percentage of unfit stock	Average repair cost per dwelling	Total cost of repair (£m)
Owner-occupied	828,400	7.6	951	788
Private rented	80,900	18.4	1,883	152
Social housing	248,000	8.2	654	162
All occupied	1,157,300	8.5	953	1,103

Source: UK Housing Review 2003/4: Table 24a.

Housing Stock Transfer

Given the ideological preference for reducing the level of state ownership, stock transfer has become the preferred policy for housing. The incentive for local authorities to adopt the stock transfer policy was largely financial. With large backlogs of repairs (estimated at £19bn. for England: Webb, 2004; £2.9bn for Wales: Bader, 2003) moving their housing out of public control would enable money to be borrowed for the necessary works to be carried out. Local authorities are subject to strict borrowing controls, whereas

housing associations are not. The political pressure to carry out these repairs was in the form of basic obligatory standards (in Wales, the Welsh Housing Quality Standard) by a certain date (in Wales, by 2012). In addition, councils who followed the policy of housing stock transfer would have their debt on the housing account paid off by the government: £824m. has been paid off in this way for councils in England (Webb, 2004).

Aside from the financial incentive, there were several other drivers of the stock transfer policy. One was the removal of housing from political control, since it had been seen as a political football, and its politicisation undermined the possibility for improving services to tenants. In addition, housing was seen as a key opportunity for effecting wider community regeneration. The combination of political and financial pressure on local authorities has caused a collapse in the level of new council housing being built: in 1970 there were 172,000 new council houses built; by 2001 this had dropped to 487 (Sillett, 2004).

In spite of the virtual abandonment of council housing it is important to note that the one council which still shows commitment to this policy is in Wales: the City and County of Cardiff is still building new council housing. According to Sillett (2004): 'Using capital receipts from a portfolio of sites, they have been developing an innovative programme, in a partnership arrangement, to provide quality rented housing and open market housing across Cardiff.' The houses are well-designed and based on sustainable construction methods and renewable energy sources. The project is in keeping with the Assembly's commitment to sustainability and balances tenures, which reflects the continued commitment amongst Cardiff's tenants to stay with the council. It should be borne in mind, however, that this successful scheme is based in the most economically successful part of Wales, and that much of publicly owned housing stock in the country is in areas of low demand.

The policy of housing stock transfer has been in operation for 15 years in England and during this time there have been more than 210 transfers totalling some 800,000 homes or around 15 per cent of local authority housing stock and involving at least 130 local authorities; £12bn. of private financial investment has been raised as a result of the transfers (Webb, 2004).

Some evaluation of the policy is now possible. It appears to have been successful in improving the standard of housing stock and increasing levels of tenant participation. There has been evidence of improved service to tenants and a better culture, as well as a more general impact on local regeneration. However, the early transfers were of the better quality housing in richer areas of the country. The policy is more questionable when it comes to larger urban estates with low-value stock and uncertain demand. The process is complicated and expensive: set-up costs can be up to 6 per cent of the gross price of the property transferred. It is also likely that eventual rents will be higher than for public-sector housing, partly as a result of interest accrued on loans taken out for housing improvements. The law requires rents to be capped for the first five years after transfer.

The process has become more political in recent years, with tenants' groups campaigning to oppose stock transfer and stay within local authority control. A recent proposal for wholesale transfer of Birmingham's social housing was rejected by tenants in a ballot. The lesson appears to be that scale is very important, with tenants favouring partial stock transfer. After transfer local authorities still have a strategic role in housing and continue to control the allocation of social housing. Councillors will also be

represented on housing association or community mutual boards, holding a third of the seats on the latter. Local authority housing officers tend to be transferred to new employment in the housing associations and this can be made a condition of the transfer agreement.

Labour's housing policy is coming under intensifying political attack. Fearing it cannot meet its target for home improvements in England by 2010 an announcement was made that authorities that where tenants had opted to stay with the council would be excluded from the statistics. This move was dismissed as 'disgusting' by Andrew Bennett, the Chairman of the backbench committee monitoring the Office of the Deputy Prime Minister:

The government's increasingly rigid line has infuriated tenants, councils and a growing number of its backbenchers. Bennett's Labour-dominated select committee accused ministers last month of 'blackmailing' tenants into accepting new housing management. In an angrily-worded report, it stated: 'The Decent Homes target is being used as a Trojan horse in a dogmatic quest to minimise the proportion of housing stock managed by local authorities'. (Weaver, 2004).

The report questioned the whole basis of the housing-stock transfer policy, which it considered was guided by ideological rather than pragmatic imperatives. They suggested that the separation of stock management from the strategic housing role, which underlies the stock transfer policy, should be revisited:

The Committee recommends that the Government revisit its dogmatic pursuit of the separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and Councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as well as the one preferred by tenants, may well be that the Local Authority retain full ownership and management responsibilities (Select Committee for ODPM, 2004).

They also identified the unequal access to finance, created in law during the years of Thatcher government, created an unfair pressure against local authority housing management:

The prudential borrowing rights introduced through the Local Government Act are not sufficient to create a level playing field. The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to their stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities (Select Committee for ODPM, 2004).

This view is backed up by another statistic which shows that in 2002/3, tenants paid an average of £2,500 in rents but only received £1,500 worth of services from local authorities. But the authorities are prevented by legislation from using the surplus rent for investment in home improvements (Sillett, 2004).

The Community Housing Mutual Model

In the English context a mutual model of housing transfer has been developed, known as the Community Gateway Model. The housing association that owns the stock can have a flexible structure, either a not-for-profit organisation managing or owning all or a proportion of the housing stock, or a company limited by guarantee, or created under the Industrial & Provident Society legislation. Whatever the nature of the structure, the model requires the widest possible involvement of tenants and promotes their involvement and control of their housing. The financial situation is the same as for all housing transfer, i.e. the new owning organisation is able to borrow money for home improvements. There is a rhetorical commitment to tenant empowerment 'Ask "what does the local community want?" not "what investment does housing need?"', although only in those examples where ownership is vested in a mutual organisation do tenants have genuine ownership and control (details from Webb, 2004).

The Community Gateway model is being actively promoted by the Confederation of Co-operative Housing in the UK. According to its website:

the co-operative movement, through the CCH, has already pioneered the community gateway model as a means of establishing a large scale structure within community empowerment opportunities are offered to tenants and communities (primarily through local authority stock transfer and ALMOs). The Co-ops UK Housing Group could be a means of monitoring progress on community gateway developments; of promoting the model to tenants, members and officers; and of liaising with Government on ensuring that community gateway opportunities are properly presented to all tenants and communities.

The Welsh Assembly government is seeking to follow a similar path, although is favouring a more mutual approach to housing ownership, according to the Community Housing Mutual Model.

There are four key differences between the CHMM and standard forms of stock transfer (Welsh Assembly Government, 2003):

- Because the new housing owner is a mutual, the tenants actually own the company themselves and all tenants will become members. There is no third party.
- The CHMM board has a specific obligation to undertake community regeneration as part of its housing remit.
- The CHMM is designed to evolve and adapt to meet the changing needs of the members and their community.
- The CHMM imports the principles and values of mutualism into the housing sector.

It is apparent that this model places a large responsibility on tenants, and hence there is a fundamental need to build capacity in the communities to ensure that they can carry out these functions. The day-to-day running of the mutual housing organisation is given over to executives appointed by the board. The board itself is made up from three groups in equal shares:

- Tenant members, elected on the basis of one member one vote;
- Local authority members nominated by the local authority that is transferring the housing;
- Expert members from the community bringing necessary skills to the mutual, who are selected by the tenants.

This model shares power between the three groups, meaning that tenants do not have overall control of the organisation. However, they have a choice in the third group and, thus, indirectly control the whole board, as is appropriate in a mutual organisation. So ownership is entirely vested in the tenants, while control is also with them, although less directly.

This structure makes it clear that tenants will need to be in a position to judge which skills they require of their board members and be able to find people with those skills who are prepared to stand for the board. Thus the model demands two types of capacity in the community: expert capacity amongst community members or others trusted by tenants; capacity on the part of the tenants themselves to both serve on the board and make reasonable choices about its expert members.

The Community Housing Mutual Model is designed to overcome some of the problems encountered during stock transfer. A primary problem is fear on the part of tenants. Although they may not be entirely satisfied with the standard of service provided by the local authority there is a sense that they are better off with the devil they know. Transfer to a housing association or other social landlord represents an unknown quantity in a most fundamental area of tenants' lives and there is understandable wariness about voting for such a change to go ahead.

In addition, as identified above, the strategic housing role has been linked to economic regeneration. The renovation of housing stock represents a large injection of cash into communities that are often economically deprived. There is a concern that this money should bring economic benefits as well as housing improvements, for example through the creation of building jobs and increase in skills levels and confidence amongst local people renovating the housing stock. While regeneration and community development are not central to the constitution of the standard form of housing transfer, they can be included within the CHMM.

The Benefits of Cooperatives in the Housing Field

Housing is a fundamental need, and every person's right to adequate shelter is enshrined in the UN Universal Declaration of Human Rights (Art. 25). In such a vital area it seems natural that those in social housing should have the power to influence, if not control, the provision of their homes. Yet this has often not been the case with social housing:

Social landlords struggle with the concept of empowerment. Many have moved on from the paternalistic landlord model and developed effective approaches to consumer involvement. Few have taken up the challenge of working out how power—making the big decisions about money and people—can be passed to tenants in a way that will breed success.

(Mutuo, 2001, p. 5)

By definition, those who live in social housing lack economic muscle and political power. The mutual approach to housing gives them an opportunity to find strength in unity. It is a basic tenet of mutualism that ownership and control matter and this is of central importance in such a fundamental area of life as housing.

According to a report from accountancy firm Price Waterhouse (1996) cooperatives are the most effective in managing social housing, as the following quotations make clear:

Most...co-ops outperformed their Local Authority and Housing Association counterparts and provided more effective housing management services with usually better value for money.

Tenant Management Organisations also delivered some wider non-quantifiable social and community benefits.

The most effective Tenant Management Organisations were those whose members had greatest control over their housing management, finances and environment.

This positive picture should be taken with something of a critical perspective, since the cooperative model of home ownership is relatively new and there is little experience of the mutual model in areas of low housing demand and poor quality housing from which we can make a realistic evaluation at this stage. It is also important to bear in mind that the success of mutual housing relies heavily on the ability of tenants to play an active and effective role and this in turn will require substantial and publicly funded capacity building. As those who have been instrumental in developing mutual models for housing have written: 'Elaborate structures without training, support and the willingness to live with risks will almost certainly fail' (Mutuo, 2001: 5). In terms of evaluation the focus has been mainly on the improvements for tenants and their local community, as is proper. But the needs of those working in the housing field and their job security and conditions of employment should also be protected.

The first step towards mutual housing is to build a competent and socially cohesive community which will form the basis of the housing cooperative. The Bevan Foundation's report on low-demand housing has proposed this as a first step under the rubric 'social capital initiatives':

Social capital initiatives could be described as measures introduced by councils and social landlords to engage with disadvantaged communities and create capacity within the local community to enable it to articulate its needs and requirements and help develop the informal community networks that give a community high levels of social capital. Measures that are described as social capital measures are schemes to support vulnerable people to sustain their tenancies, community development activity, including community safety measures and community activities (Bevan Foundation, 2004).

Mutual Housing: The Tenants' Perspective

For tenants, the move from local authority housing to a housing association can be a threatening one. Since the transfer requires that ballots are won by the transferring authority tenants' views are crucial, and it is difficult for

housing departments to convince tenants about change of ownership and win ballots (Webb, 2004). Because social-housing tenants are by definition vulnerable and have few resources, and because housing is so fundamental to life, this reluctance to engage in a process whose outcome is uncertain is unsurprising.

The jargon is about 'communities taking control' (the title of the website of the Federation of Co-operative Housing) but for tenants who are fairly satisfied with the housing service offered by their local authority, the tangible benefits of a switch to cooperative ownership may be limited, while the requirements on them are heavy and the potential risks are vast and unmeasurable. According to the FCH website: 'Strong, active communities are the key to better neighbourhoods and a good quality of life for everyone. But strong communities need active residents with the time and energy to get things going. There needs to be more of you!' The time and energy local residents are expected to provide is likely to be unrewarded financially. It is unrealistic to expect people with few resources and little experience of community activism to greet this sort of expectation with enthusiasm.

Recent ballot results have shown the difficulty of persuading tenants of the benefits of housing-stock transfer. In January Camden Council failed to win such a ballot, with 77 per cent voting against and 63 per cent opposing the move in the London borough of Kingston. In Wales, Wrexham's attempt to transfer its housing was rejected by 58 per cent of tenants in a ballot in March.

Housing Standards and Regeneration

Amongst those involved in regeneration of poor communities there is a growing support for of using house renovation to achieve wider social aims. The suggestion is that money invested in improving the housing stock, whatever its ownership status, should be maintained in the local community to stimulate economic activity and increase skill levels. For this to be the case contracts must include minimum levels of training, or must entail that a minimum percentage of those employed come from the immediate locality. Wales Cooperative Centre could argue that the best means of ensuring this is to create a system of construction cooperatives, sharing training and anchoring the capital generated from this work in the local community because of the worker-owner link.

From the perspective of public procurement rules, the major refurbishment needed to meet the WHQS by 2012 would be an example of an area where large public works contracts will be offered by local authorities which could include specifically within the contract at the beginning of the tendering process the need for specific outcomes in terms of training and community benefits. To conform to EU law requirements for transparency and non-discrimination, it is important that these outcomes are specific and costed. WCC could work with local authorities to help them design the contracts to include specific commitments to:

- Purchasing a certain percentage of housing renovation work from locally based worker cooperatives;
- Building into the contracts for all renovation work that a certain proportion of the contractors employed receive on-the-job training.

In February 2003 Edwina Hart launched the Community Benefits Pathfinder Project which tests the use of community benefits in awarding public sector contracts. The project focuses on construction and asks contractors to employ and train a percentage of their workforce from amongst local unemployed people. When launching the project Ms Hart said 'Recent guidance on procurement from the European Commission has gone some way towards clarifying the range of possibilities under existing European law. This has indicated that there is scope for procurements to support government policies to provide some community benefits for example training of the unemployed.' Pilots schemes to explore the outcomes from such innovative procurement are being run in Rhondda-Cynon-Taff on the Porth Road Bypass scheme, by Anglesey Council on the Holyhead harbour bridge scheme, and by the WDA on the Llandudno Hotpoint refurbishment scheme. This scheme could provide the basis for a similar project based on social enterprises and designed to bid for contracts to refurbish local authority or recently transferred housing to meeting the WHQS.

Since much of the housing that will be transferred is in areas of low demand, a recommendation from the Bevan Foundation's report into low-demand housing is relevant:

The Assembly and a local authority should establish a demonstration project with a private sector partner [or cooperative] to reconfigure older terraced housing to make it attractive to potential buyers. This would involve identifying an appropriate location for the project, sources of funding, determining whom should be involved, including private sector organisations (or third-sector organisations) and what the consultation processes with the community and others should be. The demonstration project could incorporate environmental sustainability issues, involve testing out new techniques and energy efficiency measures and would serve as a live example of how remodelling of existing housing can be carried out. Evaluation of the project should include a cost-benefit analysis of the investment made, including the value of employment generated (Bevan Foundation, 2004: 35).

WCC might choose to work with the Bevan Foundation to take this proposal forward, building in the commitment to increasing the local multiplier by contracting the regeneration work to a locally based construction cooperative.

Other Agencies Working in the Field

TPAS Cymru (Tenant Participation Advisory Service)

TPAS would seem to be the body best equipped to offer capacity-building in mutual housing since it already has an expertise in the housing field and experience of working with tenants and specifically on tenant empowerment. They list the following specific projects that they are currently undertaking on their website, in addition to their general work with tenant empowerment. The first relates directly to CHMM.

- *Making Tenant Empowerment Work – proposals for advice, support, information and training to make the community capacity building required by the Community Housing Mutual Model work in practice*
- *Tenant Access to New Communication Media – assessing levels of access to IT, Internet and e-mail among tenants across Wales, best practice guidelines on use of ICT. Outcome? – more informed landlord communication strategies and improved service provision*
- *Best Practice in Housing – jointly with CIH Cymru disseminating Best Practice from Assembly grant funded projects via Best Value events and publications*
- *Major Works Agreement – a best practice guide for landlords and tenants on carrying out major repairs and/or redevelopment works*

If TPAS have a limitation it would seem to be in in-depth experience of mutualism and WCC could offer a partnership role to add this expertise to the TPAS training package.

Shelter Cymru

Shelter is the main pressure group on the issue of housing in the UK and in Wales, referring to itself as the 'leading housing and homelessness charity in Wales'. Shelter is mainly a campaigning and advice organisation, although it also has policy research and advice roles. The Shelter Cymru website has the following comment on stock transfer:

The issue of stock transfer is currently one of the most important for Welsh housing. Many local authorities are having difficulty balancing ever decreasing housing budgets with the need to give even more attention to their housing stock, including mounting repair bills. Many see Stock Transfer as the only way of achieving the Welsh Housing Quality Standard by 2012. As an organisation that is concerned with present and future housing options in Wales, Shelter Cymru is clearly concerned that, if stock transfer is to occur, that the rights of, not only those who are presently tenants, but also of future tenants are properly addressed and protected.

Shelter's role in the issue of stock transfer, whether mutual or not, would appear to be to protect the housing rights of tenants, especially vulnerable or less-informed tenants.

Confederation of Cooperative Housing

The CCH is the network body for housing cooperatives in the UK. It aims to promote tenant-controlled housing and to campaign on behalf of this form of home ownership. The CCH was set up in 1993 and has members who are housing coops and regional federations of housing coops. According to its website CCH believes that 'Tenant controlled housing, while providing value for money in terms of management costs, also provides significant other non-quantifiable benefits to the community, such as increased tenant satisfaction, greater involvement and pride in the community, enhanced training and employment opportunities, and a greater degree of enfranchisement for tenants.'

The Confederation of Cooperative Housing is a valuable resource for those seeking a mutual solution for housing and was one of the key players in the development of the Community Gateway Model for mutual housing in England. It offers information and legal advice on forming housing cooperatives and specific information on the Community Gateway Model and its relationship to stock transfer. However, the CCH does not have a specific knowledge of the housing situation within the devolved Welsh policy arena.

Chartered Institute of Housing Cymru

The Chartered Institute of Housing is the professional body for people working in the housing sector. It has 700 members in Wales. Its stated aim is 'to maximise the contribution that housing professionals make to the well being of communities'. CIH Cymru provides strategic and policy advice and information, including a single paper on tenant participation, but its website has no specific information on CHMM or on stock transfer. It has a broad remit ranging from Best Value through energy efficiency to regeneration, so it would be unrealistic to expect specific expertise in the area of mutualism.

The Welsh Tenants' Federation

This organisation is dedicated to tenant empowerment and to increase the role tenants play in decisions affecting their housing. The Federation is funded by the Welsh Assembly. They offer information and training. Their website lists their aims as follows:

- *To provide a national organisation for tenants and residents of social housing in Wales.*
- *To provide national and regional forums for tenants' associations to enable them to share information and to ensure that comprehensive, independent information and advice is available to tenants.*
- *To represent the views of tenants on matters of policy which affect them, with governmental and non-governmental agencies including the need to maintain rent levels at 'affordable' levels and to ensure that their rights are fully protected in the case of housing stock transfers.*
- *To liaise with those agencies who work in the social rented sector.*
- *To promote good practice in the social rented sector in relation to the development of tenants' participation.*

Information provided by the Federation is designed to demystify what can be a complex area, including leaflets on definitions of housing terms, and names and acronyms explained. They also offer guidance on the law of housing, the regulation of social landlords, and on the process of housing stock transfer. However, there is nothing specifically on the CHMM or on mutualism more generally available on its website.

National Housing Federation

The NCH is a UK body representing the independent social housing sector. They have 1400 members who together manage 1.4 million homes. They do not cover Wales but may provide useful advice on issues such as stock transfer where the legal situation is not an issue.

Welsh Association of Housing Associations

Housing associations in Wales represent a market that spends over £1bn. in building, maintaining and refurbishing over 57,000 homes. The Federation has a membership of 65 housing associations across Wales. It publishes a newsletter, *Cartref*, which provides members and subscribers with information about developments in the sector. The website suggests that it has a commercial orientation with a strong emphasis on business opportunities.

Experience to Date

These are early days for the transfer of housing stock to mutual organisations. While housing cooperatives have a long established place in the housing sector, and the transfer of housing stock out of local authority control is also well underway, the combination of these two experiences into one exists in theory only at present and there are no examples of existing transfers. Preston's experience is given in detail, as it is the local authority that has progressed furthest down this road. Sheffield is given as an example of a local authority that has used housing renovation to stimulate the social economy, while Community Enterprise Strathclyde has used housing as a base to achieve wider community regeneration objectives.

Housing in Sheffield: procurement from social enterprise

Since 1996 Sheffield's Housing Service has been keen to promote and contract with social enterprises. They have used their contracts with social enterprises to achieve other Best Value targets, such as promoting and enabling training and creating employment opportunities in some of the most disadvantaged parts of the city. Large local authority contracts can prove highly destabilising for small and possibly quite young businesses and to counteract this problem Sheffield tries to guarantee at least three years of work. This also removes the need for the contracted social enterprises to be constantly chasing work, distracting them from doing the job at hand efficiently. The local authority provides business planning, contract management and financial support, as well as training and mentoring. They can arrange special payments if the social enterprise they are contracted with experiences cash-flow difficulties.

Janet Sharpe is investment manager for Sheffield Housing's capital programme and has been instrumental in overseeing the contracts with social enterprises. In her view 'social enterprises will always need support and this has to be understood from the start. If they had to rely on competitive tendering they couldn't compete with large private sector building companies and could not survive long term.' This support is justified because of the greater social benefits of working with social

enterprises. Janet feels that bureaucratic inertia is the main stumbling-block preventing more contracts going to social businesses: 'Social enterprises have to be aware and feel confident enough to challenge bureaucracy and a lot of red tape. Local authority officers will be nervous about changing procurement practices. It often takes a great deal of time from the initial "idea" to starting the project and this can be frustrating and one of the main reasons why so many abandon plans' (*DTI Toolkit*, p. 24).

Community Enterprise Strathclyde

Community Enterprise Strathclyde is a leading example of a social enterprise that has expanded from its base as a housing association to fulfil a wider regeneration role in the West of Scotland. Their activities have included job creation and creating community facilities such as childcare places. These ideas for best practice are now being shared across Scotland. For the purposes of this note it has not been possible to make contact with CES but if WCC is planning to involve itself in housing-related regeneration via the CHMM it would seem advisable to visit the programme to learn from its experience.

Preston and the Community Gateway Housing Model

Preston is a medium-sized city with a public housing stock of 7,000 homes. It has already carried out two partial stock transfers before taking up the Community Gateway Model. Preston is included in the government's 2004 Stock Transfer Programme, subject to its finding sufficient money to cover its housing debts, with the support of central government. Preston was aiming to put proposals for stock transfer to tenants in a ballot in September 2004, but this date is now likely to be pushed back. The decision to adopt the CGM was taken in principle in August 2002 because of councillor concern about transfer to other types of status and because of the built-in guarantees of tenant involvement and empowerment that the model offers. Work so far has focused on involving tenants in the development of a Community Empowerment Strategy which develops the vision of the local community and uses a community options study that explores the capacity of each community. Preston City Council is the pioneer local authority in large-scale housing stock transfer using the Community Gateway Model. This indicates how preliminary the model is and how time-consuming to develop, since the authority has not yet reached the stage of holding a tenant ballot.

A Role for Wales Cooperative Centre?

In terms of the cooperative development needs of the CHMM we are looking at two types of cooperative that urgently need to be created if the model is to be successfully implemented. First, the housing cooperatives themselves, which will require input from a large number of tenants who have thus far relied on public-sector provision. The immediate need to achieve successful housing stock transfer under the CHMM is for tenants who are equipped with the necessary skills and understanding to make the model work. The way in which skills are transferred, or expertise shared, is of crucial importance to the success of the model and a learning process for capacity

building that is genuinely empowered is discussed in a related paper. [Len: do I have the jargon right here? Could you create a reference for your paper?]

Secondly, there is the possibility of increasing the local multiplier effect of money invested in the housing to reach the WHQS by ensuring that a significant proportion of this is tendered for successfully by local construction workers' cooperatives. Achieving the Welsh Housing Quality Standard will create a huge amount of work and will involve the spending of many millions of pounds. Wales Cooperative Centre should aim to develop a network of construction cooperatives, sharing and building skills to bid for these contracts. This would both keep the public investment in the local community and increase skill levels in some of Wales's poorest communities.

It is clear that there are a number of other agencies with specific remits but none has a special expertise in the field of mutualism, or a fundamental commitment to finding cooperative solutions to problems, including housing. What Wales Cooperative Centre could add to the mix is a culture and value system which has mutualism at its heart, rather than as a tag-on. According to Mutuo (2001: p. 6), 'Traditional landlords and their statutory partners have a limited, and often distorted, view of co-operative models'. There is a clear role for WCC in adding their expertise with cooperative models to the equation.

Wales Cooperative Centre is based on mutual principles, especially those of respecting people's ability and right to solve their own problems together. While this commitment is central to the CHMM as legally established, this is not the same as having this central to your corporate culture, as it is with WCC. WCC has worked with credit unions and worker cooperatives, respecting the value of a bottom-up process, and this expertise would be invaluable in developing the CHMM in Wales.

Like the Community Gateway Model, the CHMM requires one-third of board members of the housing cooperatives to be drawn from experts with relevant skills:

A board policy document will set out the necessary skills required to discharge the responsibilities of the board, and candidates from the community will be sought in consultation with respected local organisations to ensure that a balanced board is formed to meet these requirements.

(Mutuo, p. 13).

Here is another clear role for WCC, both in providing experts to serve on CHMM boards and in acting as the 'respected local organisation' that can recommend experts who they feel have a genuine commitment to ensuring that the mutual model is correctly implemented.

The WCC would appear to have a unique expertise to offer in the process of mutualisation of housing in Wales. It will need to work in partnership with the other organisations identified above, and can also rely on support and expertise developed by the Confederation of Co-operative Housing in the UK. However, its combination of a deep understanding of mutualism and a knowledge of the Welsh context appears unique.

Conclusion

As noted at the outset of this paper, there is intense political pressure on local authorities from central government to transfer their housing stock out of direct control. However, there is likely to be political resistance within local authorities, both because of the loss of control of a significant area of their budget, and because of an ideological commitment to direct provision of public services and a fear of the vulnerability of tenants within a profit-oriented housing sector. The only workable way of resolving this potential conflict is by transferring housing within a mutual framework, thus giving tenants the power over their own housing, which is why the Welsh Assembly has chosen CHMM as its model of choice.

Whether or not to support the policy of stock transfer is a political decision. While there are immediate advantages in terms of an increase in the ease of borrowing money to invest in home improvements, this increased investment will have to be repaid and, as demonstrated by a recent Unison report, investment by the private sector is, in the long run, more expensive than investment by the public sector (Unison, 2004). There is also an issue with employment rights, since those administering local authority housing and providing housing services for local authorities have protected terms and conditions. These may be protected in the immediate post-transfer period, as local labour agreements are protected under the proposed scheme in Preston, but it is unclear how long these agreements will last. There is also a question of the reduced power of local agreements relative to those negotiated through collective bargaining.

The political impetus has failed to take account of the opposition to any sort of stock transfer both by tenants and by national lobbying bodies. It also fails to take into account the lack of infrastructure for this change of ownership. Specifically the model requires a level of expertise and commitment on the part of local authority officers and tenants that simply does not exist in Wales at present. There is a clear role for WCC in filling this gap, and the need is urgent.

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Relevant websites

- Campaign to maintain public ownership: www.defendcouncilhousing.org.uk.
- Case-study of the Housing Gateway model: www.Preston.gov.uk.
- Chartered Institute of Housing: www.cih.org.
- Coin Street Housing Cooperative: www.coinstreet.org/housing_frame.html.
- Communities Taking Control: www.communitiestakingcontrol
- Confederation of Community Housing: www.cch.coop.
- Tenant Participation Advisory Service: www.tpascymru.org.uk