



Appendix A

The Seven Co-operative Principles

Co-operative identity, values and principles

Taken from the International Co-operative Alliance website

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

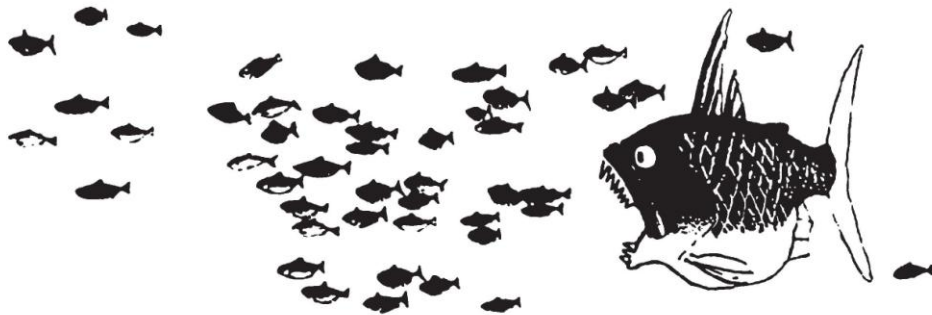


Appendix B

Radical Routes Social Accounts 2013 – Overview

Radical Routes

a network of co-operatives working for social change



Social Accounts Summary

covering period to 31st December 2012

Radical Routes Ltd
Company no. 27587R
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info@radicalroutes.org.uk
www.radicalroutes.org.uk
245 Gladstone Street, Nottingham NG7 6HX

Introduction

In 2011, an investor who had previously provided a direct loan to Radical Routes asked about the organisation's social impact beyond enabling people to set up co-ops and provide homes for themselves. This led to the suggestion that RR should prepare social accounts.

This is the first time Radical Routes has prepared social accounts. The accounts therefore cover the period from

Background information

Radical Routes is a network of radical co-ops in the UK. RR supports the co-operative ideals of people controlling their own housing and work through co-ops but also specifically supports radical co-ops – those opposed to capitalist systems of hierarchy, exploitation and 'money as power'.

The organisation was founded in 1988 and established in its present form as an Industrial and Provident Society (IPS) in 1992. The 35 current full members include housing co-ops, worker co-ops and social centres in England, Wales and Scotland and the national investment co-op Rootstock. RR is a 'secondary co-op' – a co-op whose members are themselves co-ops, which in turn have individual members.

RR's main activity is providing loans to member co-ops, for property purchases but also for other purposes – see Objective 2 in 'Report on Performance and Impact'.

What is Radical Routes for? What does it do?

Document of key terms: as discussed at the social audit meeting at the Radical Routes Summer Gathering 18/08/12

Vision

Radical Routes aspires to see a world based on equality and co-operation, where people give according to their ability and receive according to their needs, where work is fulfilling and useful and creativity is encouraged, where decision making is open to everyone with no hierarchies, where the environment is valued and respected in its own right rather than exploited.

Mission

- 1) To support people in collectively taking co-operative control of their housing, work, education and leisure for need not profit, free from organisational hierarchy and based on mutual support not competition.

Member co-ops

27 housing co-ops with 186 individual members

5 worker co-ops with 24 individual members

2 social centres with 49 core members active in running the social centres

Rootstock investment co-op.

This gives a total of 259 co-op memberships, though some individuals are members of more than one co-op.

1992 (when RR was set up in its current form) to 2012, but focus on the present situation and activities in the period since 2000.

The social accounts have been prepared by Catalyst, with additional work by Rebecca Spencer and Joe Button, former members of various RR co-ops.

Funding for the social accounts came from Network for Social Change.

Radical Routes has no geographical base or directly employed staff. Most work is done by RR member co-ops, who undertake work commitment as part of their membership conditions. RR also pays a worker co-op (currently Catalyst Collective) to do the organisation's finance work.

Decisions on membership, loans, policy and other issues are made by member co-ops at quarterly national gatherings, based on consensus, or are delegated to working groups. Gatherings are hosted by a different co-op each quarter at venues deliberately spread around the country, to make access for various regions easier.

Most of Radical Routes' running costs are funded by service payments and loan interest payments. In recent years RR has received some grant funding, mostly for specific projects such as this social audit.

- 2) In so doing to reduce reliance on and provide a radical alternative to exploitative capitalist economic and social structures.
- 3) Create a horizontal network of secure bases from which to challenge the existing capitalist system and encourage others to do so.

Values

- Co-operation and mutual aid: sharing skills and resources for mutual benefit
- Direct action, DIY and being the change you want to see
- Recognising the inequalities, privileges and power hierarchies that exist in society and working to challenge them
- Participatory decision making and the use of consensus
- Ecological thinking, recognising the intrinsic value of the wider environment and the interconnectedness of natural and social systems
- Voluntary association of members, and autonomy within their own co-ops.
- Commitment, both to membership and the long-term need for change
- Solidarity, with the network and with wider struggles
- Common ownership and common wealth

Objectives and activities

Objective 1: To practically support new and existing radical co-ops through a structured network of mutual aid.

1. Running quarterly gatherings providing a venue for: decision-making, organising network activities (via working groups), internal networking, introduction of new co-ops, training.
2. Providing specific support for prospective and existing member co-ops (and in some cases non-member co-ops), including:
 - help with RR joining process, including new co-op visits.
 - mediation for co-ops experiencing internal difficulties.
 - informal legal advice.
 - assistance with setting up and improving co-op structures, eg decision-making, expulsion procedures.
3. Enabling inclusive participation in gatherings by:
 - running a crèche and activities for children (enabling parents to participate in meetings).
 - keeping costs for attending low.
 - organising gatherings in different parts of the country.
 - monitoring access and inclusion issues and suggesting improvements.
 - providing information workshops for new groups and individuals on RR systems and finances.
4. Providing and maintaining model rules for housing co-ops, which are used by co-ops planning to join RR and by other small fully-mutual housing co-ops.
5. Developing and maintaining other model documents such as rental agreements and loanstock documents.
6. Provide training on consensus decision-making and facilitation to all joining co-ops.
7. Monitoring co-ops participation in the network, particularly attendance at gatherings and work commitment, to flag up co-ops needing support or encouragement.
8. Financing network activities (other than loans) via service payments based on co-ops' ability to pay, and operating participatory budgeting processes.

Objective 2: To financially support new and existing radical co-ops

1. Providing loans to finance co-ops' property purchases, renovation and business lending.
2. Helping co-ops develop viable business plans, via personalised support and using the RR model business plan spreadsheet for housing co-ops.
3. Providing support and advice to co-ops in financial difficulties.
4. Administering and monitoring loans and borrower co-ops' financial circumstances.
5. Providing funds to enable less well-off co-ops to participate in the network, eg by funding travel to gatherings.

6. Promoting Rootstock investment and maintaining relationships with Rootstock and with direct lenders.
7. Investigating potential new financial models and maintaining understanding of financial issues affecting co-ops (eg tax exemptions).
8. Organising internal and external training in financial matters for co-ops and for RR working groups.

Objective 3: To engage with the wider community including activist and non-hierarchical networks and the co-op movement more generally on behalf of our member co-ops

Objectives 3 and 4 have some overlap – most activities under these headings apply to both objectives.

1. Representing RR at co-op networking events with stalls, speakers, workshops.
2. Representing RR at activist events with stalls, speakers, workshops.
3. Maintaining and expanding the RR website.

Objective 4: To promote the co-operative ideal and publicly and legally campaign on issues of relevance to member co-ops

1. Promoting RR and co-ops generally at mainstream events – festivals, university events etc – via stalls, workshops, leafleting etc.
2. Writing and publishing 'how to' guides for people setting up co-ops.
3. Producing and circulating promotional materials on RR and co-ops (leaflets, banners, posters, photos, graphics, videos etc).
4. Organising 'Taking Control' co-op promotion events.
5. Participating in official consultations on new and existing legislation affecting co-ops and housing issues, eg co-op law, tax exemptions and tenancy arrangements.
6. Campaigning and lobbying on legal issues of relevance to co-ops, eg HMO legislation.
7. Creating and sustaining a body of knowledge around relevant legal matters, including training RR members and maintaining a directory of useful contacts.
8. Advising groups seeking to adopt innovative co-operative models.
9. Liaising on legal and campaigning issues with other co-op networks.

Objective 5: To promote and practise ways of running a

Abbreviations:

CCF – Co-operative and Community Finance
 CDFA – Community Development Finance Association
 CSG – Co-op Support Group
 EBS – Ecology Building Society
 FCA – Financial Conduct Authority (successor to FSA)
 FG – Finance Group
 FSA – Financial Services Authority
 HMO – House in Multiple Occupation
 IPS – Industrial and Provident Society

society in line with our vision and values.

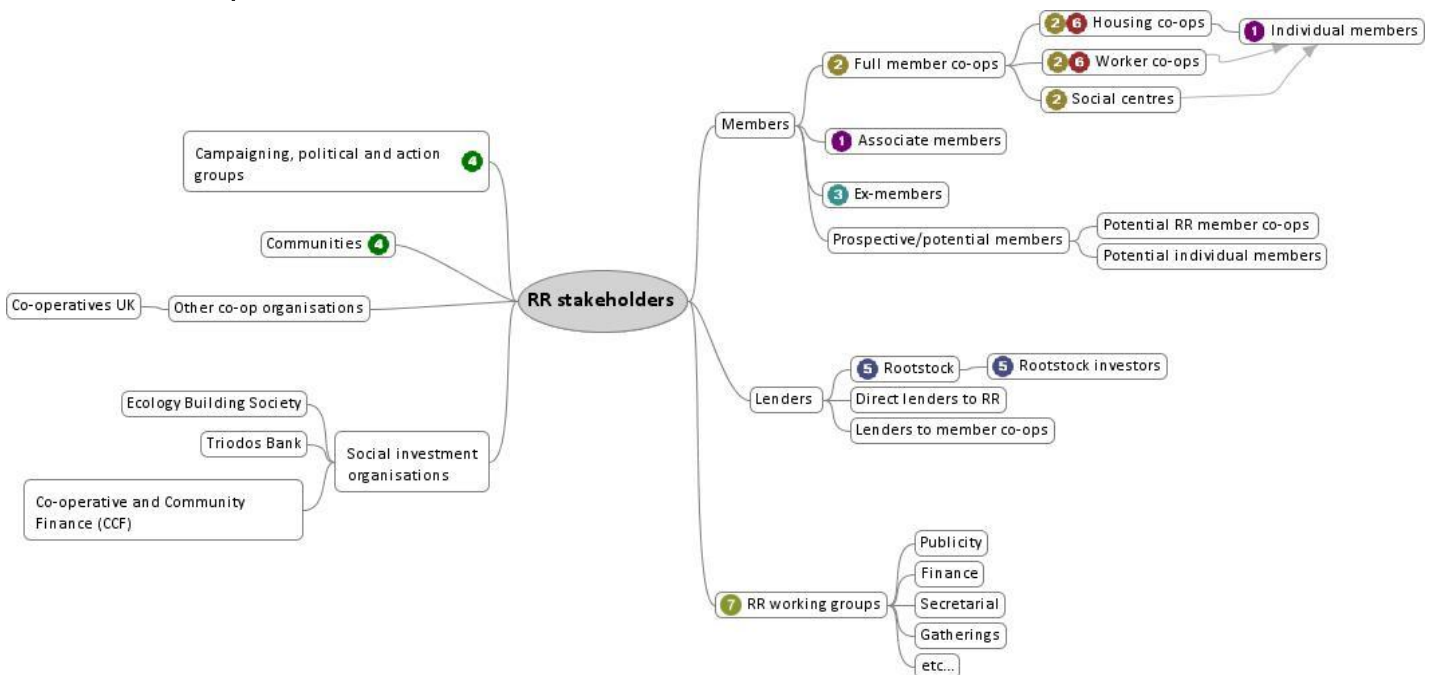
1. Practice consensus decision-making and provide training in consensus techniques.
2. Finance co-ops making ecological improvements to properties, eg biomass heating.
3. Enable communal and low-cost models of housing, which do not require members to provide personal capital.
4. Commit co-ops' individual members to engage in radical social change work and encourage reporting on this through Radical Rumours.

5. Commit co-ops' individual members to limit personal disposable income, encourage income redistribution.
6. Provide opportunities for skill-sharing and political discussion at gatherings and in Radical Rumours.
7. Maintain an internal culture of low-cost, low-resource use, ethical living, eg by providing vegan, organic and local food at gatherings where possible, encouraging vehicle sharing and public transport use.

Stakeholder analysis and methodology

Only sections of the methodology relevant to understanding the report are included here – see full report for details of how consultations were conducted. See appendices on RR website for blank versions of all questionnaires.

Stakeholder map



Numbers on the diagram indicate groups consulted for the social accounts and forms of consultation:

- 1 – individual members questionnaire
- 2 – full member co-ops questionnaire – completed collectively
- 3 – former members questionnaire
- 4 – friends questionnaire
- 5 – Rootstock investor interviews – 8 telephone interviews
- 6 – case studies of member co-ops – 4 studies carried out by Catalyst
- 7 – participation in social audit design, identifying activities etc.

Response rates

The individual members questionnaire received 91 eligible replies. Where individuals were a member of more than one RR member co-op, they were asked the questions relevant to all the co-ops they belong to. Based on 259 co-op memberships who could have answered this survey (see page 5), this represents a response rate of 40%.

The friends and former members questionnaire received 170 eligible replies.

18 co-ops responded in time to have their data analysed. The questionnaire was circulated and returned by post.

Information from archives

The archive of paperwork from Radical Routes gatherings assembled for these social accounts is incomplete: see full report for details of records available. Minutes and agendas of gatherings were studied where available, Radical Rumours was only studied where available online. Other sources have been used where relevant, particularly financial records.

Report on performance and impact

Objective 1: To practically support new and existing radical co-ops through a structured network of mutual aid

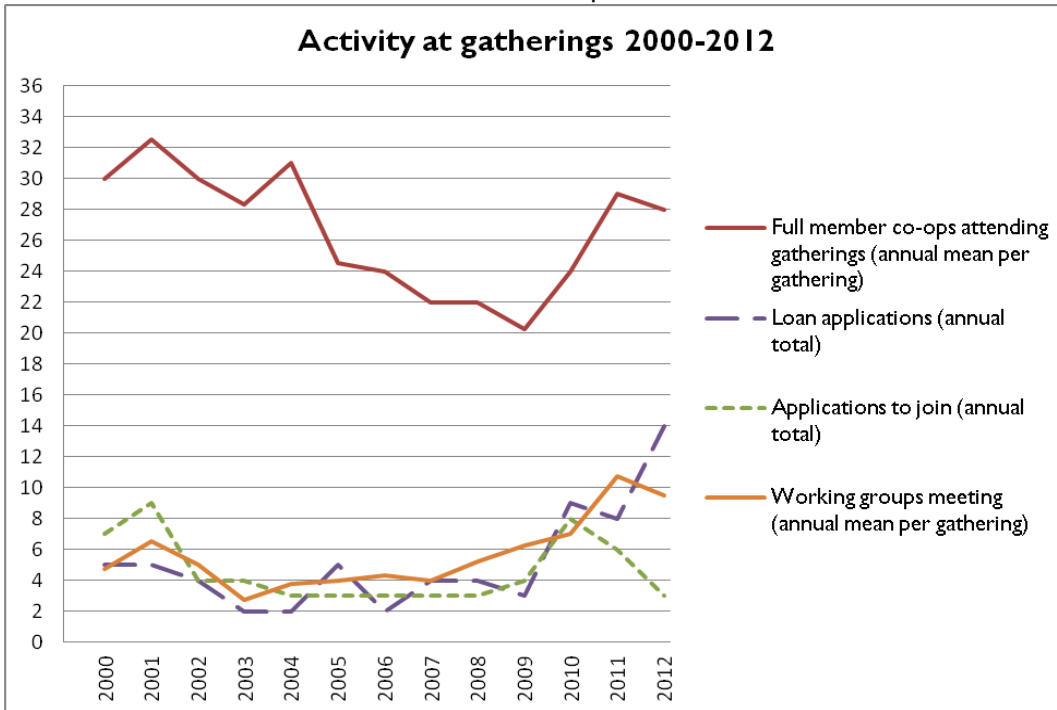
Work commitment

The main mechanism for mutual aid in the Radical Routes network is through work commitment, currently set at 4 hours/week for co-ops with over 5 members and 2 hours/week for co-ops with 5 members or less.

Based on the current members' list and work commitments, total work commitment expected was 5512 hours in 2012, or work worth £55,120 at £10 per

hour. This compares to total money income in 2012 of £41,053.

15 out of 18 co-ops responding to the full members survey reported that they meet their work commitment. Given that some co-ops do much more than their work commitment, it is likely that the total amount of work co-ops contribute to the network is higher than the basic calculation.



'The number of people who have passed through RR co-ops and gatherings ... spreading a culture of non-hierarchical, consensual decision-making is very large. The spread... of a practice and culture of consensus decision-making has been immeasurably boosted by the existence of long-term institutions with that culture embedded.'
Quote from co-ops survey responses

Contributions to and engagement with Radical Routes by co-ops

Your co-op meets to discuss the agenda	17
Your co-op doesn't owe any service payments	17
Your co-op is making payments above the basic service payment rate	8
Your co-op attends all gatherings or sends apologies	18
Your co-op meets its RR work commitment	15
Either your co-op or members of it are core members of at least one working group	15
Your co-op promotes Radical Routes and/or Rootstock in your local area	16

Contributions to and engagement with Radical Routes by individuals

It should be noted that the 91 people who responded to the individuals survey are likely to be more engaged with RR on average than the people who did not respond, meaning survey results should not be generalised to all members.

Respondents to the members' questionnaire showed a high level of involvement in Radical Routes work. 46% of respondents regularly undertake work commitment for their co-op and/or are a core member of a working group. 91% had attended at least one gathering in the last year; 36% had attended 3 or 4. However, around 25% of respondents report doing less RR work than before, compared to just 7.5% doing more.

Benefits of Radical Routes membership

Benefits to co-ops during establishment:

Received a loan	12
Received financial advice and support	14
Received other advice and support	15

On-going benefits:

The option of borrowing money off RR for specific projects	15
Access to legal advice specifically	10
Access to general advice	16
Access to practical skills and support	10

Individuals' general opinion of Radical Routes

	Disagree combined	Neither agree nor disagree	Agree combined	Average Rating
I think Radical Routes is an effective organisation	5.0%	11.2%	83.8%	4.1
Radical Routes uses consensus decision making effectively	6.3%	22.5%	71.2%	3.9

Benefits to individuals of belonging to the RR network – current individual members

	Disagree combined	Neither agree nor disagree	Agree combined	Average Rating
Radical Routes is a useful source of advice	1.3%	7.5%	91.3%	4.4
Radical Routes is a useful source of information	2.5%	3.8%	93.8%	4.4
Radical Routes is a useful source of social support and solidarity	3.8%	15.0%	81.3%	4.1
I feel I personally benefit from the RR network as a place to meet and network with others with a similar world view	10.0%	15.0%	75.0%	3.9
I've been able to learn skills by being active in the RR network	10.0%	26.3%	63.8%	3.8
I feel secure in the knowledge I can find overnight accommodation across the UK	12.5%	30.0%	57.5%	3.6

Objective 2: To financially support new and existing radical co-ops

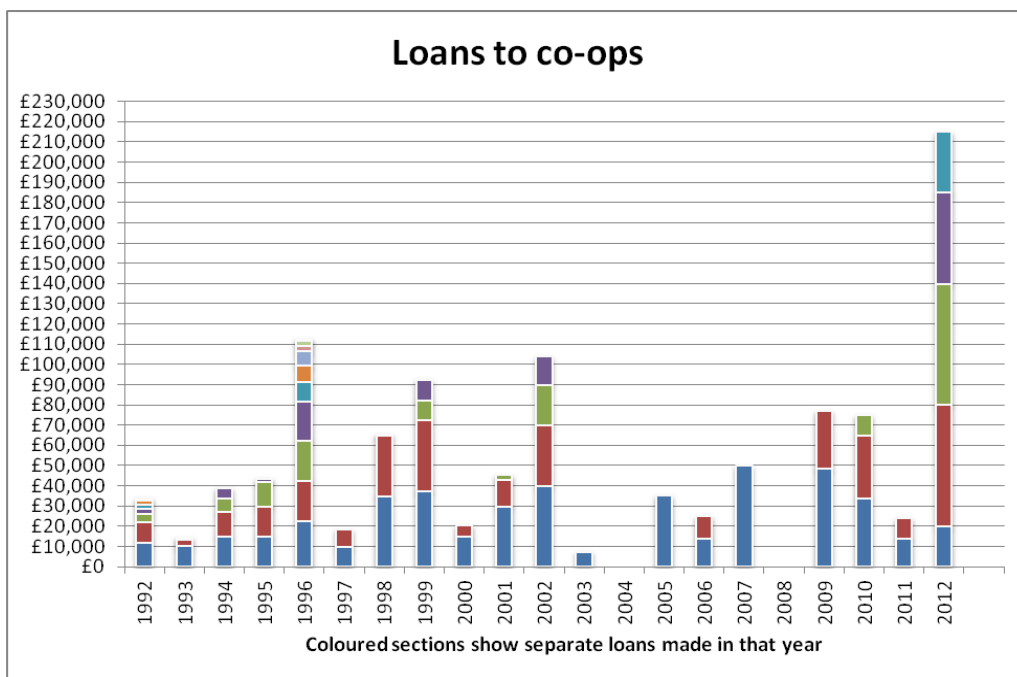
Introduction

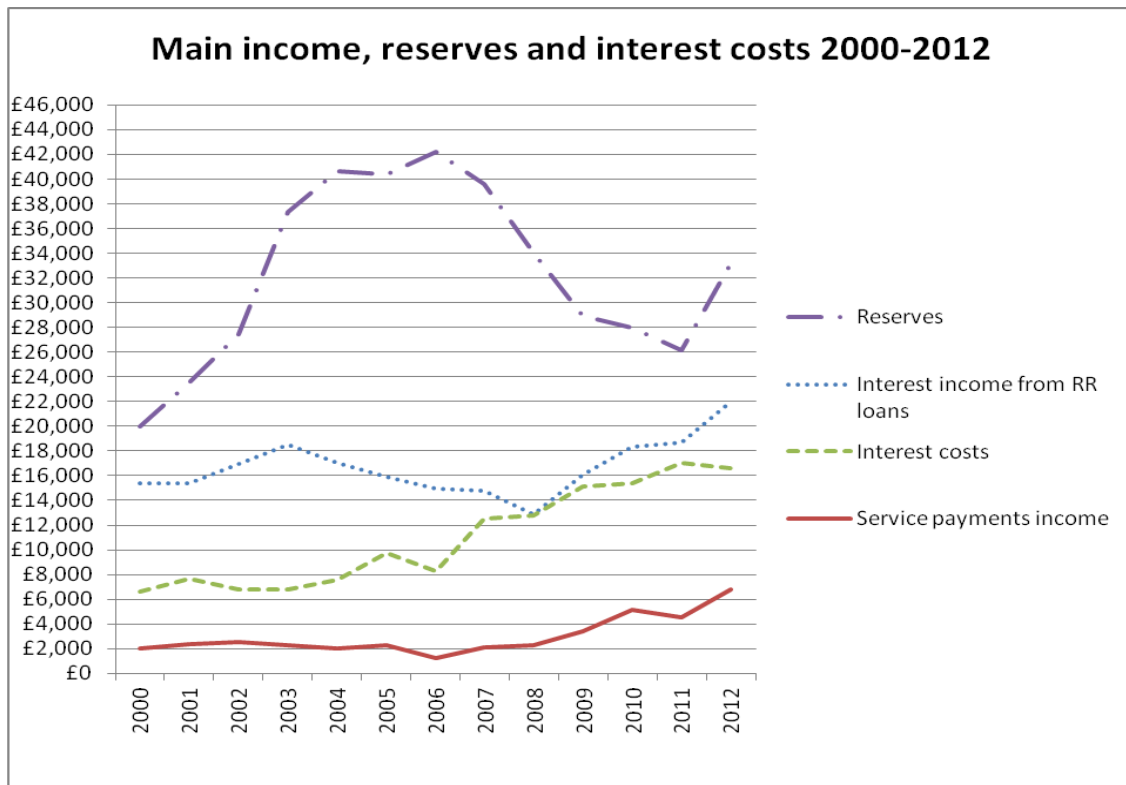
Radical Routes' main system for providing financial support to co-ops is through loans for property purchase or other purposes. 18 of RR's current 35 members have loans, 3 had loans in the past, and 4 are currently looking to get a loan. Loans are made on the condition of membership - if a co-op wants to leave the network, they need to refinance and repay their loan.

RR's financial year is the same as the calendar year.

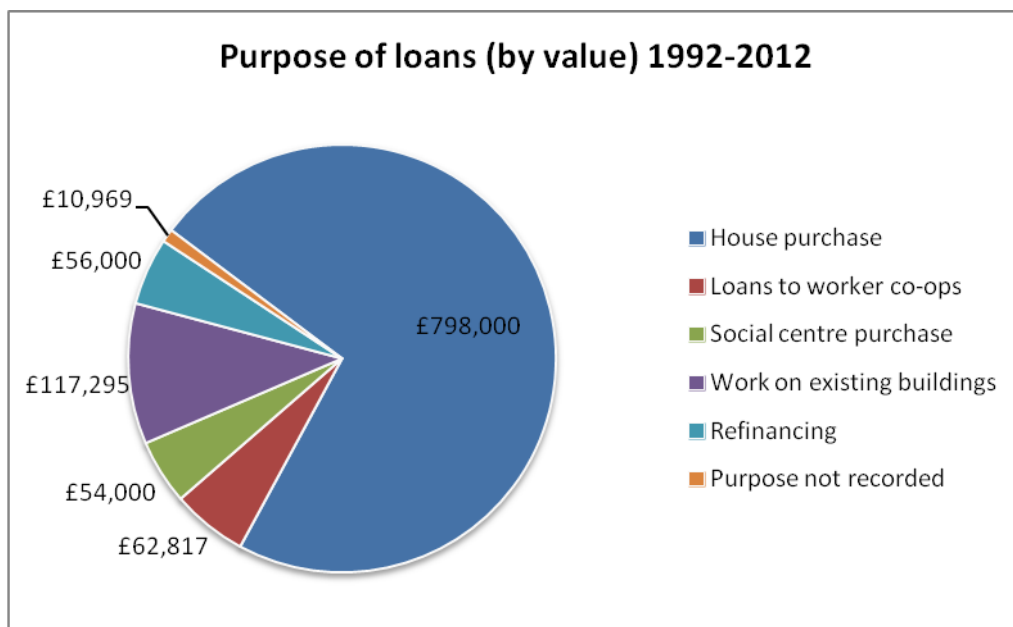
Financial data and loans

Number of loans made to co-ops between 1992 and 31 December 2012: **63**
 Total amount of these loans: **£1,099,081**
 Amount on loan at 31 December 2012: **£498,629**





Purpose of loans 1992-2012



'Purpose not recorded' –we have not been able to determine the purpose of these loans.

'Refinancing' indicates where a loan was given to enable a co-op to pay off loanstock or a mortgage.

Loans to housing co-ops

Results from the individual members' questionnaire suggest that loans are 'an important benefit of Radical Routes membership' for housing co-ops, with 81.8% of respondents in agreement with this statement, but very few respondents (14.3%) considered loans 'the most important benefit of RR membership'.

Loans to worker co-ops

Since 2000, only one loan has been made to a worker co-op. The recipient is no longer a full member of RR. No worker co-ops currently have RR loans.

The individual members' questionnaire suggests that most members of RR worker co-ops are in RR for reasons other than access to loans: only 14.3% agreed that loans were 'an important benefit of RR membership'.

The conclusion from this data is that RR is currently not meeting Objective 2 ('To financially support new and existing radical co-ops') with regard to worker co-ops. The trading co-ops working group and network are currently working on improving the take-up of loans by worker co-ops.

Loans to social centres

Radical Routes has made two loans for social centre purchase, both in 2001, totalling £54,000 and subsequently made a loan for £35,295 in 2005 to fund building work to expand the usable space in one of these social centres.

Loan outcomes

Of the 63 loans made by RR since 1993, 20 were outstanding at the end of 2012. All the others had been repaid in full: Radical Routes has never had a bad debt. Most loans were repaid as scheduled or repaid early via refinancing. The exceptions: two loans to worker co-ops

made in the mid-1990s were repaid by guarantors after the co-ops went into liquidation; two loans to the same housing co-op in 1996 were repaid when that co-op sold its properties.

Financial benefits of Radical Routes membership – from co-ops survey

During establishment:

Our co-op:	Number
Received a loan	12
Received financial advice and support	14
Respondents: 18	

On-going benefits:

Having the option of borrowing money from RR for specific projects	15
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Objective 3: To engage with the wider community including activist and non-hierarchical networks and the co-op movement more generally on behalf of our member co-ops

Objective 4: To promote the co-operative ideal and to publicly and legally campaign on issues of relevance to member co-ops

Introduction

These objectives are dealt with together because they cover much of the same ground. A future social accounting cycle could consider combining them into one objective.

Publicity

Past publicity group minutes recorded events and activities attended too inconsistently to provide a useful measure. Anecdotal evidence suggests that publicity group attends an average of one event per month, usually running at least a stall and/or a workshop.

All but two respondents to the full member co-ops questionnaire (16 out of 18) said that their co-op 'promotes Radical Routes and/or Rootstock in [their] local area'. Members' work commitment should include each co-op organising a local promotional event every year (a 'Taking Control' event), but anecdotal evidence suggests most co-ops do not do this.

Co-op networking

Radical Routes is a federal member of Co-ops UK and has a seat as an observer on the Worker Co-ops Council. Members of publicity group and others regularly participate in co-op movement events. Members have participated in at least 15-20 national or regional networking events since 2010,

Legal work

In 2006, RR's Houses in Multiple Occupation (HMO) working group (later part of legal group) set up the

campaign group Friendly Housing Action to lobby the government to exempt small fully-mutual housing co-ops in England and Wales from the new HMO licensing regime. The campaign was ultimately successful in 2011.

The legal working group came into existence in 2008 as a result of the HMO campaign and in response to requests for RR to engage with co-ops, including non-RR members, experiencing internal legal conflicts and to attempt to prevent carpet-bagging (in which a co-op is taken over by one or two members to use the assets for their own benefit). RR has provided informal support in four substantial cases: two of these went to court with judgements against the side RR had engaged on, one case ended with one side giving up, and one is ongoing.

Legal group is now working on other areas, including:

- Re-writing the RR model rules to improve structures and safeguards. This has led to the FSA/FCA recognising consensus decision-making for the first time.
- RR has recently been recognised as a key stakeholder in official consultations by the FCA.
- a model tenancy agreement for housing co-ops.

'RR is held up as an exemplar of member engagement by the co-op movement as a whole and often encouraged to be public about attitudes that other co-operators wish were more prevalent in the movement.'
Quote from co-ops survey responses

Objective 5: To promote and practise ways of running a society in line with our vision and values.

Details of co-ops' social change work

Selected responses. Numbers assigned randomly. Text divided into bullet lists to make reading easier. Complete responses in full report

Co-op 1:

- Cowley Club
- Anti blood sports
- Migrant solidarity
- Power station occupation
- Combe Haven anti-roads protest
- Anti-fracking campaigning
- Anarcho-feminist organising

Co-op 2:

- Bike workshop
- Night shelter
- Published books on asylum
- Peace-building workshops in schools etc

Co-op 3:

- Genetix Snowball
- GEN [Genetic Engineering Network]

Co-op 4:

- Hosting the editorial collective of EF! [Earth First!] Action Update
- Leeds EF!
- Used as a study visit by permaculture students
- Supporting evicted squatters
- organising anti-royal wedding street parties
- Critical Mass

'I find the focus that direct action is the only acceptable form of social change difficult.'
Quote from individuals survey responses

Co-op 5:

- Hunt sabbing
- Women's ESOL [English as a second or other language] classes
- Autonomous Nottingham
- G8 Network
- Earth First
- ABC [Anarchist Black Cross] and Greek prisoner support
- Kids street play
- UK migrant solidarity and No Borders

Individual members survey and social change

Housing co-op membership and social change

	Disagree combined	Neither agree nor disagree	Agree combined	Average Rating
I feel I can depend on my co-op for solidarity	7.8%	5.2%	87.0%	4.2
My co-op provides me with safe respite and social support that helps me work for social change	1.3%	19.5%	79.2%	4.1

Co-op 6:

- Asylum support
- May Day events.
- Running/volunteering at the I in 12 club.

Co-op 7:

- Prisoner support.
- Eco-renovation workshops.
- Hunt sabbing.
- Community supported agriculture.
- Food co-op.
- Taking control events.
- Women's day.

'I have found the social and political network through RR very useful in organising actions and events from Climate Camp through Peat Alert.'
Quote from individuals survey responses

Co-op 8:

- Getting people to grow their own food.
- Organising events, writing zines, taking part in community projects.

Co-op 9:

- All co-op members are also members of Haringey Solidarity Group which runs a number of local campaigns and produces a local newspaper called 'Totally Independent'.
- Anarchist Bookfair collective.
- Others in local housing action and LCAP (London Coalition Against Poverty).

Co-op 10:

- Meeting space for groups.
- Gig space for fundraisers.
- Bookshop/library.
- Migrant English Project provides free English lessons for asylum seekers once a week.

Co-op 11:

- Anti roads movement – evictions
- Anti fascist marches

Co-op 12:

Between our houses, we:

- provide office space for campaigns
- put up people on speaking tours
- paint banners in our garden

I think living in a co-op reduces my resource consumption, compared to other housing options that might reasonably be available to me	2.6%	18.2%	79.2%	4.1
Living in a co-op makes it easier for me to participate in social change activities	9.1%	10.4%	80.5%	4.1
Living in a co-op makes it easier to meet people with whom I can work for social change	6.5%	15.6%	77.9%	4.0
My co-op gives me access to space and or resources (eg office facilities, tools and equipment, telecommunications) that assist my social change work.	6.5%	20.8%	72.7%	4.0
I consider living co-operatively to be in and of itself an act of social change	16.9%	13.0%	70.1%	3.7

Individuals' values and Radical Routes

	Disagree combined	Neither agree nor disagree	Agree combined	Average Rating
I feel I understand what the ethos and values of Radical Routes are	2.5%	10.0%	87.5%	4.2
I feel the ethos and values of Radical Routes reflect my own views	6.3%	18.8%	75.0%	3.9

Average ratings = measure of overall agreement on a scale of 1-5

Environmental impact

These accounts have not attempted to quantify the environmental impact of RR. For the organisation itself, the main impact is at gatherings and via transport to gatherings and other meetings. RR does not pay expenses for internal flights and encourages use of public transport and vehicle-sharing to reduce greenhouse gas emissions. Food bought for gatherings is always vegan.

In RR co-op properties, environment and economics tend to collide. Co-ops generally need to buy cheap buildings (which are often run-down or unmodernised), and need larger-than-average buildings. This often means Victorian houses with poor energy performance.

However, economics means co-ops aim to keep rooms full wherever possible, while both economics and environmental concerns lead to using utilities as little as possible, meaning energy consumption per head for co-op residents is generally lower than average.

Most RR loans which cover building work incorporate environmental improvements. Recent examples include:

- installation of biomass boilers for heating/hot water.
- installation of solar panels for electricity generation.
- insulation
- extensions and conversion of outbuildings incorporating sustainable materials and high energy-efficiency.

'RR needs to accept groups that slaughter animals for food. The future of this country is small scale mixed farming and denying these groups access will stifle RR's effectiveness.'

Quote from former members survey responses

Diversity and inclusivity

The following assessments of diversity and inclusivity are included here as being relevant to the objective of practising and promoting RR's values.

Who are the members of Radical Routes co-ops?

Age:

81% of respondents (74) gave their age.

Age range 19-57

Average age of 35 years

Class

75% of respondents (68) answered about class.

Of these, 26.5% considered they were from a working class background, 63% lower middle class background and 10.5% upper middle class. The proportion of respondents identifying as 'working class' (26.5%) is in line with results for the population as a whole.

82% of respondents (75) gave their highest level of educational attainment. Of these, 79% had a degree or higher. 12% had 'A level/NVQ or City & Guilds level 3', 4% HND/HNC, and only 5% had qualifications below 'A' level equivalent, or no qualifications. This suggests that RR members have substantially higher educational qualifications on average than the population as a whole.

Ethnicity

82% of respondents (75) answered the question 'How would you describe your ethnicity?'

Of these:

- 72% described themselves as white or white British
- 8.5% 'British'
- 7% Jewish or mixed Jewish
- 4% 'mixed race'
- 4% as Scots or Welsh
- one Asian, one Irish and one Latin American

This suggests that non-white people are under-represented in RR compared to the general population.

'Gatherings must be in accessible venues eg warm and big enough and in one place. This puts off new people with kids/health issues etc.'

Quote from co-ops survey responses

Gender

82% of respondents (75) gave a gender.

Of these:

- 46.5% described themselves as male
- 39.5% as female
- 4% as transgender
- 9.5% described themselves as queer, gender-queer, intersex or some other non-binary gender.

This suggests that non-binary gendered people are over-represented in RR compared to the general population.

Sexual orientation

77% of respondents (70) gave their sexual orientation.

Of these:

- 64% said they were straight
- 15.5% queer
- 15.5% bisexual
- 4% gay or lesbian.
- Five respondents chose the 'other' category.

This suggests that non-straight/heterosexual people are significantly over-represented in RR compared to the general population.

Disability, health and special needs

84% of respondents (76) answered this question.

Of these: (to the nearest 0.5%)

- 81.5% did not consider themselves to have a disability, special need or long term illness.
- 5.5% were registered disabled.
- 13% considered they had a disability, special need or long term illness, but were not registered as such.

Open-ended responses on inclusivity

Various comments identified class and race as inclusion issues, but mostly in general terms or as a representation issue, eg 'Radical Routes is currently overwhelmingly white and largely middle class'. These responses contrast with the survey data which shows self-identified working-class people as proportionally represented in RR compared to the general population.

Physical accessibility was highlighted as an issue by three respondents, particularly, 'The gatherings are inaccessible to me as a disabled person. At the gathering

Issues for action and achievements

Objective 1: To practically support new and existing radical co-ops through a structured network of mutual aid.

Achievements

84% of individual members surveyed agreed that RR is an effective organisation. Over 90% agreed that RR is a useful source of advice and information.

The survey of individual members indicates high levels of engagement with RR: over 90% of respondents have attended at least one gathering in the last year and nearly half regularly undertake work commitment and/or are a core member of a working group.

I did attend there was not appropriate wheelchair access, enough toilets, enough inside accommodation, enough quiet space or adequate heating. However I cannot see these problems being properly addressed within the current budget.'

Transgender issues were highlighted by three respondents in the open-ended responses, especially individuals being misgendered in meetings.

Age was noted as an issue by four comments, in terms of general inclusivity, eg 'Those of us older, with disability issues feel less welcome.'

Analysis of Rootstock interview responses

Of the offered reasons for investing in Rootstock, all 8 interviewees said they wanted their money 'to do something positive'. The most popular specific reasons for investing (6 or 7 interviewees agreeing) were 'to support co-ops', 'to provide secure housing for low income people' and 'to help people reduce their environmental impact'. The least popular was 'I was impressed by the interest rate' (2 in agreement). Interest in specific areas of RR members' activity was slightly lower than support for co-ops overall or for secure housing: 5 out of 8 interviewees were interested in supporting direct action and 4 said they wanted to support vegan or vegetarian projects (2 vegan, 2 vegetarian).

Quotes

'Radical Routes is a great organisation, it is really inspiring – meeting people in RR has helped me develop my politics. Having a mutual aid network of radical co-ops is really helpful [for people to continue] having radical politics while interacting with the "normal" world.'

'it's a pity it hasn't grown'

Comments from the one interviewee who had attended a recent RR gathering: '...Lack of information on what would happen/structure ... for first time people we need to have more 'what to expect at your first gathering'...we need a welcome formula that doesn't frighten people off! When we arrived, there wasn't anyone at the desk or anyone welcoming people. [When we got into it] we loved it...'

Records show that RR has functioned as a network at a fairly consistent level over the period.

Registration of new co-ops: 58 new housing co-ops were registered using RR model rules in the last 5 years.

Issues:

Of the individuals surveyed, 25% say they are doing less RR work than previously, only 7.5% say they are doing more.

'It would be good if RR work were more evenly distributed between member co-ops'
Quote from co-ops survey responses

Objective 2: To financially support new and existing radical co-ops

Achievements:

RR has made 35 property purchase loans to housing co-ops and social centres and 63 loans in total since 1992. In that time, the organisation has never had a bad debt.

In spite of this success, no group identified access to a loan as the most important benefit of RR membership, indicating that members are not 'in it for the money'.

Issues:

Worker co-ops are not currently receiving effective financial support from RR. The Trading Co-ops Network are developing measures to address this: assessing the effectiveness of any changes should be a topic for a future social audit.

Objective 3: To engage with the wider community including activist and non-hierarchical networks and the co-op movement more generally on behalf of our member co-ops

Achievement:

RR is promoting co-ops generally and representing itself and the interests of small radical co-ops in the wider co-op movement.

Issues:

RR does not record interactions with the wider community effectively. Improved tracking would allow more detailed assessment to take place.

Objective 4: To promote the co-operative ideal and publicly and legally campaign on issues of relevance to member co-ops

Achievements:

Playing a key role in the successful campaign for small housing co-ops to be exempt from legislation on HMOs.

Being identified as an official 'key stakeholder' for FCA consultations shows that RR is establishing itself as representing the interests of small co-ops generally as well as its own members.

The new RR model rules for housing co-ops will be the first time consensus decision-making has been recognised as part of a co-op's primary rules.

Issues:

There is concern that individual co-ops are not meeting their commitments on promoting co-ops in their local area.

Objective 5: To promote and practise ways of running a society in line with our vision and values.

Achievements:

Co-ops and their members are involved in a wide variety of social change projects.

Individual members surveyed mostly reported feeling supported in their social change activities by being part of an RR co-op.

Three quarters of individual members surveyed agreed that the ethos and values of Radical Routes reflect their own views.

Environmental sustainability seems to be embedded in the operation of RR and its members, but this area could be quantified in a future set of social accounts.

Issues:

The responses to the open-ended question on radical social change work in the co-ops survey demonstrate that perceptions of what 'radical social change' means vary widely across the network. This may be a good thing, but the question should be kept on the table to avoid diluting RR's ethos, or conversely excluding groups by a too-narrow definition.

Specific issues were raised relating to diversity and inclusivity:

- physical accessibility of gatherings to wheelchair users, recognising limited budgets as one cause of the problem.
- Older people and ethnic minorities are currently under- or un-represented in RR.
- inclusivity towards transgender people, especially regarding misgendering in gatherings.

Other suggestions

The experience of preparing these social accounts suggests that Radical Routes record keeping and archiving are currently less than adequate. This partly stems from minutes not being prepared in a way suitable for use as a long-term record, eg events not recorded in a consistent manner. Template documents to be used for minute-taking might help with this issue. It might also be useful for RR to routinely collect and store more information on co-ops, eg number of members, types of social change work undertaken.

A future social audit could consider consulting members of campaigning and action groups (including individuals from inside and outside RR co-ops) via qualitative methods, such as focus groups of individuals involved in a particular event. We now know that access to loans is not the main reason most co-ops belong to RR; a future social audit could ask what other main reasons there are.

Plans for the next social accounting cycle

The social audit group proposes a three-year social accounting cycle. A shorter cycle would be unsuited to the long time-scales of RR's work, the large numbers of stakeholders and the available resources.



Appendix C

Rebooting the Housing Co-op Movement

Rebooting the housing co-op movement

Robert Morris

December 2012

Introduction

There has been something of a renaissance of interest in housing co-ops in the past few years. The co-op that I am a member of - The Drive Housing Co-operative in Walthamstow, north east London - is part of this recent wave, set up by a group of people who were looking for an alternative housing solution for themselves, and as a potential model for others.

We get a regular stream of enquiries at The Drive from people interested in knowing how we went about setting up the co-op; through my work with Radical Routes and Co-operatives London, I know of yet more groups trying to start up co-ops. But very few manage to proceed to acquiring property and housing their members - and in a number of cases, not through lack of trying.

I am aware that the founder members of the The Drive had a lot of the necessary expertise “in house” or through friends and contacts, and I try to do my bit to help these new groups who don't have such ready access to the expertise they need. Through speaking to them, and my own recent experience at The Drive, I think that I have a good picture of the challenges facing new housing co-op startups at the moment.

Since being involved with The Drive, I've become more engaged with the wider co-operative movement, and I've studied the fact that the housing co-op sector doesn't seem to function as a coherent whole in translating this current level of interest into growth of itself.

The rest of this paper contains my personal views as to why this is currently the case, and what may be done to change the situation.¹

Housing Co-op vs Co-operative Living

Housing co-ops come in all sorts of different shapes and sizes - from an estate of purpose-built flats in south London to five people sharing a Victorian terraced house in Bradford. Yet all are currently seen from the outside (and even sometimes from the inside too) as the same thing: a housing co-op.

I'd be the first person to admit that being in a housing co-op is not for everyone: whatever the kind of co-op, meetings and administration take time and commitment, and require very good communication skills.

I would also be the first to admit that living in non-self-contained accommodation is not suitable for everyone. But I do believe, for those who can do it, that it can be the closest form of housing co-operation - and it happens to be the part of the housing co-op movement that I am in.

To distinguish between the two, I use the term *co-operative living* to describe co-ops that not only provide housing for the members co-operatively, but where the members live together co-operatively on a day to day basis. In practice, this means living in non-self-contained accommodation with pooled resources that would certainly include food/cooking, but may also extend to other things too. In co-operative living, members apply collective decision-making not just to the running of the co-op which provides the accommodation, but also to the running of the household too.

For example, at The Drive we share the following resources:

- We pay money into a kitty and purchase fresh organic vegetables from a local food-growing co-operative (Organiclea), and non-perishable foodstuffs and household

¹ Credit goes to Jon Fitzmaurice for coining the term “reboot”, during a discussion we had on this topic

supplies from Suma Wholesale (which is also a co-operative). This gives us affordable access to organic food, supports other co-ops and supports local food-growing.

- We take it in turns to cook dinner each evening. This functions as the social centre of the household, and encourages each of us to develop our cooking skills and eat more healthily than we might perhaps otherwise. It also reduces food packaging and food waste.
- We have pooled together our books and CD collections in the library.
- We have pooled together our tools in the workshop, creating a dedicated space for bicycle repairs or household maintenance; the co-op is also purchasing tools and materials for the workshop.
- Two vehicles - a hatchback car, and a van - are available for co-op members to use.
- One member has made a grand piano available for everybody's use - and there's also a house guitar.

Last but by no means least, we benefit from sharing space: the square-footage in our building would be barely enough to provide very small self-contained units for the ten members, but by taking one room each (it's one bath/shower room between two), we collectively have the use of: a lounge/dining room; library; two kitchens; conservatory; dedicated laundry room; bike workshop; and basement storage. It certainly doesn't feel like people are crammed in, when utilising the space in this way.

Although some of the analysis below would also apply to other types of co-ops too, it is co-operative living that I am particularly focussed on, both out of personal interest, and because I believe that people who want to make a positive choice to live in this way ought not to have to face so many challenges in order to be able to do so.

Housing Co-ops vs Housing Associations

I should also point out that, in the main, I am writing in relation to housing co-ops that are not Registered Providers (AKA Registered Social Landlords). A number of housing co-ops were set up prior to 1990 when they were eligible to receive government funds (Housing Association Grant) and mostly were large-scale new-build schemes, done in conjunction with local authority support, whilst others obtained "short life" leases on local authority owned properties usually at peppercorn rents. The type of organisation thus created is very different in practice, despite the commonality of name, with the much smaller and more recent co-ops that are financially independent of the social housing sector. This type of funding is not available to new co-operatives and therefore small, independent housing co-ops (such as Radical Routes member co-ops) are what I am interested in, as a model for the future.

Current Model of setting up housing co-ops

In the current model, a housing co-operative is registered as a Co-operative Society (AKA “bona fide” co-operative Industrial and Provident Society) with the FSA.

The society then purchases property (usually freehold), and uses it to provide accommodation to its members, who become the tenants. In practice it will almost certainly raise finance from mortgaging the property with one or more “ethical lending” organisations², and have a need for some additional unsecured borrowing - which is usually done in the form of “loanstock” (fixed-term bonds). This often comes from the members themselves, their friends and family etc - but could also be raised from members of the public, and other co-operatives.

There are existing model rules such as RRFM96³ which create this type of co-operative. These rules are clear that the objects of the society are to provide housing to the membership on a rental basis, and that members must not withdraw profits from the society. But they are less clear on the role of surpluses; and on the issue of members *indirectly* taking co-operative equity for themselves (for example, by failing to increase rents in line with inflation over several years, thus depriving the co-op of some of the income it would otherwise be entitled to receive), they are silent.

Advantages of current model

- **Simplicity** - the single entity, one member one vote model is easily comprehensible by members, lenders, and investors (though the landlord/tenant and co-op/member duality is nevertheless a challenge for some)
- **Maximum control by residents** - for a group of residents who do have the necessary financial and property related skills and expertise between them, this model gives them the greatest amount of control over selecting property to buy, raising finance and shaping the financial arrangements of the co-op, managing refurbishments and ongoing cyclical maintenance, etc
- **Well-understood** - co-ops operating according to this model have been doing so for 30+ years, there is fairly easy access to information and support through co-op support organisations, and lenders have developed mature lending decision processes for mortgage applications from this type of co-operative society

Problems with current model

Property purchasing is too difficult for new groups

The majority of would-be co-operative members don't have previous experience of property conveyancing and the many challenges this can throw up - for the inexperienced, this is often stressful and prone to error.

In addition, properties which are suitable for co-operative living are usually also attractive propositions for private sector landlords, which results in housing co-ops finding themselves in competitive situations - even in the present economic climate. Estate agents don't understand what a

2 Currently lending to new housing co-ops are: Triodos Bank, Ecology Building Society, Radical Routes, Co-op and Community Finance, and the Co-operative Loan Fund. Unity Trust Bank and Co-operative Bank are also candidates

3 RRFM96 is a set of model rules developed by Radical Routes for fully mutual housing co-ops in 1996, and which has been used since then for the registration of Radical Routes member co-ops, and many other co-ops too

housing co-op is and, as a newly incorporated entity with no track record, they are often not perceived as credible buyers.

Locked out of auction purchase

Furthermore, these types of properties are regularly sold at auction, and new housing co-ops are presently unable to access funding that meets auction criteria. Auction sales are often at a discount from the open market so, by being excluded from this option, housing co-ops are at a disadvantage compared to private landlords and developers.

Unsuitability of capital repayment mortgages

Mortgage lenders require repayment of capital and interest on their loans, but only the interest is a revenue expense for the co-op; the capital repaid will remain on the co-op's balance sheet. This is inherently unsuited to a body that is supposed to operate on a not-for-profit basis, as it necessitates building up substantial surpluses just to make the cash flow work. The result is that the rent levels the co-op needs to charge members in the early years are dictated by the co-op's cash flow requirement, not by its expense account.

In the past, there was enough “slack” in the finances such that this was not too problematic (and in fact was actually desirable if the rent was being paid by Housing Benefit). But with the current challenges of the property market, for both purchase and rental, many co-operative living projects that would otherwise be viable never go ahead simply because of this mismatch of the financing available with their needs.

Loanstock too piecemeal and complicated

Loanstock was originally intended to raise relatively modest sums of money, by getting a large number of people to invest a small amount each. However, housing co-ops starting up today often face substantial additional costs beyond the funding available from mortgage loans (for example, in some parts of the country it is no longer possible to find suitable property without incurring a substantial Stamp Duty fee). Many new co-op groups don't have the resources to do extensive marketing of a loanstock scheme beyond friends, family, and local contacts. This often results in these individuals contributing significant sums themselves.

In my view, a housing co-op providing housing on a rental basis should be able to function without requiring any capital from its members - not even on a loan basis.

Co-ops have to apply for mortgage without any track record

Of course, housing co-ops sometimes remortgage existing properties, or expand by buying additional ones - in which case they can present a good financial history. But because in the current model every new group starts by registering a new, legally stand-alone entity, it means they will be needing to apply for a mortgage to purchase their first (and often only) property at the stage when this legal entity has no track record. This presents a heightened credit risk to lenders.

Whilst a handful of “ethical lenders” do nevertheless lend to new housing co-ops at present, they do so at an increased rate of interest compared to normal owner-occupier mortgages - and of course the amount of capital available from them is finite.

New co-ops can't access capital for renovation/improvement works

Ecology Building Society do offer a refurbishment mortgage, but this only provides part of the necessary capital to carry out any significant programme of works. The reason development finance is unavailable to new co-op groups is that building projects, and especially refurbishments, are very difficult to keep on-time and on-budget; quite sensibly, the lenders / investors need confidence that

the project is going to be completed according to plan. Again this comes down to the issue of the newly-formed co-op having no financial track record, and thus presenting high risk.

Poor standard of accommodation

The issue of renovation/improvement is all the more significant because of the generally poor state of the UK housing stock and therefore the type and condition of property that new housing co-ops typically have access to.

Housing co-ops that start up today (The Drive being a good example) typically find themselves with an undermaintained Victorian property, insufficient funds to do justice to the ongoing maintenance needs, and have to do a certain amount of “DIY” (they may fortuitously have members or friends with building skills, but this is hardly a satisfactory solution!). Many more people would consider co-operative living if they had the opportunity to live in a new-build property or one refurbished to a high standard, than those who opt for it today with the standard of accommodation on offer currently.

However, aside from aesthetic considerations and weekend DIY commitments, with energy costs set to increase year-on-year (the recent announcements of above-inflation rises being an example of this), the ability of the housing co-operative movement to offer low-energy housing will become increasingly important. Across the UK housing sector as a whole, there is increasing recognition that eco-refurbishment of existing housing stock will be needed. There is also a consensus that the best (and often, the only viable) way to achieve this is with a “whole-house” approach - in other words, doing all major building works at once, not in a piecemeal fashion - which of course does not lend itself to relying on weekend DIY!

Vulnerable to “carpetbagging” - insufficient governance

It is in the nature of housing co-op finance (due to the need to build up surpluses and make capital repayments on mortgage loans), that over time the co-op's balance sheet will develop a considerable net worth, which occasionally, despite the clear intent in the rules, members try to take for themselves (a process known as “carpetbagging”).

When the RRFM96 rules were developed, it was envisaged that the Registrar of Friendly Societies would take a more active role in ensuring that housing co-ops were run according to the rules than actually occurred. However it is the registrar's prerogative to adopt a more laissez-faire approach, and when it chooses to do so there is, ultimately, nothing any third parties can do. This is the case because, in order to take civil action against a party, you need to have a legal interest, and in the current model each co-operative is a legally self-contained and independent entity.

A mortgage on a property is an interest, but even in these circumstances, the carpetbaggers can arrange for the mortgage loan to be paid off (carpetbagging usually occurs later on in the life of a co-op where the amount outstanding would be small, if any - and under the terms of the mortgage, the lender must then release the charge on the property). And currently, there is no statutory entrenchment or asset-locking available to co-operative societies⁴.

It can thus be concluded that, without closer monitoring and intervention by a body with statutory powers, the governance structure in the present model is too weak to protect against activities such as carpetbagging.

⁴ Though asset-locking is available to Community Benefit societies, as a result of the Co-operatives and Community Benefit Societies Act 2003 and CBS (Restrictions on use of assets) Regulations 2006

“Passive carpetbagging”

Nobody would dispute that actually taking money out of a registered not-for-profit body (whether by going through the technical mechanism of demutualisation, or some other more surreptitious means) would be unethical. But what about depriving that organisation of money that it ought to have received, by not paying it over in the first place? This question does not seem to have been addressed.

Because co-ops have to generate surpluses for cashflow reasons (as explained above), and because the members decide, collectively, on their own rents⁵, there is a strong temptation to not increase rents in line with inflation (be that wage inflation or price inflation). And because inflation is fundamentally built in to our economic system, it occurs in most years - albeit just a few percentage points usually - so the cumulative effect over time becomes significant.

This behaviour creates a somewhat perverse effect: often, the rent levels in a housing co-op are not a function of the local housing market, or related to the members' *genuine* circumstances, but in fact are a function of how old the housing co-op is - ie how many years have passed since the rents were last set in accordance with the rest of the housing market! Accordingly, I've seen circumstances such as members of a long-established co-op who are in well-paid professional jobs and paying only 50% of market rent (presumably able to increase their personal savings and wealth by several hundred pounds a month as a result, instead of the co-op getting that money); and housing co-op members on benefits struggling to pay their rent which is now above the new (reduced) LHA levels (set there out of necessity because the co-op is in its early years and needs the cashflow).

Looking at the housing co-op movement as a whole, this does not seem to be a fair way to treat its membership.

Deliberate underoccupancy

This is another form of passive carpetbagging. Here, the members don't necessarily pay less rent than they would be paying elsewhere, but instead they deliberately allow the co-operative's property to become underoccupied, and thus give themselves more space for the same money. I've come across cases of a single parent with two kids living in a 4/5 bedroom house (with two friends as “shadow” members so that the co-op notionally meets the legal minimum of 3); and a co-op that originally provided housing for 12 people in shared accommodation now only housing 6 people - by conversion to self-contained units.

When most of the established co-ops were set up 20 or more years ago, it wasn't envisaged that membership of a housing co-op would become such a scarce opportunity. Setting up a housing co-op today is not easy, and this is not likely to change soon, so it seems appropriate to ensure that the maximum number of people benefit from this opportunity over time. As a founder member of a housing co-op, I'd be disappointed were I to find in the future that the building was occupied (allowing for voids and reasonable changes in use of the space) by significantly fewer people than originally.

With the existing model, the objects of the society could include a clause along the lines of “provide housing for X many people” - but again, without some adequate external governance, there is no guarantee that this would be obeyed.

⁵ I am, of course, talking here only about non-RP/RSL housing co-ops, whose members are not entitled to social housing

No requirement on established co-ops to release their surpluses back into the network to help new co-ops start up

The sixth co-operative principle is “Co-operation among Co-operatives ”⁶. Whilst the explanatory text for the 6th principle does not explicitly mention financial co-operation, it is clear that the reason for this principle being included is that the co-operative movement as a whole would be strengthened - thus benefiting its members - as a result.

The biggest single expense for housing co-ops is interest on loans. Currently only a small percentage of the total interest paid by co-ops in their early years stays within the co-operative movement - the rest goes to the banks and building societies, exacerbated by them charging higher rates of interest to reflect the credit risk they are taking on (usually, borrowing a lower percentage of the value of the asset gives you a lower interest rate).

As an example, I know of two co-ops less than a mile from one another, where one is over 20 years old and has a house which is now mortgage-free; the other was set up recently and borrowed 90-95% of the purchase cost of their property from the ethical lenders mentioned previously, and is paying in the region of 5-6% interest on that loan. If instead, both properties were offered as security, a loan of 50% of the total asset value could be obtained at say 4% interest. This would reduce the finance costs of the new co-operative by a third! Both housing associations and private sector landlords have been using techniques such as this for many years.

⁶ The International Co-operative Alliance Statement on the Co-operative Identity is reproduced at the beginning of the RRFM96 rules and therefore, by implication, housing co-ops registered with those rules should be conducting their affairs in accordance with the co-operative principles

Suggestions for new financial and legal models

Stamp Duty fund

In London it is not possible to purchase any property suitable for co-operative living without paying Stamp Duty at at least the 3% rate, possibly 4% or 5%⁷. In the case of The Drive, our Stamp Duty bill was £24,800. Increasingly it is becoming difficult for co-ops outside of London to avoid 3% Stamp Duty too.

Stamp Duty Land Tax is a one-time payment that does not increase the value of the property in any way and thus cannot be borrowed from mortgage lenders. Raising these amounts represents a significant difficulty for new co-op groups.

In a housing co-op operating on a rental basis, it seems to me that the fair approach is for rents to be consistent over time (subject to inflation); members who join at the beginning or in the early days of the co-op should not have to pay extra just because of the stage in the co-op's life that their membership falls. To achieve this, startup costs (of which Stamp Duty is usually by far the largest) would need to be paid for from a source other than rental income. This is an area where the wider housing co-op movement could provide some valuable help.

A fund from which Stamp Duty would be paid for new co-ops (along with, possibly, the usual other startup costs such as FSA registration, solicitor's and surveyor's fees, etc) could facilitate the equalisation of rents mentioned. To be effective, the funds would have to be provided either on a gift basis or a zero interest over long term (eg 30 years).

This could be done on the basis that the property purchased will be staying in co-operative ownership for ever, and possibly in exchange for some manner of asset locking (see below).

Alternatively - and perhaps an even better solution - is that a community benefit society with charitable status can claim exemption from paying Stamp Duty (see below).

Innovative buying and refurbishing

Traditionally, independent housing co-ops have acquired property through the normal means of finding the property for sale on the open market via an estate agent, putting in an offer subject to contract, carrying out a survey etc whilst the estate agent has marked the property "under offer", then getting a formal offer of loan from the building society (and secondary lender eg Radical Routes or CCF), then proceeding to exchange of contracts and completion. The normal mortgage loan funding used is contingent upon the co-op members being able to move in and start paying rent immediately upon completion - and the choice of property would need to accommodate this (ie no whole-house refurbishment!). It has always been the case that this has represented something of a learning curve for most co-op members; Radical Routes provides support in terms of both written and verbal advice through this process, but the emphasis has been on the new co-ops actually going through this themselves.

Problems with traditional approach

However, in recent years, this process has become increasingly difficult, for various reasons: the number of suitable available properties has gone down, the competitive situation in acquiring them has in the main not reduced, and the legal complexities surrounding them have increased (HMO

⁷ The rate of stamp duty is based on the purchase price (1% up to £250k; 3% from £250k to £500k; 4% from £500k to £1m; 5% over 1m) but the *whole* purchase price is then subject to this rate.

status, planning permission, Building Regulations); estate agents almost always do not understand housing co-ops, and purchase offers - quite incorrectly - appear to be weak, unless carefully presented (in the case of The Drive, some considerable persuasion was required to convince the estate agent and vendor that our offer to buy was genuine and substantial, despite our inability to provide evidence of us having 10% of the purchase price, as any other purchaser would normally have, because we were using a second-charge loan to provide the money that wasn't coming from the building society).

Furthermore, much of the specialist knowledge required during the property acquisition process is not required by co-op members once the housing co-op is up and running - the dealing with estate agents and solicitors, knowing about legislation, etc. At a few points during the setting up of The Drive Housing Co-op, several members were exasperated by the difficult and tenuous nature of the property-buying process, and it was only due to great persistence and determination that the purchase eventually went ahead. There have been other cases of co-op groups getting as far as putting an offer in on a house, then dropping out for one reason or another during the process. Even when the house purchase is successful, the strain on the group can take its toll: we had at least one member drop out during the purchase process because of the sheer amount of time and effort in everyone having to get their heads around the legal and financial issues. This stuff is not what most people sign up to co-operative living projects for!

From my own recent experience and those of others, I've come to the conclusion that the learning curve has now become too steep as a result of these recent trends to give new co-op groups a fair chance of success, unless there is more *proactive* support available. In any case, as well as providing one-time technical expertise, having someone to take some of this workload off the group would then allow them to focus more on the growing and strengthening of their group dynamics during this crucial setting up phase.

In the co-housing sector, it is recognised as essential that the co-housing group has access to paid-for expertise throughout the planning and design stage of a scheme.

Providing access to expertise

Expertise that could be provided to assist co-ops in house-buying:

- Identification of candidate properties and ability to quickly do a “back of envelope” feasibility analysis
- Placing offers with estate agents and knowing how to get past the challenges that they sometimes present
- Assisting in financial modelling and identifying and applying for suitable funding
- Dealing with any potential HMO planning permission issues
- Instructing and then liaising with solicitors throughout the conveyancing process

Having access to people with expertise moves from being beneficial to becoming essential, in my view, when looking at whole-house refurbishments. As mentioned, the number of properties coming on to the market that are suitable for co-operative living reduces every year (because the majority are bought by developers and split up into smaller units, and converting back seldom makes financial sense). To provide co-operative living opportunities for more people in the future - as well as to provide low energy in use accommodation (which will become an ever increasingly important factor), the housing co-operative movement is going to have to move towards doing substantial refurbishment works to make properties suitable for occupation. This is a huge challenge.

Expertise that could be provided to assist co-ops doing whole-house refurbishment:

- Identification of candidate properties and ability to quickly do a “back of envelope” feasibility analysis; note that two houses in similar cosmetic condition may have substantially different refurbishment costs, due to architectural factors that only someone with “eyes to see” would spot on a viewing appointment
- Producing specification for building works and budgetary costing; assisting in identifying and applying for appropriate development finance
- Liaising with local authority in obtaining applicable Building Regulations and Planning consents
- Running a tendering process and evaluating tenderers, to ensure that the co-op is using appropriate contractors for the work and getting good value for money (note that, as the end result is an asset that is held in co-operative ownership, this is of benefit not just to the co-op members but actually to the housing co-op movement)
- Project-managing the building works

The expertise listed in both sets of bullet points above is too much to be able to be provided on a volunteer basis (I myself have provided some such support *pro bono*, and am at the limit of my capacity to do so). To solve this problem, two things are required: a network of people with suitable expertise and experience; and suitable funding to pay such people for their work.

Proposals for funding

In some circumstances it will be possible to “roll up” any professional fees into the finished value of the refurbished property. The issue is then whether those individuals carry out their work “at risk”, until the project is complete (which may not be appropriate in many cases), or whether there is a fund from which they can be paid, and which then reclaims its money on completion of the building works.

In other cases, either because of valuation issues or for early-stage work that does not result in a completed project, independent funding will be required. This could be done along the lines of the existing Co-operative Enterprise Hub⁸ scheme (in fact, that scheme could itself be used to fund the early-stage advice that is being proposed here).

In both cases, some manner of fund, contributed to by the housing co-op movement, would be required to which new co-ops could apply, specifically for payment for expertise and support work during their set-up phase - either on a loan or grant basis, as per their circumstances. The amount of money required would probably be quite small in absolute terms, with quite a lot of reach.

The Centre for Alternative Technology has for some years run an MSc course called Architecture Advanced Environment and Energy Systems (AEES), which is basically a degree in eco-building. Graduates from this course are in many respects good candidates for providing the building works expertise mentioned here, and some would be willing to do so for reduced fees in exchange for having the opportunity to put their AEES learning into practice.

Development Funding, and buying at auction

Funding for building works (known as development finance) has been mentioned previously. Development finance is inherently more risky, especially on refurbishment projects. This is

⁸ <http://www.co-operative.coop/enterprisehub/About-the-hub/>

reflected in higher interest rates and other more restrictive terms from commercial lenders, compared to standard mortgages.

In commercial terms, the risk is heightened when lending to a newly-incorporated entity, with no track record. Below, I've proposed a model which means that the freehold to a new co-operative living project could be placed in an existing entity (and then leased to the new co-operative) which could well have a reduced commercial credit risk, but in any case, even a newly-incorporated entity could be assessed on the basis that it has been set up within a known-to-work model, with input from known and trusted expertise from the housing co-operative sector.

A fund of money that could be put in to individual co-op refurbishment projects as and when required, and paid back upon completion, ready to “recycle” for the next project, could be built up on a loanstock basis or similar, and used to deliver much value to housing co-ops during the duration of the money being on loan - though the idea would be that investors were sought on a rotating basis, so that the fund never ran out.

Note that this funding suggestion is different from the second-charge loans made by Radical Routes at present, as these are required to be covered by the existing property valuation upon purchase; indeed, a Radical Routes loan may also be used in conjunction with the development fund suggested.

Alternatively, funds could be provided directly from other organisations' reserves, again borrowed just for the development phase and paid back by drawing down long-term mortgage funds from elsewhere on completion.

Buying at auction

In being able to acquire property for refurbishment, buying at auction is a very valuable tool - because the type of properties suitable for such projects are commonly sold at auction. But auction conditions essentially require access to the capital up-front; there is not time to go through the usual surveying and approval processes for regular mortgage loans. Buying at auction commonly yields a discount of 10-20% compared to buying from an estate agent, and this is often key to making the finances of a refurbishment project stack up.

But co-ops currently do not have access to dedicated finance for auction purchase. Again, a source of funding from which a significant amount of capital could be provided for a short space of time is required to facilitate this route to setting up new co-ops. This would be repaid once the building is completed and ready for occupation, by drawing down a regular mortgage loan at that point.

Professional expertise - danger of pre-committed capacity

There is a danger when setting up any structure that involves paying people for their time, that the vested interests of those people (to be regularly employed and thus have stability of their income stream) are put ahead of the purpose of the organisation.

A “top down” approach was used in setting up housing co-operatives in the 1980s, when plentiful funding was available. At worst, a housing co-op was incorporated with nominee members (who never had any intention of living at the co-op), the whole scheme was carried out by a co-op development body, on a “build it and they will come” approach (and certainly the members did come - but this was grant-funded social housing, with subsidised rents).

Sufficient governance measures would need to be put in place to ensure that funding and professional expertise structures are only responding to *genuine* requests from new co-op groups for support - a “bottom up” approach.

Such measures could include:

- Those who have a decision-making role in the spending of funds are not in paid positions, and have significant experience in the housing co-op movement
- Those who provide expertise on a paid-for basis are either employed by third party organisations (with whom the contract for service is made), or are *bona fide* self-employed, with multiple other clients, thus they do not become entirely dependent on the paid work from the co-operative living projects
- A “Chinese wall” between those who have decision-making role and those who provide paid-for service, for obvious conflict of interest reasons

There is also a difficult issue in terms of not setting up a “closed shop” where a limited number of people get all the contracts for paid-for support on the one hand, and having complete freedom for individual co-ops to contract with whomever they like, with no consistency or guarantee of quality of service⁹ on the other hand.

Stronger governance

The suggestions made so far relate to the issues faced in setting up new co-ops; the following section relates to ongoing governance. To summarise, the key issues faced by the housing co-op movement with the current model are:

1. Insufficient protection against carpetbaggers.
2. Disparity of rent and occupancy levels between co-ops; conflict of interest with members making decisions about these things for their own house, sometimes at the expense of the housing co-op movement
3. No structural mechanism for equity generated within the movement to be “recycled” to enable more co-ops to be started up and thus for the movement to grow and reach more people

Charging of Properties

One idea that has been suggested previously is for a co-operative support organisation (eg Radical Routes) to take a legal charge over the properties owned by individual housing co-ops. This has the advantage of not interfering with the day-to-day running of the co-op in any way, but would prevent active carpetbagging, because the property could not be sold or refinanced without the chargee's consent (charges are recorded at the Land Registry).

More research would be needed to establish if a charge could be legally set up in perpetuity (or to that effect) and not able to be settled in any way (usually, charges are taken in exchange for making of a loan, and the charge is released on repayment of the loan).

Unfortunately, this model only addresses the first of the three concerns listed above. But it would be fairly straightforward to implement, and could be implemented retrospectively by existing co-ops too (providing they agreed, of course!).

⁹ In other sectors, such as CLTs and co-housing, where involvement of professionals is the established norm, work is being done to come up with solutions to this issue - so we can learn from their experience here

Split freehold/leasehold model

In this model, the freeholds to all the properties are owned by the secondary organisation. Each housing co-op has a lease between it and the secondary organisation. The relationship between the housing co-op and its members is unchanged, and the terms of the lease would hand all day-to-day control of the building over to the housing co-op.

This would provide automatic carpetbagging protection because the lease (which the individual housing co-op is in control of) would not have any capital value, and the secondary organisation would have a much larger membership, and stronger governance (perhaps including statutory asset locking), and thus made extremely difficult to carpet-bag.

A number of freehold properties held by the same entity could then be used to raise finance much more effectively - as is common practice with both housing associations and commercial property developers.

Roger Hallam, one of the founders of Radical Routes, now thinks that a leasehold/freehold relationship between the individual co-ops and the network would be more appropriate. Writing in *The Poverty of Post-scarcity Anarchism* (May 2012), he neatly sums up both the financial and governance benefits of this approach:

"However if I had my way – none of the co-ops in RR would have been independent – their properties would be leased or something equivalent from RR. They would be autonomous except in the circumstances of power abuses such as getting rid of members and running off with the money. [...] And as co-ops paid off their mortgages then the properties could be remortgaged (to the extent of requiring tenants to still pay a reasonable low market rent) and the money raised loaned back to RR to re-loan out to new co-ops – on the rule-based commitment that these new co-ops do the same."

Lease terms could also make regular reviews of rents, and specify required occupancy levels (short term voids aside, of course), thus ensuring that effective use is being made of the asset, for the benefit of as many co-operators as possible, and protecting against passive carpetbagging.

At the moment there are a number of possible different legal structures that could be use for the secondary organisation, that hold the freeholds, and further work will be needed to establish which is the most appropriate. The remainder of this section is an analysis of some of the possible options.

Difficulties with leasehold/freehold model

- **Danger of infinite growth** As a member of a housing co-op with, say, 10 members, your contribution to co-op decisions is 1/10th of the total; but if the co-operative had 100 members, your contribution would be reduced to 1/100th. There is a balance to strike between having a critical mass of people, to ensure good governance and access to expertise, whilst not having an infinite growth in membership which results in individual memberships becoming so diluted as a proportion of the total, that people do not feel involved.

To provide enough people, enough inter-personal relationships, and enough different opinions for a group to provide a sufficiently strong set of checks-and-balances, and for there to be likelihood that all the necessary expertise and experience will be present amongst the membership, I would say an optimum size (based on experience, but not on any scientific analysis of any kind) is around 50-100 people.

- **Complying with tax exemption requirements** There are two relevant tax exemptions: a fully mutual housing co-operative is exempt from corporation tax providing that all (and in

practice, most) of its income is rents from its members. This is the exemption traditionally relied upon for housing co-ops, and finances would simply not stack up without it (especially as only the interest component of loan repayments is allowable against tax). The other relevant tax exemption is a community benefit society with charitable status, which is exempt from various taxes (see below). It will be necessary to use one or the other of these in order to make a financially viable new model.

- **Leasehold law** The field of leasehold law is a complex one, and a significant amount of work would be required to create the lease agreement in such a way that it performs as expected, within the legal framework that exists. Additionally, the agreement of mortgage lenders will be required, to ensure that the lease meets their possession requirements.
- **Only suitable for new co-ops** This type of model has been proposed some time ago. A network of co-ops called Fairground was set up on this basis, but most existing co-ops were not prepared to join (which required transferring their freeholds). In any case, transfer of freehold would in some cases generate substantial Stamp Duty liabilities. Thus we can conclude this model would only really be applicable to new co-ops, which were being set up in conjunction with one or more of the funding mechanisms suggested above (and the leasehold/freehold structure being made a condition of funding).

Secondary housing co-op

A secondary co-op registered as a co-operative in the usual way, but has as its members the primary co-operatives (who in turn have their residents as members). The number of co-operatives and/or number of residents could be fixed in the secondary co-op's rules, to avoid the infinite growth problem. There would then be potentially several secondary co-ops each with up to this number of co-ops/residents. Could be run by general meeting or committee.

Advantages

- Familiarity (well understood within the co-operative movement)
- Co-operative structure
- Potentially able to use fully mutual tax exemption (providing all members are tenant/leaseholder co-ops)
- Deals with infinite growth issue

Disadvantages

- How to “bootstrap” - minimum three members required to register with FSA, would require nominee members (temporarily breaking the fully mutual rule!) unless there were three housing co-ops set up simultaneously somehow
- No statutory asset lock available, vulnerable until number of housing co-ops reaches a critical mass

Multi-stakeholder co-op

A co-operative society registered with rules that allow both individuals and co-ops as members. The individuals would be people selected for their expertise and/or experience of housing co-ops, and would be responsible for guiding the setup of the first few housing co-ops. Once these were set up (and had joined the secondary co-op), the membership would shift to represent the “steady state” of the secondary organisation supporting the housing co-ops. As an example, the membership could consist of a fixed number of three individuals, and up to 10 housing co-ops. There would then be potentially several such multi-stakeholder co-ops, each with up to this number of housing co-ops/residents.

Advantages

- Co-operative structure
- Decision-making matched to the changing purpose of the organisation over time
- Deals with infinite growth issue

Disadvantages

- Novel (multi-stakeholder co-ops are still a relatively new idea, at least in this sector). Bespoke rules probably required
- Does not fall in to either of the available tax exemptions
- No statutory asset lock available - but presence of experienced co-operators in the initial membership should limit vulnerability

Community benefit society

A community benefit society registered with rules that comply with the the co-operative principles as much as possible, and incorporate asset lock provisions.

Advantages

- Statutory asset-locking
- Decision-making matched to the changing purpose of the organisation over time
- Deals with infinite growth issue

Disadvantages

- Novel (multi-stakeholder co-ops are still a relatively new idea, at least in this sector). Bespoke rules probably required
- Does not fall in to either of the available tax exemptions

Community benefit society with charitable objects

A community benefit society registered with rules having charitable objects and complying with the definition of a charity in the Charities Act, whilst also incorporating the co-operative principles as much as possible. In order for the society's objects to be considered charitable, they should reflect one of the charitable purposes in the Act, for example “the advancement of environmental protection or improvement” (which, according to Charity Commission guidance, includes “the promotion of sustainable development”¹⁰). There would only be one or a small number (dependent upon charitable purposes) of these bodies set up with this model. This legal structure is the furthest from ideal from a co-operative respect, but it does have some quite significant advantages, which perhaps ought to warrant its consideration.

Advantages

- Tax exemption for Stamp Duty as well as Corporation Tax
- Statutory asset-locking
- Possibility to apply for funding from additional sources as a result of charitable status

Disadvantages

- Decision-making cannot be on a fully co-operative basis, in order to qualify as a charity (though the co-operative principles can be honoured as far as possible)
- Cannot be limited to a fixed number of co-ops or people, as needs to be for “public benefit”
- Custom rules required for registration, additional admin required as a result of charitable status

¹⁰ http://www.charity-commission.gov.uk/Charity_requirements_guidance/charity_essentials/public_benefit/Advancing_environmental_protection.aspx

Eco-house Refurb Model

Combining several of these suggestions together, I personally would like to see the following being turned into a viable model for new housing co-ops:

1. Purchasing undermaintained/unfit-for-habitation properties, perhaps with some financial assistance from within the co-operative movement (eg auction purchase fund, Stamp Duty payment scheme)
2. Carrying out an “eco-refurbishment” to upgrade the properties to a high standard of energy efficiency, as well as creating a higher standard of accommodation
3. Engaging professional-level support and assistance in the purchase and refurbishment process
4. Handing over the property on completion of the building works to a housing co-op, on a lease basis, whilst the freehold will be held in one of the suggested legal structures above

The overall cost of accommodation to be cost-neutral to the residents, compared with the alternatives available to them locally in the housing market - yet they get the opportunity of living co-operatively and in a newly-refurbished eco-house

Case Study: Withington Co-operative Eco-house

This project is intended to be a proof of concept for the Co-operative Eco-house model. A summary of where things are up to at the time of writing (Dec 2012):

- A house has already been purchased in Withington, south Manchester. It is a Victorian mid-terraced property in semi-derelict condition, located in an area of high demand, and suitable for a co-operative living group of six.
- A design specification for a whole-house eco-refurbishment has been produced, by a graduate from the CAT AEES course.
- A request for Building Regulations approval for the refurbishment scheme has been submitted to the council. We have had discussions with the building inspector and are awaiting formal confirmation of approval - all building works being carried out will meet or exceed current Building Regulations, and will be inspected and certified as such on completion.
- A number of contractors have been identified and invited to tender informally at this stage (formal tenders to follow upon receiving Building Regulations approval), and budgetary costings have been calculated on this basis.
- Ecology Building Society have indicated that they support this project in principle, and have instructed a surveyor to produce a valuation report; this has come back showing that the current and post-works valuations are consistent with the planned costs of works, and that the rent level post-works is in line with the local market.
- The housing co-op group has been meeting regularly and are in the process of agreeing their rules for living in the house; it is expected that they will register with the FSA early in the New Year, once they have agreed upon a name.

The next steps for this project are:

- Decide upon the legal structure to use and register the freeholding organisation (including the necessary primary rules). Transfer the ownership of the house to this new entity
- Source additional funding for the refurbishment (initial approach has been made to Co-op and Community Finance)
- Formally tender for the works and appoint contractors
- Draw up lease agreement between freeholding organisation and housing co-op
- Carry out building works, and hand over to housing co-op on completion

As there is a housing co-op group eager to move in to this house as soon as the refurbishment is complete, I am hopeful that project will be progressed as quickly as possible in the new year.

Next Steps

More generally, it would be good for more work to be done on developing the ideas mentioned: researching legal structures, deciding which one to use, and agreeing on the wording of the relevant documentation; developing the various funding suggestions; and creating more awareness with existing housing co-ops that they are part of a movement, and of the 6th principle. There are some difficult issues and inherent contradictions with some of my suggestions which need to be worked out, and it would be good to have the input of a group of people into this.



Appendix D

Fair Ground Case Study

Case Study: Fair Ground – an attempt to set up a co-op clusters style network from the 70's and 80's

Fair Ground was a co-operative formed by a range of housing projects and communes in the late seventies. Styling itself the first 'maxi co-op' it imagined a similar model to the co-op cluster. Formed by a range of co-ops, trusts and unincorporated groups, it attempted to join together in a larger organisation that would take full ownership of the smaller groups' property, and also their loans. This way the individual groups would pay rent to the collective to service the loans, and put aside some money to grow the network. On top of this, it was also aiming to act as an 'Alternative Building Society' to allow individuals to invest personal capital in supporting the growth of the commonwealth it was attempting to build. It also acted as a support network for the member groups.

Methodology

We conducted research upon an archive of minutes and relating documents currently held at the Forgebank Co-Housing project in Lancaster. It is an incomplete set of minutes, running from 1977 (but referencing previous meetings) to 1984, but with clear gaps throughout. The company was officially dissolved on the 10th November 2000. We understand that the organisation was dormant for the most of the intervening period.

We read through the minutes looking for common themes, laid out below. We checked how often these themes were referred to in the minutes to try and analyse the extent and timings of different issues.

In addition to creating an overview narrative, we have looked at the supporting documents, particularly the Fair Ground rules and draft lease agreements. This was to check if the co-op cluster model is taking account of ideas and problems already dealt with. We were reassured to find that we have already dealt with, discussed or mitigated many of the problems that Fair Ground had.

Overview narrative

Regular meetings started around 1976, and were dominated by discussion of tax issues relating to the transfer of assets, legal issues relating to founding an organisation built of many different kinds of projects and exactly how distributive the co-op would aim to be.

A group of potential members met quarterly (and occasionally more often), with varying attendance throughout the period. The general trend was downwards, particularly if measured in terms of groups attending. After an initial period with lots of interest, a core group formed pushing the project ahead into incorporation. Once formally incorporated, the minutes focus more on raising awareness, funds and capital to sustain the project, which appeared to no longer have enough membership to fulfil its aims.

The loss of the private investors and wish to replace them was a clear issue during the second half of the project. The number of attendees at the meetings is a clear indicator of the change in interest and tellingly, towards the end of the project, it was the same 3 co-ops sending multiple delegates.

Many of the communities involved had relied on private investments to purchase their properties, involving complex decisions on repayment – there was also an intent to co-opt private capital (i.e. individual members capital) through the Fair Ground mechanism.

Towards the end of the period, the documentation becomes increasingly patchy. AGMs and launches are advertised, but minutes aren't available for these meetings. From what we understand, it appears that Fair Ground was making a last effort to raise the money and interest required to actually start buying properties, but was unable to do so. Once the legal structure was sorted, the co-ops with capital available were no longer involved, and the project effectively stalled.

Below is a summary assessment of some of the common themes running through the minutes.

Theme/Issue	Summary	Examples	Times raised	Mitigation/Lessons
Rent levels	<p>There was real difficulty in establishing how rent levels should be set, particularly if it should be based on income, market value (at time of assessment), or cost to Fair Ground of initially adopting the member. This didn't just create worries around equality and fairness, but also many groups were unsure whether they would be able to afford to join Fair Ground. There seemed to be a conflict between wanting a rigid definition of rent, and an ability to negotiate, alongside fear that the negotiation would be overly bureaucratic.</p>	<p>'Each group will negotiate it's rent with Fair Ground annually...Fair Ground will first work out the income needed for rent... the size of the rent payable by each group will be determined starting from a rule of thumb based on how much that group can afford and how much it costs to service the loans on their house... and then adjusting these figures by negotiation at a meeting of all the groups concerned' (from the Prospectus 1981)</p>	8	<p>Setting rent is a decision left to individual co-op clusters, as there is likely to be a broad diversity in how this is decided. Clusters would only need to set a minimum contribution for the primary co-op (presumably on a per contributing member basis) to fulfil its lease obligations. This would not dictate individual rent levels, just set a minimum.</p> <p>It is likely this would be based on number of lettable spaces multiplied by a proportion of the LHA. We would also strongly suggest a clause assuming a default rent rise in line with inflation, unless agreed to not by consensus of all co-op members. This would be relevant however once initial rent levels are decided.</p>
Problems within member groups	<p>The project ran with relatively slow progress for a long time, meaning it was impacted further by the instability of member groups. At various points there are a lot of individual issues highlighted, as groups split apart or lost members.</p>	<p>a regular go-around discussing issues in member groups was a regular feature and appears in most minutes. 'this group has suffered from an internal dispute and has (effectively) split into two groups' – From November 1978</p>	11	<p>There are more support structures now in place for housing co-ops, particularly within Radical Routes who are happy to support co-ops that are non-members.</p> <p>If a co-op is using an 'off the peg' model, it will be able to spend more time focussing on being a useful mutual aid support network for its members.</p>

Theme/Issue	Summary	Examples	Times raised	Mitigation/Lessons
Membership issues	It was necessary to regularly take account of how many co-ops would actually be able to be members of any 'maxi-co-op'. In particular, there was some circuitous frustration in that indecision about rent levels, meant that groups could not decide if they could afford to join Fair Ground (but Fair Ground couldn't decide its expenses, and thus the cost of rent, without knowing who would join).	'They (Lifespan) still want to join but have reservations because of how long it is taking to set up' March 81	12	Every cluster will need a core group of co-ops to set up. This is likely to be based on previous affinities or networks. By providing a model that will suit varied groups, each cluster should be able to find a membership that suits their situation. This is an issue bound up in the project attempting to form the group and the structure at the same time. We are intentionally separating out the creation of the legal structure and the format of the group (despite expecting some Radical Routes members to form the first example of this model).
What happens when a group leaves Fair Ground	There was regular discussion about what would happen to the capital if a group left. The two options discussed were either maintaining group autonomy by allowing co-ops to leave with their capital at any point, or ensuring the assets stayed in common ownership by keeping them in Fair Ground's ownership (presumably to be passed on to another group).	'Tom said that in his opinion minis leaving the maxi should not be entitled to anything as of right. He felt that if people were going to commit themselves to community ownership of land and buildings then they should do it thoroughly and wholeheartedly. Several people thought that the groups that they represented would probably feel unable to commit themselves to Maxi if they felt that they were handing over the ultimate control of their property to someone else' – Jan 1978	8	This is always going to be a critical issue. The co-op cluster model is much more explicitly about preventing carpet bagging, and so there is already an assumption of making it difficult for co-ops to leave with their assets. This could still be an issue in terms of convincing existing mature co-ops to set up clusters.
Organisational problems	There appears to have been long periods where work was unevenly distributed, and not enough people were committing to keep the project running. (This may be reflected in several chunks of minutes missing, but this could just as easily be due to the archive being collated from many	'Concern was expressed that most voluntary jobs taken on were not being done' – April 1979	10	This is a really critical thing for individual clusters to work out. We need to take a close look at how much of this should be dictated by the cluster rules. It is very important to us that clusters maintain a properly democratic overview, whilst not being a burden to manage. Hopefully, by creating a ready to use structure, individual clusters will be able to

Theme/Issue	Summary	Examples	Times raised	Mitigation/Lessons
	sources and having travelled around repeatedly since Fair Ground disbanded.) There are also several complaints about the way meetings were held and facilitated (and clear attempts made to deal with this).			focus on putting proper democratic oversight in place. Since the collapse of Fair Ground, much work has been done in this sector to increase project management skills.
Perception of informal hierarchy and male dominance	Perhaps linked to the above, there is repeated criticism of the group for focussing so closely on technical issues (particularly legal and tax issues) where the only people able to fully take part in meetings were a small group of 'experts'. This meant crowding out other considerations, and led to trust issues. There were also complaints of the group replicating patriarchal norms, and failing to challenge this adequately.	'There were many criticisms of the dryness, remoteness and complexity of Fair Ground business, the tendency for this to produce an admin elite who could become burnt out or alienated, and therefore the need to soften and lighten our meetings and procedures to include people who reacted against this bureaucracy' – from Jan 1981	7	By removing the technical work from the groups actually setting up the clusters, we hope to avoid the issues raised by the perceived technocracy, whilst allowing clusters to focus on their own communities to build more trust and equality into their administration.
Tax uncertainty	There was a lot of discussion and work done, particularly in communication with the Tax Council, to establish a way of transferring assets between member groups, individuals and Fair Ground itself, without paying excessive amount of capital gains tax. There were also issues around mortgage rebates, and other tax issues. There were a combination of different motivations, including maximising financial efficiency, and rejecting the idea of taxation.	'The meeting then discussed TAX: there are two areas of 'concern for tax: i. transitional arrangements for existing groups ii. Continuing situation for member groups' from Nov 1978 There were many discussions about the role of tax and the importance of gaining a similar tax exemption available to individuals – the avoidance of capital gains tax was a recurring theme. This issue is one of the most frequently discussed.	13	We have already highlighted this as an area that we need to do a lot of research into. We are working on a model that we believe will be tax efficient and will ensure that advice on tax issues is included in any guides and information we publish on the subject of setting up a co-op cluster.
Legal structure	It is to be expected that this was the most common subject of discussion, as this was the main part of what Fair Ground set out to do. In order to set	'Freeboard have rules for their housing co-op....agreed with the registrar, but not registered. But could FG own boats, and what is	14	This remains the main focus of the present project. By giving prominence to creating a working legal structure that fulfils our aims, we are hoping to get this issue 'out of the

Theme/Issue	Summary	Examples	Times raised	Mitigation/Lessons
	<p>up, this needed to be in place. This was complicated by the inconsistent structures of the different groups (a combination of co-ops, trusts and unincorporated groups). Progress definitely seems to have been made on creating registrar approved primary rules, and lease agreements, but even late in the period examined, there is evidence that key parts were still not finalised.</p>	<p>their status in housing law? We need to check it out' (August '80) 'The registrar has raised several questions, some of which are easy to answer and some need more thought or more information' (Oct 1979) 'Dave and Mike will see the lawyer about registering a final version of the Maxi Coop constitution, so that we have a set of rules acceptable to us and the Registrar as soon as we can' (July 1977 - it appears to have been registered in 1982)</p>		<p>way' so that groups of co-ops wanting to form clusters do not have to repeat this work over and over again. We have also been taking notes on the rules and lease agreements, so as not to duplicate work without learning from the work previously done.</p>
Equality between co-ops	<p>There was a large discussion on the nature of 'equalisation' and the extent to which the aim of the co-op was to redistribute wealth. A combination of ideological and practical issues made it difficult for groups to decide how Fair Ground would fulfil its aims, with tensions between wanting to support new co-ops, and maintain the financial security of older co-ops.</p>	<p>The meeting understood and discussed the prospect of fair ground being unable to help under financed groups to get their own home, simply because the cost of repaying large loans at anything near commercial interest rates looks to be too high. This it was seen that FG could be at risk of copying straight society in that it can afford to take in as members advantaged groups, i.e. those with small loans or no loans at all, but could be forced to reject groups with high debts, i.e. the 'poor' groups. The points were not resolved' (From March 1982)</p>	11	<p>This is an issue for individual clusters to look at. By aiming to grow the amount of commonly held assets by ensuring current capital can be used to raise money, we believe we have a simpler notion of redistribution than proposed by Fair Ground. In particular, we are making no efforts to redistribute member capital, an issue which could easily muddy the water.</p>
Income sharing	<p>There was some discussion about whether Fair Ground would only be open to groups that shared income between members. This was connected with possible plans to make individuals living in Fair Ground</p>	<p>'Burwell don't pool income. Some of us felt we should only accept income sharing groups. But what happens if a few individuals in a group withdraw from it, or refuse to join in income sharing?' - July</p>	3	<p>This would be an issue for individual clusters to decide. It may be worth noting that this is much less common in present day co-ops, and so less likely to be an issue.</p>

Theme/Issue	Summary	Examples	Times raised	Mitigation/Lessons
Autonomy	<p>properties share personal capital.</p> <p>A regular worry was whether by ceding control of their property, the individual groups would lose their autonomy and independence. Issues of trust between groups became very central. There was fear that a well intentioned bureaucracy would form, that would lead to power being held by a committed committee, with individual groups disenfranchised. With no claim of ownership of their property to challenge that or leave, this was seen as problematic for the member groups.</p>	<p>1977</p> <p>Gordon.... raised the basic problem of group's autonomy, what entitlement to money they had/ It was agreed that this was vital enough to expand it into a general meeting' Sept 1978</p>	10	<p>This is a key issue that has and will definitely be raised in connection with co-op clusters. There is still an expectation of the founding co-ops to cede some control of their assets to the wider collective. This will have to be a decision freely made by individual groups, but it is worth noting that after the initial founding, there will be a much more direct link between the benefits and costs of membership.</p> <p>We hope that some clusters (eg any Radical Routes cluster) will be founded on the basis of political will, and others will be seeded or supported by charitable organisations and individuals wishing to make a sustainable, lasting difference to the current state of housing.</p>
Delegation	<p>There was some concern about how decisions could be made by a wider network, when only some delegates would be available at a given meeting. Discussion of how much ability an individual had to negotiate or decide on behalf of another group was contentious.</p>	<p>'It was felt that there would be no point in a group having a rota for being a delegate to FG. Probably a long-term delegate would work better for the group and FG' – Dec 1981</p> <p>'Problems: ... Unclear relationships between people who come to meetings and their home group' - March 1981</p>	7	<p>Radical Routes works very successfully to a delegation model, with much of the work done by specific and open volunteer groups. We believe this model could easily be used by clusters.</p>

Further conclusions

We became aware during this review that Radical Routes incorporated many of the ideas and processes developed during this period, and owes much to the work done during the active period of Fair Ground, and has developed them over 20 subsequent years.

It seems that Fair Ground was trying to do too many things at once – develop a supportive network, develop the best system for incorporation of 'mini-co-ops', create primary rules for Fairground itself, and develop financial models which enabled the new network to support new and existing co-ops simultaneously.

It was clear that issues arose from trying to design a new system by a committee of committed people. The vested interests directly impacted the decision making process, which led to distractions and the core idea being undermined.

A 'design-lock' early on in the process can avoid a project continuously questioning and revisiting old ground, and we suggest that the Co-op Cluster idea takes an early stance on the ethical parameters and vision of the project, avoiding much of the re-work. Co-ops are then free to use or not use the output.

The co-op cluster's ethical basis is to make it more difficult for co-operatively owned assets to be taken into private ownership, whilst encouraging the creation of new co-operative housing. Further ethical issues can be devolved to individual clusters, and in fact, it is assumed they will often form on the basis of such affinities and shared visions. By creating a legal and financial framework separate from these issues, we hope to create a sound base for a wide variety of clusters.

One practical highlight of the research, was discovering the rule Fair Ground included to allow the maxi co-op to 'split'. Not only was it built in to the rules that it should be discussed at every AGM, but the following clause existed:

Any 2 or more member associations Untitled 1 may demand that a scheme of reconstruction, acceptable to themselves, and a majority of the member associations, be drawn up within 1 year in order to divide the assets, liabilities and membership of fairground co-operative, into 2 secondary co-ops with similar rules.

We feel this could easily be adapted and adopted for the co-op clusters rules, as it sorts out a number of potential democratic problems that could arise.



Appendix E

Co-op Clusters Round Table Minutes

Co-op Clusters Round Table Minutes

Organised by Radical Routes, hosted at Joseph Rowntree Foundation, Vauxhall
10 December 2014

Apologies - Jon Lee (Ecology), Paul Chatterton (LILAC), Paul Nicholl (Triodos).

Present:

Hannah Lewis (Seeds for Change, LILAC) – facilitating - HL
Andrew Thompson (Friends Provident Foundation - FPF) - AT
Bek Dale (Radical Routes - RR) - BD
Alex Allsworth (Radical Routes) - AA
Rachel Terry (Independent Housing Consultant) - RT
Rob Morris (Drive HC, Radical Routes, Co-operative Living Freehold Society) - RM
Emma Stone (Joseph Rowntree Foundation) - ES
Andrew Woodcock (Acorn Co-op Support, Catalyst, Students for Co-operation) - AW
Peter Parker (Wrigley's Solicitors) - PP
Ashley Horsey (Commonweal Housing) - AH
Nic Bliss (Confederation of Co-operative Housing) - NB
Jenny Line (Building and Social Housing Foundation) - JL
Rebecca Spencer (Radical Routes and Cornerstone HC) – minutes - RS

Overview of working assumptions of briefing report, and discussion:

A set of working assumptions from the briefing report were discussed, to ensure that all agreed with the starting point of the discussion

1. People need access to housing affordable on benefit levels/National Minimum Wage.

This point was accepted without any further amendments changed.

2. That the private sector is not best placed to meet this need.

It was agreed to change this to 'The private sector alone cannot meet this need' – to acknowledge that some private sector housing would need to be part of the overall housing solution

3. Renting is more affordable than buying.

Contentious - dependent on cost of borrowing, co-ops get poor terms of credit, e.g. higher mortgage interest rates, up-front costs are worse for buying but it may be cheaper long term. It was discussed that some housing solutions can make buying more affordable in some circumstances, so it was agreed to remove this assumption.

4. There is not enough social housing available so other models are needed.

Social housing was held to be very important part of any new overall solutions to housing issues, it was agreed to change to 'A variety of models are needed to meet this need'

5. Co-operative housing gives tenants control over their housing

This was agreed.

6. Housing co-operatives are an alternative to social housing that don't require government support to start and expand.

This was viewed as a contentious assumption, as many HC were funded by government support. It was

discussed that any assumption should avoid being negative about other solutions.

7. *People want to take control of their housing and are willing to put in work to make that happen.*
It was agreed to amend to 'Some people...'

Questions for clarification:

Ashley Horsey asked if it was about housing need, increasing the supply, about increasing proportion of housing stock in Housing Co-ops or space for people just living in co-ops.

Bek Dale said that, 'Radical Routes mostly doesn't deal with co-ops with strings of self-contained houses.'
Ashley Horsey commented that, 'shared housing is being worked on as possible positive choice by e.g. Crisis.'

Alex Allsworth of Radical Routes said that, 'the proposal was about both. Once a cluster was established it would have capital to do self-build projects, it may also choose to buy up property being let out at unaffordable rates'.

Bek Dale commented that, 'this would also take into consideration conversion and auction sales, i.e. expanding 'housing stock''.

'There could be a renaissance in communal housing in London, communal housing increases density (people per hectare not dwellings)', said Rob Morris. 'There is also a question about life-time need and varying what housing co-ops can offer. Radical Routes is effectively is a buy-to-let model, it needs 'ready-to-run' housing available. The Clusters model facilitates buying and renovating properties.'

'The beauty of this model is it allows financial stability in long term so cluster can do what it wants commented' Jenny Line.

'It could be promoted through working with other groups representing the disenfranchised to harness what other groups are doing. In Scotland there is the 'Development Trust' model which is wider than housing and includes spaces such as community shops and pubs etc.'

She asked, 'if rent would increase with inflation and by which index?' Bek Dale replied that, 'this was not really relevant as was only by a nominal amount. This was assessed by the co-op every 5 years or more frequently as necessary'.

Rob Morris said that, 'the draft Radical Routes tenancy agreement referenced to Local Housing Allowance level'. Andrew Woodcock said that, 'LILAC use wage levels to calculate rents'.

'In reference to whole sector, it isn't great at building new homes, responding to poor available housing options for most people. The campaign on controlling homes is attractive to many people.

Is it a problem if Radical Routes are only talking about its own type of co-ops when it refers to the Housing Co-op movement? asked Nic Bliss.

Alex Allsworth replied that, 'this proposal is about expanding the movement as a whole'.

Peter Parker asked about funding and finance would there be input from e.g. Ecology Building Society.

Andrew Woodcock has had feedback from other funders in relation to Students for Co-operation.

Jon Lee made the following points in an email sent previous to the meeting:

'I do have a few short points that may be helpful in terms of feedback from a lender's perspective, although I also realise that we may not be totally representative of the finance sector!

We agree that fully mutual housing co-operatives provide an important contribution to the issues prevalent in our housing market and tend to offer a low impact model based on sustainable principles in our experience.

- The cluster idea in principle is an interesting way to tackle expansion in the sector. The Society supports the notion and has initial experience of lending under the freehold co-operative model on the Withington project mentioned in your report under the terms outlined by Robert's paper.

- The ability of the housing co-operative sector to share assets and support growth at scale remains a huge challenge. We share the view that larger co-ops tend to suffer from inertia and whilst significant assets are indeed available to support new property loans this doesn't tend to happen in practice.
- The majority of our housing co-operative clients operate at a small scale (1 to 6 properties) and all of them to date have been in existing housing – typically Victorian terraced stock. It is disappointing to note that most of our housing co-operative borrowers have not undertaken any retrofit works to improve the energy efficiency of their properties, despite mortgage discounts being available to do so. Those that have are either well-established, undertaking general improvements several years into occupancy, or are ecologically motivated new co-ops cutting their teeth on first projects, which is good to see.
- The cluster model may present challenges to a small lender like Ecology as the model grows. Our regulators dictate that our maximum lending to a single covenant at any given point has to be a percentage of liquid capital. For us, this means that our largest loan regardless of the security available would currently peak at £1.4m. Otherwise, so far, the documentation for securitisation has not presented a problem (e.g. Withington).
- The research paper laments the lack of availability of interest only mortgages, although it should be noted that the long term cost of funds and the interest bill would increase under interest only terms and the co-operative will not necessarily increase equity in the property, which can also of course decline in value from time to time. Given that the Society lends to new co-ops at our maximum Loan to Value of 80%, just as we do for existing co-ops, we don't think that an interest only model is realistic. We do however frequently permit interest only introductory periods to encourage co-ops to undertake retrofit works for example and allow time for members to then take residence and start to contribute rents.
- The timescales for having an impact on housing provision are very difficult for us to comment on. Much depends on the appetite of co-ops that have equity available and are committed to the model in practice and at a larger scale, whether other mainstream funders will embrace the model.'

Peter Parker raised challenges relating to funding for co-ops individually versus a cluster. He suggested that lending limits having a natural limit to size of a cluster may ease this. Bek Dale raised concern that the security obtained through owning a range of properties, therefore getting charges on various properties, may become disproportionate. Having a split freehold may also complicate things.

'A pro-forma legal document should address these issues', said Rob Morris. 'We are looking for appropriate scale. We are not planning to create one massive organisation but a network of autonomous clusters.'

'How big would this be?', asked Nic Bliss.

'We are not currently there', replied Rob Morris. Cooperative Living Freehold Society aims for 5-6 houses, 6 people per house?

We are looking at having a split built into the model, to split the cluster at 10/20 properties, Bek Dale said.

Andrew Woodcock said he had had interest in funding Students for Cooperation. The Co-op Bank would be short-term, Unity is very keen.

Rob Morris commented that it is good that larger funders are interested not just Ecology Building Society as pioneers.

Feed-in from absentees:

Paul Chatterton (sent by email):

- First it perhaps needs to be stressed more than secondary co-ops are indeed not that new or novel (and I think others would agree) and well established models already exist through Cooperative Development Society Ltd (CDS) cooperatives as well as Redditch cooperative Homes led by Carl Taylor and the Accord group. We would do well by learning from them especially the

- ex-chief executive of CDS David Rodgers.
- It will be good if some cross learning could occur with what we are trying to do by setting up Leeds community homes of which I am one of the founders. Cath Muller is already engaged in this so this might happen organically. Basically, we are attempting to set up some kind of umbrella community benefit society that could draw down land and finance to support primary community led housing. The whole thing is potentially given by an ambitious community share offer
- I'd like to see a model that could support cooperatives in all their forms e.g. rental cooperatives, ownership cooperatives and shared equity co-op's. Equally could other quasi cooperative non cooperative forms be supported which nevertheless fall into the remit of community led housing types
- I know you are talking to Building and Social Housing Foundation (BSHF) and so we should take out thinking together - and also pulling people perhaps like Pat Conaty who has a lot of thinking on common ownership.
- Ultimately I think beyond the primary and secondary cooperatives we need to conceptualise a third national tier which brings it all together which can pull down major pension fund investments.
- Additionally, there needs to be some significant technical assistance and embedded in this is coaching and mentoring of emerging groups to make sure that their projects can be implemented. In this vein I am hoping to develop with BSHF a pathway planning tool.
- We also need an embedded developer partner within the cooperative movement - which could indeed be part of wholly owned by the Co-op's and can deliver at scale and cost low carbon prefabricated building routes. I have had some initial conversations with developers in Leeds about this - and again we should merge our thinking

Nic Bliss said that the Confederation of Co-operative Housing has investigated national large-scale funding but that this is not needed until there are more projects. Rachel Terry agreed with this.

Bek Dale said this was also Radical Routes' experience, it needs projects more than funders, Ecology Building Society and Triodos agree.

Other finance-related items:

Triodos is interested in the Clusters concept and have asked 'how could we make this work?'

Andrew Woodcock said that Students for Co-operation has support from larger Co-op Retail Societies but that he was not sure about what type of finance they offered.

The Co-op housing sector has assets and should be keen to use these to support growth, with cluster model or otherwise said Nic Bliss.

Rob Morris commented that a problem is that individual co-ops are seen as high-risk and therefore charged more interest on mortgages than individuals. Having a cluster should mean a track record to borrow against and lower interest rates.

Open discussion questions:

- 1) Do fully-mutual housing co-ops provide a good solution to 'generation rent' and the instability of the housing market?
- 2) Could the cluster idea help to increase and retain co-operative housing in the UK?
- 3) Are there better models than the cluster which RR should be working on?

Jenny Line asked, 'what are the risks of living in a co-op?'

Bek Dale replied that, 'it had both more and less security than private renting. One can be evicted by other members and there was less security than for Registered Social Landlord tenants. The Radical Routes model incorporates voids. Big disputes can lead to several members leaving and this can be an issue but Radical Routes, for example, will renegotiate loans to maintain viability'.

Jenny Line also asked if there was a financial model for self-contained dwelling co-ops. Bek Dale replied,

'this hasn't been done yet and needs to happen'.

'The Cluster would also offer more flexibility as could temporarily reduce rent paid to cluster if necessary', commented Alex Allsworth. Bek added, 'the people who get in trouble with debt are the ones who don't talk about it...'

Nic Bliss asked, 'Will there be more bureaucracy? Lenders may require more paperwork? Do co-ops often use out-of-date structures until there is a problem?'

'Radical Routes tends to develop policies to allow others to anticipate and deal with one co-op's mistakes', replied Bek Dale.

'This is the reason for sorting the legal documents for clusters first - trying to create a full working model not just enough to get started', added Alex Allsworth.

Emma Stone asked, 'How does expansion beyond shared-occupancy work? Is this suitable for an ageing society? If so, how? Why is this not allowable now? Is this primarily financial?'

Andrew Woodcock replied, 'Not all the legal structures are in place, for example, rules for how secondary co-ops works, lease agreements of primary to secondary society, funders' documents, tax issues...'

Emma Stone added, 'Should the focus be on 'allow' before 'encourage'? Routes to permit use of assets'. Radical Routes co-ops with assets are aware that life-cycle of co-op tends to lead to stagnation, people who are driven tend to go elsewhere, this mechanism should build in creation of new co-ops and keep assets in. It is currently possible to give assets to new co-op but risky and first co-op loses control replied Bek Dale.

Rob Morris commented, 'bureaucracy - [explains RR funding model] in co-ops can leave Radical Routes after paying off loans. Radical Routes is working on model documents to strengthen co-op governance.

'The Australian co-op sector grows because the freehold is owned by the secondary body', added Nic Bliss.

Peter Parker asked, 'can a cluster formulate knowledge and share methods?'

Jenny Line asked; 'could the idea broaden to other types of collective ownership?'

Peter Parker asked if the Radical Routes rules now require RR consent for certain rule changes and asked 'will this be in cluster model?'. Andrew Woodcock replied that this is still to be discussed.

Bek Dale raised that there was the problem of the lack an effective regulator on co-ops

'Were there VAT implications of a secondary co-op?' asked Nic Bliss

Rob Morris replied that cash flows are rental income so exempt, legal and tax questions are part of the next stage.

Bek Dale added ; 'It should be possible to maintain capital gains and corporation tax exemption for a secondary co-op'.

Ashley Horsey raised the question of geography-'would the coops cluster geographically?'

They could be geographic or thematic, e.g. around Radical Routes radical politics, replied Bek Dale.

It was suggested by Andrew Woodcock that clusters could form regionally and split to be more local as they grow.

'There is an importance of networks to allow co-ops to access support' commented Rob Morris.

Alex Allsworth mentioned 'with funding, a specific thematic cluster could be set up'.

Technical factors:

Andrew Woodcock asked about stamp duty.

Bek Dale asked 'can we avoid paying stamp duty on the transfer of assets to a cluster?'

'Students For Co-operation co-ops fear having to pay stamp duty twice, working on this', stated Andrew Woodcock

Peter Parker added 'change in stamp duty regulation in Autumn statement may affect this and help'.

'Co-operative Living Freehold Society has its own rules and leases' said Rob Morris.

Cluster - partial freehold - co-op would be landlord and tenant

Transfer of engagements, which is used in Housing Association sector, can clusters use 'partial transfer of engagements'?

Are there tax exemptions?

Rachel Terry and Emma Stone are leaving - do they support the idea?

Rachel Terry replied 'legal documents are important for bringing in lenders'. She doesn't see a role for herself.

Emma Stone felt similarly. 'Need to buy in expertise to allow this to happen, then iterative process - 'is this fit for purpose?' Discussions with govt, lenders, broader co-op movement'. Wants to be in the loop, new staff may affect how/whether Joseph Rowntree Foundation can be involved.

[Break]

During the break there was a discussion of the need to split freehold. It was agreed to do more research into how to split freeholds.

Stress that some existing co-ops with paid-off mortgages are up for this.

The meeting returned to Rob Morris listing technical issues:

'How can clusters split?'

Jenny Line asked if there was a mechanism for partial secondary financial support? Leaving members withdrawing capital?

Rob said this was not part of current model, 'it was rental based, a withdrawable shares model would be a different thing'.

Nic Bliss floated the idea that other models could be developed...

It was asked if there were suggestions of other models people may know of but there were no offers.

Next steps:

Do you support this idea moving forward? And role.

Jenny Line expressed that she had no technical expertise. She was trying to maintain communications across the community sector and was interested in promotion.

'Sounds good' commented Nic Bliss. 'I'm not sure how Confederation of Co-operative Housing can help at present. Does funding allow for a solicitor? Splitting of freehold may interest Confederation of Co-operative Housing'.

Ashley Horsey wasn't sure what Commonweal could bring but was interested in hearing about progress.

Thematic clusters would be more interesting to them. 'We have no funding to bring at this stage.

Commonweal work looks at housing from a broader basis'.

'Pitching for work?' asked Peter Parker. 'Radical Routes are already in touch with Malcolm Lynch re clusters'. Peter works with Malcolm Lynch on governance, this may be more property side.

Andrew Woodcock was working on the Students for Co-operation end and has little time for Radical Routes end at present. He said he would be sharing useful information from Students for Co-operation and will push clusters model to funders e.g. Co-op Bank

Rob Morris was very enthusiastic, obviously...

Alex Allsworth was pushing from Radical Routes, the next step was funding for legal work and financial modelling, then communication work.

Bek Dale was keen.

Funding to get RR this far was from Friends Provident Foundation. Andrew Thompson would fill in background and context for FPF trustees, hence this meeting, and would be expecting a further funding application.

Hannah Lewis asked 'what are Radical Routes people taking from this discussion?'

Bek Dale commended that she was worried that the idea seems to be accepted as fully-fledged after having taken a step back, but wondered if the group were missing something?

Andrew Thompson thought this is okay.

It was asked by Jenny Lewis whether the demand for this model was really there and is it possible to know we know until it's tried?

'Demand is bigger now than some years ago but less success - harder to create working business plans due to house prices', replied Andrew Woodcock.

Regarding business planning, Nic Bliss asked whether the cluster is viable. Andrew Woodcock has starting working on this.

Bek Dale added that it is more viable than a standard housing co-op and that the current plan for Radical Routes cluster suggests it would be 20 years before able to buy a co-op every year.

'Purchasing a building with 100% loan finance doesn't stack up, this model is trying to stop the gap. Initial number crunching suggests it's viable but needs real scenario, plus changes in housing market make uncertain', commented Rob Morris .

Nic Bliss stated that Confederation of Co-operative Housing can help to challenge financial modelling.

Rob Morris is looking into partnerships with other organisations. Andrew Woodcock commented that his work has so far mostly been voluntary and this resource is limited.

Bek Dale asked: 'who else could the group could approach for funding?'

Jenny Line offered to investigate further funding and also networks to use for publicity.

'Interesting and valuable, with potential links and partnerships', was Andrew Thompson's summary of the concept. He also asked whether participants want to see the report before it goes to print. The general response was 'yes'-participants would like to check the draft.

Bek Dale stated that report will circulate via Co-ops UK and they want links with housing charities too.

Nic Bliss will circulate brief summary of project via Mutual Housing - 1-2 pages? He was positive about what Radical Routes is doing not comparing it to others.

Ashley Horsey commented that the Joseph Rowntree Foundation was important for keeping in loop and networking.