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To: Housing Consultation 2007
Subject: Firm Foundations: The Future of Housing in Scotland

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I attach a submission to the above consultation on behalf of Co-operation and Mutuality Scotland Ltd.

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We are happy for our response to be made public and to be shared with other government departments.

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Co-operation and Mutuality Scotland

Response to Firm Foundations: the future of Housing in Scotland

1. Introduction

1.1 Co-operation and Mutuality Scotland (CMS) is a membership organisation with a clear and focused purpose and vision. Our purpose is to develop and extend co-operation and mutuality in Scotland's communities. Our vision is to be a strategic voice for co-operation and mutuality; to be a partner, with government and others, in the development and support of new and existing co-operatives and mutual enterprises, and to be an effective forum for co-operative and mutual enterprise.

1.2 CMS is the main umbrella organisation for the co-operative and mutual sector in Scotland; it was launched in June 2003. CMS covers the full range of co-operative and mutual enterprises – namely worker co-ops, employee owned businesses, housing co-ops, credit unions, other financial services, agriculture, fishing community businesses and consumer co-ops.

1.3 The co-operative and mutual sector has been in existence for nearly 200 years. It employs ten of thousands of people and contributes millions to the UK economy every year.

2. Co-operative Housing in Scotland

2.1 There are currently 18 registered social landlord Housing Co-operatives in Scotland, of which there are 9 non-fully mutual housing co-operatives and 9 fully mutual housing co-operatives. In both types, tenants join the co-op and have a £1 membership fee. A tenant that does this is thus both a tenant and a member. There

are approximately 7000 units under housing co-operative control in Scotland.

2.2 The Housing Co-operative movement in Scotland is diverse but there are some key factors which are common to all Housing Co-operatives in Scotland:

- Co-operative model epitomizes community control and empowerment as Management Committee members must be tenants.
- Provide high quality social housing provision
- Innovative and groundbreaking wider action work
- Typically have less units than other Registered Social Landlords

Co-operative Housing in Scotland (CHiS) is the strategic body and forum which represents the interests of housing co-operatives in Scotland, CHiS will be making a separate detailed submission to this consultation.

2.3 We believe that there is a great deal of scope for the Scottish Government to examine co-operative and mutual models of housing provision and for the Scottish Government to promote such models to deliver an increased supply of housing across all tenures, more choice of housing that those on lower incomes can afford, housing developments that contribute to the creation of sustainable mixed communities and social housing that provides better value for public expenditure.

3 Firm Foundations

3.1 CMS welcomes the publication of *Firm Foundations: the future of housing in Scotland*, we look forward to taking a positive and innovative role in the development of a new housing strategy which recognises

that co-operative and mutual policy solutions have an important role to play in the future of Scotland's housing.

4 Co-operative Housing Models

4.1 The Scottish Government recognises that 'our wellbeing ... depends heavily on our ability to find a decent house that we can afford in a place where we want to live.' CMS supports this view and we welcome the Scottish Government's determination to create 'a housing system that meets communities' needs for good quality, energy efficient houses that people can afford' we believe that co-operative and mutual models should play a significant role in the future provision of housing in Scotland. We welcome the Scottish Government's wish to be 'ambitious and radical' we would strongly argue that co-operative and mutual solutions are both ambitious and radical.

4.2 CMS supports co-operative and mutual solutions to Scotland's housing problems because we believe that they add real value, the main benefit is that each member enjoys more control and independence, and they are bound together by common ethics and goals.

4.3 In *Firm Foundations* chapter 6 discusses the Scottish Government's plans for stimulating innovation. We believe that co-operative solutions, although they have developed over the last 200 years, offer an innovative approach to dealing with the problems faced in modern Scotland. Co-operative Development Scotland has been working with a number of organisations in an effort to develop a model for co-operative housing which addresses each of the following issues:

- Making housing affordable for key workers in both the rural and urban settings; and, where possible, linked to earnings and the ability to pay;
- Maintaining a level of affordability for future residents by retaining equity within a community-based entity while allowing exiting

tenants to take equity with them (thus enabling existing tenants to move up the property ladder);

- Attaining a level of asset lock which is compatible with the above objectives (and with particular reference to protecting land assets which have been received by way of gift or purchased at less than market value);
- Allowing recognition of “sweat equity”, where an element of self-build has been applied to make housing more affordable.

4.4 For the purposes of this response, CMS has examined the features of the Mutual Home Ownership Model developed by Co-operative Development Society in England, the rules of Gloucestershire Land for People Limited, the sample Single Family Ground Lease Agreement developed by Burlington Community Land Trust Inc and various papers exploring the Community Land Trust (CLT) and Mutual Home Ownership Society (MHOS) model.

4.5 Certain elements from each of these sources can be carried across to a Scottish context - but because of the particularities of the Scots law system, the overall framework which is developed for use in a Scottish context has to be bespoke.

4.6 The Community Land Trust (CLT) has the primary function of acting as effectively the *guardian* of the land assets which are transferred into the mutual home ownership project. In particular, the intent is that the CLT should be able to preserve the underlying ethos of the project into the indefinite future, i.e. so as to eliminate the possibility that the members of the Mutual Home Ownership Society (MHOS) might at a future date sell the property on the open market in order to achieve what could be a very significant financial return. That outcome would be particularly unpalatable in a case where the land for the housing had been contributed to the project by way of gift or for a price which fell

significantly below market value. It has been suggested that a further aspect of the model which it was essential to preserve (and in relation to which the CLT might have a role, as an external guardian) would be ensuring that the eligibility criteria remained focussed on the target market¹, and that the selection of participants was in line with principles of openness and transparency.

4.7 Assuming the intention is that the entity which lets out homes to individual tenants should be a Registered Social Landlord (RSL), we would suggest that the body having that function - the Mutual Home Ownership Society (MHOS) - should take the form of an industrial and provident society, using a housing co-operative model. Under that model, each of the tenants must be a member of the MHOS - and, equally, the MHOS would be able to let the homes only to individuals who were members of the MHOS. If the MHOS is structured in this way, that would mean that, as a housing co-operative, the tenants would not qualify under the right-to-buy legislation - which (subject to the possibility of a future change in the law within this area) removes the risk that an individual tenant might undermine the whole intent of the model by exercising his/her right-to-buy i.e. acquiring outright ownership.

4.8 The relationship between the CLT and the MHOS depends on whether a Scottish-wide body would be set up or a local model would be used. If a Scotland-wide arrangement was preferred then some statutory arrangement would be required to determine the legal relationship between that body and locally based mutuals. If CLTs were set up locally then an existing local body, such as a community development trust, could be given the role of CLT with powers of guardianship.

4.9 The detail of the equity purchase scheme would require to be analysed and refined to fit the requirements of a particular project. We can say,

¹ (broadly, those who were able to afford payments in excess of social housing rents, but were unable to obtain or service a mortgage to fund a conventional property purchase; in addition – and particularly in a rural context – there could be eligibility criteria directed towards giving priority to people who were taking up employment, or intending to run their own business, in the local community)

however, that the essential features, as envisaged by the model developed in England & Wales, could readily be applicable in a Scottish context; in its basic form, the key features would be as follows:

- the overall portfolio owned by the MHOS would be “unitised”, i.e. divided into units of property equity (probably with each unit being at a reasonably substantial figure, e.g. £1,000);

4.10 CMS believes that the above model would be able to make a major contribution to the government’s priorities of increasing the supply of housing, providing more choice of housing , creating sustainable and mixed communities, and providing better value for public expenditure.

5 Answers to some of the questions posed in *Firm Foundations*

5.1 Question 1. In response to question 1 CMS believes that if the rate of new house building in Scotland is raised to 35,000 per year, it would be sensible for such an increase in the supply of new houses to include houses that were delivered by housing co-operatives and by other co-operative and mutual solutions.

5.2 Question 6. CMS welcomes the proposed establishment of a Low-cost Initiative for First Time Buyers (LIFT) we believe that mutual home ownership and shared equity schemes could play an important role in helping first-time buyers. Government support for mutual options to help first-time buyers would contribute to broadening the range of products available to assist people to achieve and sustain home ownership.

5.3 Question 16. Our view is that the Scottish Government should exempt new build social housing from Right to Buy and that one of the benefits of the Mutual Home Ownership model which we are promoting is that it

ensures that there is scope to ensure that when tenants move they are replaced by new tenants who are helped into the housing market.

- 5.4 Question 27. Our view is that local authorities are not best placed to develop and manage social rented housing. It is CMS's belief that housing co-operatives owned by communities would be best placed to regenerate and develop sustainable housing solutions for their communities and fully endorses the creation of new RSL housing co-operatives in Scotland. If the Scottish Government should wish to entrust the local authorities with developing new social housing, CMS would argue that TMOs and not less democratic structures such as ALMOs are used to manage these properties.

6 Conclusion

- 6.1 CMS sees that co-operative and mutual solutions can make a real contribution to future provision of housing in Scotland. Co-operative and mutual solutions could help to increase supply of housing, provide more choice of housing for those on lower incomes, create sustainable and mixed communities, and provide better value for public expenditure.