

## **LOCAL GOVERNMENT AND HOUSING COMMITTEE**

### **CONSIDERATION OF THE COMMUNITY MUTUAL MODEL FOR THE TRANSFER OF HOUSING STOCK.**

#### **PURPOSE**

1. The purposes of this paper are to:-
  - a. Consider the role of the Community Mutual Housing model in the local authority housing stock transfer process.
  - b. Update the Committee on progress in developing the model for use by local authorities considering stock transfer.
  - c. Invite the views of the Committee on the Community Mutual Model in the context of housing stock transfer.

#### **SUMMARY**

1. The National Housing Strategy, "Better Homes for People in Wales", referred to the proposed role of the Community Mutual model as having many advantages for all stakeholders, but particularly tenants, where a local authority was considering stock transfer as its favoured option to refurbish its housing stock. This paper provides an update on the development of the concept and progress on the constitutional model.

#### **BACKGROUND**

3. Since the National Housing Strategy was endorsed by the Assembly in July, there has been a great deal of interest shown in the concept of mutuality by the wider housing community. The basis of community mutuals is that the ownership of local authority stock would transfer, following ballot, to the tenants of the new organisation. The only

shareholders in the transferred organisation would be its tenants. Unlike existing models, however, not only is the business conducted for the benefit of the community, but the organisation is also owned by the community. This is achieved by having as members of the Community Mutual those members of the community in receipt of the services being provided, namely the tenants. By this mechanism, there is a real sense of ownership by the local community, and a real sense of participation and involvement by the tenants. It also avoids any sense of some remote or unaccountable organisation owning and running the properties.

Giving tenants real ownership provides the opportunity to create smaller management units, under the 'umbrella' transferring organisation, that reflect the particular size and needs of local communities, and are themselves then managed at a local level by the tenants in those communities. By this means tenants have a real involvement through membership. No one else owns the organisation, either in the sense of deriving a profit from it, or in the sense of controlling decision making to serve some purpose other than the benefit of the community. The development of the policy within Wales is generally seen as a natural extension of tenant empowerment. It has been particularly welcomed by Tenants' organisations who see it as a "core" driver in achieving the prime objective of ensuring that council housing stock meets the Welsh Housing Quality Standard by 2012 ie fulfilling the strategic "vision".

4. The developing focus of interest is concentrating on the potential for direct involvement of the community in ownership and management, which increases the potential for empowerment and provides a powerful vehicle for building community capacity. Although the fundamental purpose behind stock transfer is the generation of additional investment through private sector borrowing, such transfers place the control of that new spending within a locally accountable body. In addition to the main purpose of improving the stock, this offers great potential to create local employment opportunities and provides a stimulus for skills development and retraining. Improved housing provides a platform for tackling other social and economic issues, including opportunities for local economic activity such as local shops and small-scale local entrepreneurial activities. It also provides opportunities for people to consider low cost home ownership, with the benefits of tenure integration that will support the sustainability of the communities. Surpluses generated from community mutual social housing can be recycled for the benefit of the whole community through a range of regeneration projects, typically into such areas as private sector refurbishment, mortgage rescue, equity release etc. providing a total 'housing package' tailored to community needs.

## **CURRENT POSITION**

5. To take the community mutual concept forward it is necessary to provide a constitutional structure and model rules to demonstrate to local authorities, potential funders and the National Assembly (as regulator), that all necessary legal and regulatory controls are in

place. These "Model Rules" would then be readily available to any local authority wishing to adopt the model, saving time, money and ensuring consistency of approach. Cobbetts, a reputable and experienced firm of solicitors based in Manchester, have been commissioned to prepare the model constitution and associated guidance. They have worked extensively with the Co-operative movement providing constitutional advice and have undertaken pioneering work in developing new forms of mutual ownership notably within the water industry. The community mutual housing model is seen as a natural extension of the mutuality concept.

6. A Working Party, with membership drawn from private sector funders, local government, the existing RSL sector, the Co-operative movement and tenant organisations, has been established to provide advice and feedback to Cobbetts during the "development" phase. Whilst varied interests are represented the aim is common.
7. The Working Party is also co-ordinating the preparation of training programmes for tenants alongside the development of the governance model. Without this, tenants will not be informed, or empowered, to contribute effectively.
8. The "project" timetable envisages the constitutional model and associated guidance being available for wider housing sector consultation by the end of December 2001. At that time it is anticipated that a publicity and "launch" programme will be developed. We will also be working closely with MUTUO, an organisation set up by the Co-operative movement to promote the concept of mutuality.

## **ACTION**

9. Committee is invited to consider this paper for information and to give its views on the Community Mutual Model as a means of transferring local authority housing stock.

**Regulation Branch**

**Housing Directorate November 2001**