



Writing the rule book!

The CCH has registered [five sets of co-operative housing society rules](#). This guidance explains what rules are available, which would be right to use in particular circumstances, key issues regarding rules and how to register using these rules.

The guidance is aimed at two potential groups:

- a) **existing housing co-ops** – the CCH is advising existing housing co-ops to change to the model rules listed below. The lockdown has shown that the rules under which many co-ops are registered are not fit for purpose. We would urge all such co-ops to prepare to change their rules.
- b) **new housing co-ops** – this guidance may be useful to the many new groups that wish to be housing co-ops.

Contents of this guidance	
Section 1	General information on registration of a co-operative housing society
Section 2	Choosing the right model rules if registering a new co-operative housing society
Section 3	Registering new model rules for an existing co-operative housing society

The CCH is not qualified or indemnified to give legal advice. Our aim is that new groups and existing co-ops will find the information in this guidance useful, but we advise that each group needs to obtain their own legal advice regarding the legal structure right for them and the rules they should adopt.

Section One – general information on registration of a new co-operative housing society

When setting up, most businesses “incorporate”. This means they take on a legal form and in so doing, they become a corporate body rather than a collection of individuals. One of the key reasons to incorporate is because the members of the incorporated body enjoy legal protection if they have made appropriate and legal decisions. Someone can potentially take legal action against the body as a whole, but usually not against individual members.

There are two types of corporate body – a *company* and a *society*. As the national body that represents co-operative housing, the Confederation of Co-operative Housing (CCH) is particularly interested in the latter of these because housing co-operatives incorporate as co-operative societies.

Registering a society

Societies are registered with an organisation called the Financial Conduct Authority (FCA). Information about registering with the FCA is available [here](#). There are distinct rules regarding societies, such as that a co-op is a bona fide co-operative. When registering a society, the FCA checks that these rules have been followed and the organisation being registered is what it says it is.

Model rules

It is possible for a new organisation to register a co-operative society direct with the FCA. However, doing so will incur an automatic registration fee of £950 (no VAT) as the FCA is charged with reviewing the rules submitted to ensure that they comply with legislation and meet the condition for registration. For this reason, many organisations choose to register their society via a sponsoring body. A sponsoring body is an agent that has had model rules accepted by the FCA as complying with the requirements for registration. Using model rules can be a more cost-effective option for organisations wanting to register as a society as the statutory fees are lower.

The FCA's current fees for registering a society using model rules are as follows:

Model rules	Fee
Application using model rules without any amendment to the model	£40
Application using model rules with between 1 and 6 amendments to the model	£120
Application using model rules with between 7 and 10 amendments to the model	£350
Application using model rules with 11 or more amendments to the model, or using free draft rules	£950

Working with Co-operatives UK (the UK wide network organisation for all forms of co-operative), CDS Co-operatives and the Wales Co-operative Centre, the CCH has registered five sets of model rules as follows:

Model rules	Date registered	Brief summary of the purpose of the rules
Tenant management housing co-operative	2016	For a tenant management co-op, where another organisation owns the properties managed by the co-op
Housing co-operative	2017	For a housing co-op which owns its homes through freehold or leasehold and where the co-op elects a management committee from its members
Leaseholder land co-operative	2018	For a housing co-op that leases its homes to its members
Housing co-operative	2019	For a housing co-op which owns its homes through freehold or leasehold & where a management committee is not elected

Model rules	Date registered	Brief summary of the purpose of the rules
Mutual home ownership society	2020	For a housing co-op ¹ that is set up as a mutual home ownership society. These rules are in the process of registration.

Registering using model rules

Co-operatives UK is the sponsoring body for these models. Organisations wanting to register a housing co-op using these rules can do using one of its registration packages as follows:

Life Package - £250 plus VAT (plus fee paid to the FCA)

This package is available for prospective societies who:

- are clear about which model best fits their organisation
- do not want to make any amendments to the model
- are ready to incorporate their organisation and need a little help from Co-operatives UK to navigate the process.

Advanced Package - £400 plus VAT (plus fee paid to the FCA)

This package is available for prospective societies who:

- are clear about which model best fits their organisation
- are ready to incorporate their organisation
- need Co-operatives UK's expertise to amend the model to best suit their needs or their support to successfully register their organisation.

Full information and how to instruct Co-operatives UK can be found on its [website](#). Before instructing Co-operatives UK, organisations should seek advice about the correct model to suit their needs. The CCH can provide some advice on this, but the CCH is not legally qualified or indemnified and advises organisations to also get appropriate legal advice.

Common features of the housing co-op model rules

One feature that all the rules have in common is that they refer to and are in compliance with the Co-operative and Community

¹ Whilst Mutual Home Ownership Societies are referred to as societies, they are co-operative housing societies making them housing co-ops

Benefit Societies Act 2014 which governs the legal status of co-operative societies.

The rules set out how the co-op's membership arrangements work and how it is governed. Rules for societies must cover the following issues:

- the objects of the co-op – defining what the co-op is permitted to do (ie. providing or managing housing in some way under co-operative principles)
- the powers the co-op has – usually doing what it needs to do to achieve the objects
- saying where the registered office is
- information about who can be co-op members and the shares that they can buy
- how people apply to be members
- how membership ends and how members can be expelled
- how general meetings (which all members can attend) are held, particularly the annual general meeting
- if there is a management committee, how it works, how its members are elected and removed and what powers it has
- what borrowing the co-op can make
- auditing requirements for the co-op's accounts
- how disputes in the rules are dealt with
- how the rules can be amended
- what happens if the co-op is wound up

CCH approach to rules

One feature of the rules the CCH has produced is that they include a lot of detail. Some advocate that rules should not contain considerable detail so that co-ops can produce supplementary detail in policies and standing orders which would be easier to change. Our experience is that in practice in housing co-ops, not including detail in the rules means that, as co-operative memberships change over the years, co-ops can lose their clarity about how things should be done on key governance issues. Our intention with including detail is to ensure that co-op members, now and in the future, will be able to get the information they need by looking at the rules.

Section Two – choosing the right model rules if registering a new co-operative housing society

This section considers the CCH model rules available and seeks to provide pointers towards which might be applicable for each set of circumstances. The table below sets out the five model rules available with some of their features. We have also set out a flow chart at the end of this guidance aimed at helping new and existing co-ops decide which rules may be applicable to them.

Some issues that new co-ops need to consider in choosing the right set of rules include:

- what is the intended tenure of the homes being developed? Are the homes to be leased, rented, shared ownership, mutual home ownership or a mixture?
- will the co-operative housing society own the homes; will it lease them from another organisation; or will they manage them on behalf of another organisation?
- will the co-operative housing society be a Registered Provider (ie. registered with the Regulator of Social Housing) - a requirement if the society is receiving public grant for low income rental homes?
- will the co-operative housing society make all its decisions through General Meeting (ie. meetings which all members may attend and vote at) or will the society elect a Management Committee to make governance decisions? The former approach is probably only applicable if the society is small.
- is it intended that the co-operative housing society is fully mutual? Some are known as fully mutual in that all members are tenants or prospective tenants of the co-op and vice versa. Where the co-op owns its properties, this results in a different form of tenancy and treatment of tax liabilities.

Features of the CCH model rules

Model rules (notes on the features are shown on the next page)	What potential tenures are available under these rules?	Can the society be a Registered Provider under these rules?	Can the rules support tenant management?	Is governance by a Management committee in these rules?	Is the society a fully mutual co-op under the legal definition?	Is it possible to issue loanstock under these rules?
Tenant management housing co-op (2016)	Rental, leasehold, shared ownership	Property owner can be an RP	Yes – that is their purpose	Yes	No	No
Housing co-operative (management committee – 2017)	Rental, leasehold, shared ownership (social rent if an RP)	Yes	Yes	Yes	Yes	No
Leaseholder land co-operative (2018)	Leaseholder only	No	No	Yes	It could be	Yes
Housing co-operative (General Meeting managed - 2019)	Rental, leasehold shared ownership	No	Yes	No	It could be	Yes
Mutual Home Ownership Society (2020)	Mutual Home Ownership (leasehold and rental)	No	No	Yes	Yes	Yes

Section Three – registering new model rules for an existing co-operative housing society

The CCH is urging existing Registered Provider housing co-ops with elected management committees to update their existing rules to the 2017 housing co-operative rules. Many Registered Provider housing co-ops registered many years ago using, for example model housing co-op rules registered in 1981. These rules are substantially out of date. They don't properly reflect how co-ops operate in the 21st Century. In particular, and relevant to the lockdown, the 1981 model rules do not permit participation in general or committee meetings using digital methods.

The 2017 rules supersede 1981 and other subsequent housing co-op rules for Registered Provider housing co-ops. The CCH is suggesting that it is sensible for existing Registered Provider housing co-ops to update to the 2017 new model rules.

The CCH is also urging existing non-Registered Provider housing co-ops registered under 1981 model rules to update their rules to either the 2017 model rules or the 2019 housing co-op rules for smaller co-ops where there is no management committee.

A housing co-op should check the provisions in its current rules to understand how to amend its rules to adopt the new model. Ordinarily, this requires the co-op to hold a General Meeting to agree the new set of rules. The 1981 rules (unless amended) require that three quarters of those attending a general meeting need to vote in favour of changes to fundamental clauses in the rules, and of course the general meeting needs to be quorate.

Clearly it is not possible for co-ops to hold a face to face General Meeting during the lockdown period. The CCH is recommending that co-op prepare to hold General Meetings when the lockdown ends (bearing in mind that it may be possible that the lockdown may be only temporarily ended).

The CCH is willing to assist its member co-ops in the process of changing rules for a fee. Some items we have assisted our members with previously in relation to the rules include:

- a) discussing the rules in detail with management committees (or co-op members in general meeting run co-ops)
- b) particularly discussing what has changed from existing rules to the new rules
- c) discussing the process that will be used to propose the new rules to a general meeting
- d) assembling publicity information to go to the general membership prior to a general meeting
- e) attending general meetings to explain the proposed changes to the rules
- f) ensuring that the discussion at a general meeting enables consideration of the issues, a proper vote is taken and that the rule change is properly minuted
- g) liaising with Co-ops UK to ensure that they lodge the proposed rule changes with the Financial Conduct Authority once the general meeting has agreed changes.

Key changes in the 2017 housing co-op rules

This section summarises the key changes between the 1981 housing co-op rules and the 2017 housing co-op rules.

Inclusion of detail - a key change to the new rules is to include a lot of detail in them for ease of reference for co-op members. The 1981 rules covered the same issues and had largely the same substance – but had a lot less detail. The problem with this was that co-ops, with different generations of members, found there was often little clarity about how to manage rules issues. The new rules seek to provide greater clarity, with the detail provided based on many years' experience of the practical ways that co-ops work.

Reference to 2014 Act – a new law was passed in 2014 (the Co-operative and Community Benefit Societies Act) which governs the legal status of co-ops. The new rules ensure that this new Act is referred to throughout and the rules comply with it.

Communication and meeting attendance by different means – the new rules permit that meeting notices and other communications can be sent to members and committee members by electronic means, provided that they consent to receive communications in this way. The new rules also permit that members and committee members can attend general and committee meetings by telephone, video conferencing or by other communications equipment such that the person can hear, comment and vote on proceedings.

Commitment to diversity, equality and respect – a specific clause has been added committing the co-op to principles of diversity and equality.

Annual General Meeting – the new rules give the co-op six months after the year end to hold an AGM rather than the three months in the 1981 rules; there is a requirement that the committee presents a report on progress to the members at each Annual General Meeting. The 1981 rules did not require this.

Terminology – the 1981 rules referred to “committeemen” and the “Chairman”. This terminology has been updated in the new rules.

Committee size – the new rules specify a committee of between five and twelve members (including up to three co-opted members). The 1981 rules allowed for between seven to fifteen members and five co-opted members. The new committee size reflects current considered best practice.

Election of the committee – the new rules specify that the full committee is elected at each Annual General Meeting (unopposed if there are fewer than twelve standing with a facility for members to request a vote for one or more individual committee members). The 1981 rules specify that a third of the

committee stand down each year. This is not the custom and practice in most co-ops.

Committee nominations – the new rules specify a formal committee nominations process in order to encourage committee members to take the process seriously. This is also included in the 1981 rules but in less detail.

Removal of a committee member – under the 1981 rules, a committee member could only be removed by a vote at a General Meeting which all members could attend and vote at. In certain circumstances, the new rules also allow a committee member to be removed by a vote at a committee meeting.

Committee quorum – the new rules specify that the committee quorum is one third of its total number subject to a minimum of three (therefore if the committee has 9 or fewer members, the quorum is three or if the committee has 10, 11 or 12 members – the quorum is four). The 1981 rules have a committee quorum of three or a higher number agreed by the committee.

Defined officer roles – the new rules remove the previously defined role of the treasurer. A co-op is legally required to have a secretary and that role is defined but is no longer legally required to have a treasurer. If a co-op has one – in the new rules the co-op is free to define the role as it sees fit.

Special manager provisions – the new rules allow for a special manager to manage the co-op in the event of a co-op having difficulties in getting enough volunteers to serve on the management committee. Where this happens, the special manager provisions allow for a special manager to be appointed for a six-month period with a view to trying to reinvigorate the co-op. This provision is intended to give a co-op a chance to renew itself rather than close if not enough people have come forward to participate in the co-op's governance.

Disputes – the 1981 rules directed anyone who had a dispute with the rules to the National Federation of Housing Associations (now

the National Housing Federation which represents housing associations). The new rules direct disputes to the County Court.

Other than the new rules including more detail, the remaining rules are largely the same in substance.

CCH housing co-operative model rules flow chart

