



The Co-operative Development Society Ltd

Annual Review 2006

Chair's Introduction

Welcome to our annual review for 2006. In the report you will find information about CDS Co-operatives and the services that we provide as well as key performance statistics relating to the financial year to 31 March 2006.

This year we carried out our bi-annual survey of resident satisfaction and we were pleased to see that satisfaction levels have been maintained or improved across all the key service areas with 85% of residents expressing satisfaction with the overall level of service. We were also inspected by the Audit Commission and were satisfied with the resulting report which had many positive things to say about the Society; we have already made much progress in addressing the areas of weakness highlighted by the inspectors.

I would like to thank my fellow Board members and our staff for all their hard work over the past year.

I hope that you find this report interesting; If you wish to know more about CDS Co-operatives please visit our website at www.cds.coop.

Maureen Stables
Chair

Who are we?

The Society's registered name is 'The Co-operative Development Society Ltd', but we use CDS Co-operatives as our trading name. It emphasises that we too are a co-operative controlled by our members. Our members include the client co-operatives we serve.

We are registered as a co-operative society under The Industrial and Provident Societies Act 1965 with the Financial Services Authority. We are also registered as a registered social landlord (RSL) with the Housing Corporation. The Housing Corporation is the government agency that funds and regulates RSLs. As a RSL we are eligible for social housing grants to develop new homes and are subject to Housing Corporation regulation.

We are also a member of the Independent Housing Ombudsman scheme. The Ombudsman has the power to consider complaints from tenants and other users of

our services if a user considers that we have not properly addressed his or her complaint.

We currently own or manage stock in 24 local authority areas across the South-East concentrated in South-East London and Kent but also including Milton Keynes, Colchester and Guildford. Our web site, www.cds.coop, has a map showing the areas in which we currently work. We will respond positively to requests to work in new areas where there are good prospects of developing new housing co-operatives and viable service provision.

We provide the comprehensive range of services that our tenants, leaseholders and client co-operatives' members may require and the support co-operatives need to control their homes. Our services include:

- Housing development and project administration
- Rent accounting and arrears control
- Bookkeeping and accountancy
- Financial planning and financial management, including the preparation of budgets, management accounts, annual accounts and business plans
- Routine repairs administration
- Planned maintenance and cyclical repairs administration
- Member education and training
- Tenancy and leasehold management
- Lettings and void management
- General housing and property management
- Co-operative administration
- Co-operative governance support and best practice advice.

Tenants, leaseholders, client co-operatives and their members wishing to access our services by telephone or email may contact our helpdesk on [0845 450 8545](tel:08454508545) or by e-mailing helpdesk@cds.coop

Organisations who wish to explore the possibility of using our services should contact our Housing Services Manager – Maria McCarron, maria.mccarron@cds.coop



Whilst our underlying principles are to promote co-operative housing solutions, our services are also appropriate for small registered social landlords, tenant management organisations and even private estates requiring estate management services.

Resident satisfaction

In July 2006 an independent research company carried out our second bi-annual survey of resident satisfaction. 500 residents were interviewed by telephone, representing around 16% of all households that receive services from the Society.

The headline results are:

- Overall satisfaction amongst tenants with the service CDS provides remains high at 86%.
- Over 90% of residents are satisfied with their accommodation.
- 84% are satisfied with the opportunities they have for participation which is greatly improved on the last survey in 2004, reflecting the success of our new tenant participation strategy.
- 85% of tenants feel that their rent represents value for money.
- 80% are satisfied with maintenance of their homes.
- Satisfaction levels amongst homeowners is considerably lower.

We will use the results of the survey to target our continuing work to improve services to residents.

Audit Commission inspection of CDS Co-operatives' services

In January 2006, the Society was inspected by a team from the housing inspectorate at the Audit Commission. All larger housing associations are subject to inspection under this regime. The inspectors examine the quality of the service that is being provided to residents and they also look at the structures in place to assess what the likelihood is that the service will improve in the future.

The inspectors found the Society to be providing a fair (one star) service with promising prospects for improvement.

The inspectors noted the following strengths in service delivery:

- Services are designed to meet the needs of tenants that are widely dispersed, the helpdesk staff provide a polite and efficient service, there are comprehensive and challenging customer service standards and tenant satisfaction is high.
- Satisfaction amongst black and minority ethnic residents is high and cases of racial harassment and domestic violence are dealt with well.
- Homes have been well maintained and there is a high level of performance on gas servicing.
- Performance on collection of rent, arrears, service charges and management fees is high and the Society works well with local authority housing benefit departments.



- Estates are generally clean and tidy with landscape areas well maintained, there is appropriate working with external agencies and a range of preventative security measures have been implemented.
- Efficiency savings are being made and planned, homeworking contracts for staff are being piloted and there is a robust internal audit system.

The inspectors found the following weaknesses in service delivery:

- Customer service standards for tenants are not fully and consistently monitored and there are weaknesses in the complaints system.
- Monitoring of diversity is not carried out for all services and knowledge of its tenants profile is at present not fully complete.
- There is no complete asset management strategy in place, responsive repairs are not being recorded and monitored correctly by not recording the time of the tenant's report, targets for re-letting times are unchallenging and there is no independent quality assurance of gas servicing.
- Visits, and monitoring of visits, for rent arrears are inconsistent, service standards for rent and arrears collection are not fully publicised, welfare advice is inconsistent and monitoring of tenant satisfaction with the rent and arrears services is limited.
- Incidents of anti-social behaviour are not filed consistently and there is no testing of victim satisfaction.
- Void procedure and targets are unchallenging and there has been poor performance on collecting rechargeable repairs.

The report contains some specific recommendations alongside some more general observations about the service. The Society has drawn up a comprehensive action plan and we are addressing these issues.

Mutual Home Ownership

For the last few years, the Society has been working to promote mutual home ownership. Mutual Home Ownership (MHO) is a new form of tenure that seeks to increase the supply of affordable housing without requiring a major increase in capital investment from Government. Unlike other forms of low cost home ownership, such as shared ownership, it is designed to remain permanently affordable and not move out into the open market.

The key is to make land available, as a sustainable community held asset, for MHO at nil cost to the mutual home owners who will live in the housing built on the land.

In MHO residents pay for the build costs, but not the land. The land is transferred into the ownership of a Community Land Trust (CLT) that holds it in perpetuity for the provision of affordable housing in their community. Our Community Land Trust proposals have been based on the experience of similar organisations in the USA and Australia. The CLT is the local accountable custodian of the land asset assuring its continuing use for the purpose intended. As the freeholder/head leaseholder of the land it has the legal power to ensure that the MHO scheme is operated by members as intended.



MHO is a market-equity form of tenure in which residents have an equity stake in residential property. This is because the research carried out for us by the New Economics Foundation clearly showed that the aspirations of key workers and others with moderate incomes excluded from the housing market was to have an equity stake in the housing market.

The residents interested and eligible for the housing are admitted into membership of a Mutual Home Ownership Society (MHOS), a registered Industrial and Provident Society. This must be a mutual organisation for two reasons. Firstly, only a mutual housing organisation is excluded from statutory tenancy provisions. It is therefore free to create the tenure model that grants residents an equity stake through the terms of a contractual lease. Secondly, because it is a mutual, any payment of equity growth to members when they leave is tax exempt, in the same way that the increase in capital value of a home owner's home is a tax free gain.

The CLT grants the MHOS a lease of the land owned by the CLT at a peppercorn rent. The lease contains obligations to build a specified MHO project. It works with a development partner, which takes the development risk (and potential development construction profit) and agrees to build the housing for an agreed maximum price to specified standards. Finance for development is raised through a standard development period loan.

When the housing is complete the MHOS takes out a long term 30 year corporate mortgage that finances the project construction and development costs. It is a corporate loan rather than a collection of individual mortgage loans because it will be cheaper to residents, in the long term, and will avoid the arrangement and transaction costs, implicit in individual mortgage loans, that erode the benefit of equity growth in other sub market home ownership products. The loan will be structured to give MHOS members the long term certainty over interest rate risk.


The value of the portfolio of property owned by the MHO is divided into units of property equity (say, £1,000 units, although they could be smaller) which residents fund through monthly mortgage payments under the terms of a long (99 year) lease. New residents will be required to take-up and finance a

number of units of equity according to their income and ability to finance them. As their salary increases they can take up more units of equity when they become available for sale.

The lease sets out members' occupancy rights and responsibilities, including resident management responsibilities as in a leasehold management company, and the obligation to pay leasehold service costs. It also sets out their right to an equity payment when they leave. The equity payment is due if the value of the units of equity they have funded has increased during the time they are resident in the housing owned by the MHOS. Monthly charges are geared to be affordable at 35% of net income. In effect, the value of the land at nil cost is distributed according to income/need. It is a subsidy that reduces over time for each member as their income rises and they meet their obligation to finance additional units of equity; an obligation that can be enforced through the terms of the lease. All units of equity must be allocated to and funded by payments from members of the MHOS.

When a resident leaves they assign their lease (occupancy rights) to a new incoming member who cannot afford to buy a home on the open market and who qualifies for housing (if the land is made available for specific categories of key workers). The outgoing member's units of property equity are sold when they assign their lease. Some go to existing members who can afford to increase their equity stake because their income has risen. The balance goes to the incoming member at a lower affordable net cost. The value of equity assigned is determined by reference to an index that is incorporated into the lease. The index is a combination of a local housing market value index and average earnings. This reduces risk by smoothing the peaks and troughs of the property market and helps to keep the housing affordable. This trading of equity shares ensures that the benefit of the land held outside the market by the CLT and the affordability it creates is recycled from one generation of occupant members to the next.





The outgoing member takes 90% of any increase in the index-linked value of units of property equity they financed while they lived in the mutual. 10% remains in the MHOS to strengthen its finances by creating an asset reserve. The 10% is an acceptable retention of asset growth given that the resident has had the benefit of the scheme. This growing asset reserve will enable the MHOS to drive down borrowing costs by lowering mortgage default risk.

These arrangements create a new way of owning equity in the value of residential property. It is a similar way of holding property equity to the way pension equity is financed and held – specified numbers of units of market-value linked equity are financed by monthly payments and held in a common trust fund until a specific event in time – in this case not retirement from work but moving out and selling

equity units held. Equity growth withdrawn is financed by topping-up the mortgage loan.

MHOS members will also be expected to make a personal financial commitment to the scheme by financing 5% of their equity stake as a cash investment in the Mutual Home Ownership Society. This will act as security against arrears of mortgage/service charge payments. It is planned, over time, to develop savings schemes to enable those interested in MHO to save for this investment.

The Society has a commitment from the Greater London Authority to provide a suitable site in London for a pilot MHOS project and we are currently awaiting a final decision from English Partnerships on whether they will supply a site in Stroud for the provision of another pilot site.

The Society's Board of Management

The Board of Management is made up of 15 members, elected by the members of the Society. In addition, the Board may co-opt up to three additional members of the Board to serve terms of three years. The elected members of the Board are 10 constituency members and 5 expert members. The 10 constituencies are split into 7 geographical constituencies covering the areas in which the Society operates and 3 constituencies representing the type of co-operatives that the Society works with. However, any member of the Society may stand and be elected to any position on the Board. Board members are elected for a three-year term, but are entitled to stand for re-election on expiry of their period of office.

Members of the Society are either corporate members or individual members. The policy also allows for any organisation that receives, or may receive, services from the Society to become corporate members. Individual membership is open to individuals who have a special interest in supporting housing co-operatives or contributing their special knowledge or expertise to the work of the Society. The membership policy does not allow for individual tenants or tenants of co-operatives receiving services from the Society to become members, but it does provide a collective membership route for tenants of CDS who are living on estates which are not co-operatively managed by tenants. A copy of the full membership policy may be obtained from the Society's website.

The Board of Management – as at 31/08/06

Maureen Stables (Chair)	Expert Member
Glyn Thomas (Vice Chair)	Expert Member
Ajit Mitra (Treasurer)	Co-opted Board Member
Godfrey Best	London Borough of Bexley Constituency
Val Campbell	Expert Member
Tim Clark	Beds, Herts, Essex and London North Constituency
Cyril Davenport	London South East Constituency
Paula Farrow	Dartford, Rochester and Swale Constituency
Mike Jeanes	Expert Member
Ashleigh Kimmance	Dover, Shepway and Canterbury Constituency
Theresa Lyons	Ashford, Maidstone and Tunbridge Wells Constituency
Stephen Mallaburn	Fully Mutual Primary Co-op Constituency
Lawrence Zollner	Hants, Surrey and London South West Constituency

There are currently three vacant places on the Board of Management.

Honorary officers

Lord Graham of Edmonton PC	Honorary President
John Davis	Honorary Vice President
Maurice Huggett	Honorary Vice President

We were saddened to learn in October of the death of Dan Rourke, a former honorary vice president of the Society and before that a long serving member of the Board of Management. Dan was a resident at one of our client co-operatives, Darent Housing Co-operative Ltd.



Code of governance

The Board of Management has considered and seeks to comply with the Co-operatives^{UK} Code of Governance in all areas that are relevant to a secondary housing co-operative.

The NHF published a revised Code of Governance in Summer 2004. The Board of Management has reaffirmed its commitment to the principles of good governance and to complying with the spirit and essence of the National Housing Federation's Code of Governance for member organisations. The Board has confirmed its compliance with the code or has taken specific decisions to ensure future compliance with the code in all areas, except as follows:

- The Board is committed to a democratically elected Board and to encouraging the involvement of client co-operative representatives on the Board. In order to achieve this commitment and to ensure that the Board has the proper range of skills required, it has decided not to reduce the size of the Board to the maximum of 12 recommended by the Code of Governance.
- The Board continues to believe that paid members of staff should not serve as members of the Board of Management and consequently those parts of the code relating to this issue do not apply.
- The Board is committed to ensuring that new people with new ideas and skills become members of the Board. However, it does not believe that this should be achieved through the imposition of an arbitrary maximum term of office for Board members as recommended in the code.



Equality and diversity

CDS Co-operatives recognises that groups and individuals have suffered, and continue to suffer from discrimination, that is direct (whether intentional or unintentional), indirect and institutionalised.

The Society recognises the need for equality of opportunity and the management of diversity in all aspects of its operations including the provision of housing and employment. It is our intention to ensure that nobody receives less favourable treatment from us or agents acting on our behalf on the grounds of gender, race, colour, ethnic or national origin, marital status, responsibility for dependants, sexual orientation, disability, age, gender reassignment, social status, political, cultural or religious beliefs.

Working to eliminate discrimination, unfairness, inequality and disadvantage, we take practical action through the development of initiatives and interventions to promote and value diversity at all levels of the organisation. As an organisation we actively recognise and manage diversity in the workplace in a strategic way, looking at innovative ways of changing the organisational culture and empowering our workforce.

All forms of discrimination and harassment are totally unacceptable to us in our role as housing provider and

employer. We have adopted an equality and diversity policy which, in tandem with other relevant policies (including our equality and diversity strategy and action plan, the Society's recruitment policy and harassment policy) provides a framework for promoting equality, valuing diversity and challenging discrimination if it occurs. We seek to value diversity by going beyond just fighting discrimination.

We are committed to ensuring that all our staff and members of the Board of Management and its sub-committees are fully aware of their responsibilities towards the promotion of equal opportunities and valuing diversity. Our aim is to ensure that they are properly equipped to take account of the different and special needs of particular groups and thus make provision for those groups working positively towards the overall goal of the organisation.

A copy of the full equality and diversity policy is available from the Society's website.

Payments to auditors

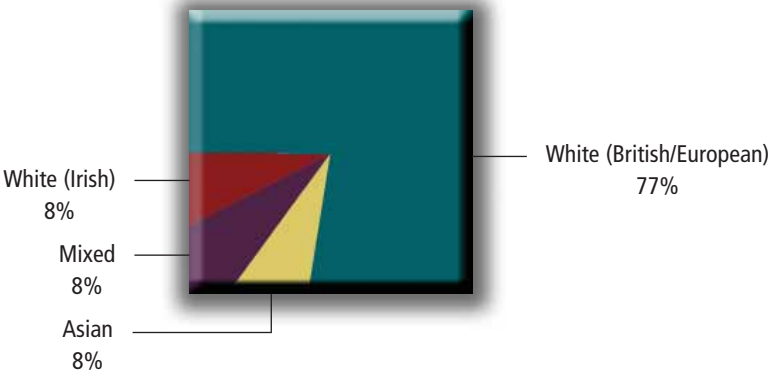
A requirement of the Co-operatives^{UK} Code of Governance is that organisations should report on fees payable to their auditors that are not directly related to the auditing of the annual accounts.

The Society's auditors are BDO Stoy Hayward, who were appointed following a tender process. Their audit fees remain in line with their tender documentation.

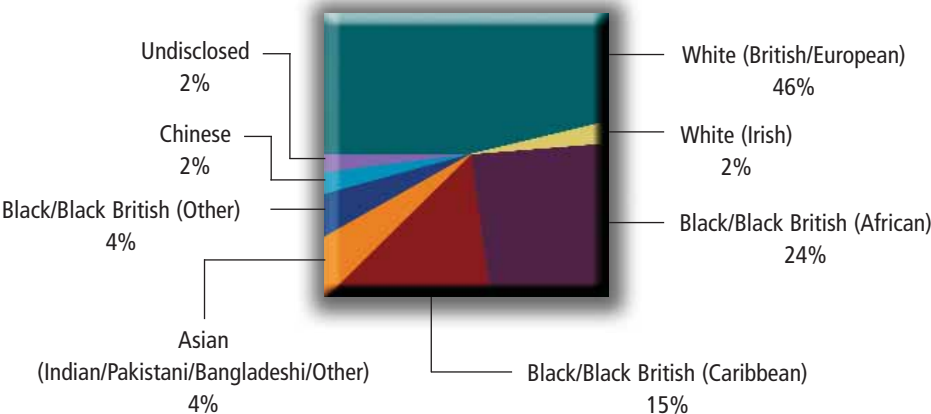
During the year to 31 March 2006 the following amounts were paid to BDO Stoy Hayward for non-audit work:

Corporation Tax Advice: £3,500

Ethnic origin of the Board (as at 31/08/06):



Ethnic origin of the staff (as at 31/08/06):



The Society's staff

The Society's Senior Management Team are:-

David Rodgers	Executive Director
Les Haswell	Deputy Director
Stephen Brown	Administration Manager & Society Secretary
Zaeda Kasmani	Finance Manager
Maria McCarron	Housing Services Manager
Rachael Greenlees	Development Manager

The Society's establishment staffing is 39.44 FTE (Full Time Equivalent) members of staff. As at 31/08/06 the actual number of staff in post were 43.86 FTE members of staff with one post vacant.

Salary banding – as at 31/08/06

Full time equivalent salary of payroll staff, excluding pension contributions. Pension contributions by the Society on behalf of staff who opt to join the pension scheme amount to a maximum of 11.7% of pensionable salary.

Band (FTE)	No. of Staff
£10,001 – 15,000	2
£15,001 – £20,000	4
£20,001 – £25,000	8
£25,001 – £30,000	9
£30,001 – £35,000	11
£35,001 – £40,000	4
£40,001 – £45,000	4
£45,001 – £55,000	1
£55,001 – £65,000	-
£65,001 – £70,000	1

Housing Management

Stock owned and managed – as at 31/03/06

General Needs Rented Housing Stock owned by the Society	670
Short life units managed by the Society	5
General Needs Rented Housing Stock managed by the Society	1880
Shared Ownership Stock owned by the Society where the purchaser has not yet purchased 100% of the equity	109
Shared Ownership Stock managed by the Society where the purchaser has not yet purchased 100% of the equity	51
Units 100% sold but where a service charge is still levied	431
Total Units owned/managed	3,146

For full details as to the Society's client co-operatives and the location of stock owned and managed please refer to the Society's web site at www.cds.coop

Our finances in the financial year to 31 March 2006

Where the money comes from:	£
Rented homes: rent and service charges	2,507,307
Shared ownership homes: rent and service charges	202,134
Fees from managed co-ops	938,865
Income from right to buy and shared ownership property sales	184,184
Income from investments	20,868
Other income	152,795
TOTAL INCOME	4,006,153
Where the money goes:	£
Rented homes: services and charges	1,688,639
Spending on shared ownership homes	74,879
Cost of services to managed co-ops	1,228,120
Mortgage interest paid	362,967
Other expenditure	604,645
TOTAL EXPENDITURE	3,959,250
Leaving a surplus transferred to reserves	46,903
What assets we own:	£
Completed houses	33,246,002
Homes under construction	7,093,493
Monies owed to CDS Co-operatives	691,869
Office and computer equipment	149,514
Cash at bank	145,560
TOTAL ASSETS	41,326,438
Reserves and liabilities:	£
Grant received on completed houses	22,041,134
Housing properties depreciation	1,135,999
Grant received on homes under construction/pending sale	3,451,703
Long term mortgage loans	4,880,233
Amounts owed by CDS Co-operatives	4,147,954
TOTAL LIABILITIES	35,657,023
Leaving net reserves and shares	5,669,415



Key Performance Indicators for the year to 31 March 2006

Except where explicitly stated the performance information given relates to CDS owned stock and not stock managed on behalf of client co-operatives.

Lettings

There were 49 lettings for the period 01/04/05 to 31/03/06 (including transfers but not including mutual exchanges), of which 3 were first time lettings of newly acquired properties.

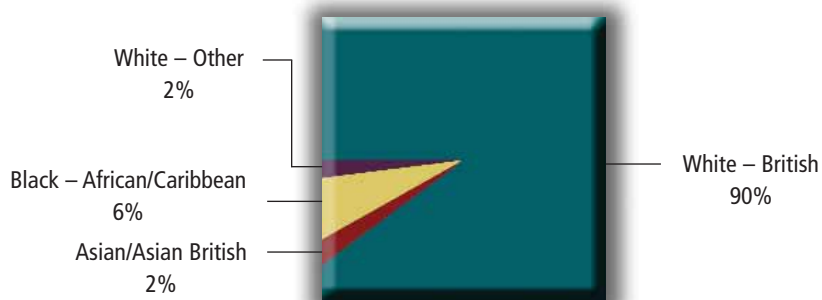
Household type



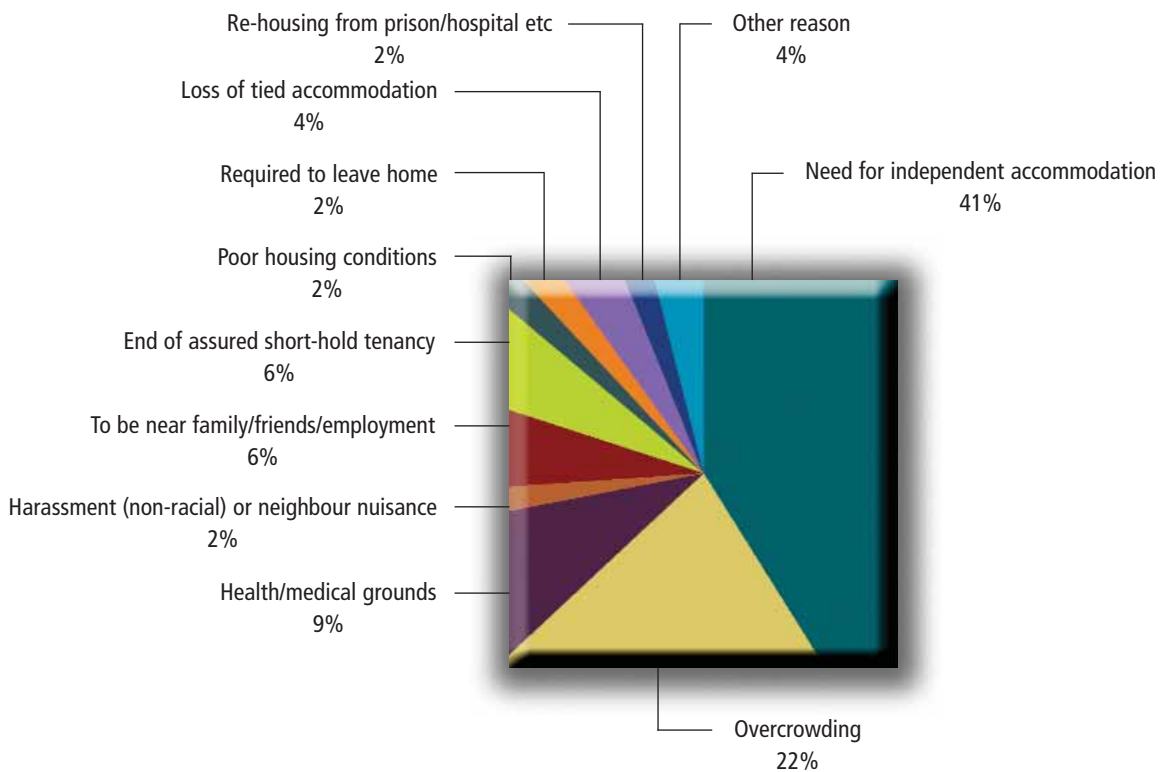
Source of referral



Ethnic origin of household



Housing need – the main reason given for re-housing



Housing Benefit entitlement



Homelessness



Rent and Service Charge Collection Rates

Rented Housing Stock owned by the Society	£	
Rent charged in the year to 31/03/06	2,544,816	
Rent collected in the year to 31/03/06	2,537,671	(99.72%)
Amount lost due to void properties	20,415	(0.80%)
Former tenant debt written off as uncollectable	110	(0.00%)
Current rent arrears as at 31/03/06	104,378	(4.10%)
Rent arrears as at 31/03/05	121,408	

Shared Ownership Stock jointly owned by the Society and the tenant/leaseholders

Rent charged in the year to 31/03/06	214,117	
Rent collected in the year	218,568	(102.08%)
Rent arrears as at 31/03/06	7,636	(3.56%)
Rent arrears as at 31/03/05	12,770	

Service Charges to leaseholders/freeholders on Society estates

Service charge levied in the year to 31/03/06	90,346	
Service charge collected in the year	92,243	(102.09%)
Service charge arrears as at 31/03/06	10,413	(11.53%)
Service charge arrears as at 31/03/05	9,571	

Average Rent Data

The Government has announced that it would like to see the rents charged by registered social landlords, like us, and local authorities, harmonised and a new policy has been introduced of target rents. Target rents must be calculated for each property. 30% of the target rent is based on the value of the property compared to a national average property value and 70% of the target rent is based on the level of local earnings compared to a national average figure. The Housing Corporation has published the local earnings data and the national average property value. The Society has



carried out valuations of beacon properties and this has enabled a calculation of the target rent for each property. Under the regime we have a 10 year period, from 2002 until 2012, to bring our rents in line with the target rents.

The tables below give average rent data for Society owned stock in each local authority area and shows the comparison average target rents for our stock.

Property size	Number of units	Average weekly rent (£)	Average target rent (£)
Dartford			
Bedsit	24	45.77	49.10
1 – bed	71	53.31	56.28
2 – bed	102	63.67	64.53
3 – bed	25	77.69	76.47
Welwyn Hatfield			
1 – bed	8	64.72	66.62
2 – bed	10	72.13	75.30
3 – bed	11	83.40	81.56
Dacorum			
1 – bed	14	58.74	59.72
2 – bed	9	66.83	69.54
3 – bed	10	81.64	80.60
Colchester			
1 – bed	11	58.51	52.25
2 – bed	15	65.07	59.41
3 – bed	26	74.67	67.59
4+ – bed	4	78.42	72.78
Canterbury			
2 – bed	2	88.56	73.75
3 – bed	6	93.28	76.36
Tower Hamlets			
2 – bed	4	58.82	97.89
3 – bed	1	77.46	106.14
4+ – bed	14	102.56	132.83
Shepway			
1 – bed	10	52.50	51.24
2 – bed	5	65.31	63.74

Complaints about Service

During the year there were 69 complaints from residents about our service. These were all resolved within the financial year and none were referred to the Independent Housing Ombudsman. There were 5 complaints from our client co-operatives about services that we provide to them. The nature of the complaints received is detailed in the table.

SUBJECT	Individual tenants & leaseholders	Committees
Standard of services overall	16	1
Action taken by an arrears officer or co-op support officer	8	
Rent arrears procedures	4	
Service charges	3	
Repairs & maintenance	16	2
Late payments (finance)	1	
Defects (development)	5	1
Other	16	1
TOTAL	69	5

Routine Maintenance Service (all responsive repairs raised by the Society's customer services team)

Type	No. of repairs notified	Target time (days)	Repairs completed within target %
Emergency	714	1	95.5
Urgent	1,228	5	92.0
Routine	1,309	28	94.8

Whenever a routine repair works order is raised the tenant concerned receives a confirmation through the post which includes a brief satisfaction survey. Last year 18% of these forms were returned by tenants giving the following results:

- 94% found it easy to report the repair to CDS.
- 75% were contacted by the contractor in advance to arrange access.
- 86% were satisfied with the quality of the contractors work.
- 85% were satisfied with the overall response from CDS.

Stephen Brown
Society Secretary
4 September 2006

এই ডকুমেন্ট অনুরোধে বাংলায় পাওয়া যায়।

This report can be made available in other languages, large print or audio tape.
Please phone the helpdesk for more information on 0845 450 0545.

The Co-operative Development Society Limited (trading as CDS Co-operatives)

Registered Office:

3 Marshalsea Road, London SE1 1EP

Tel: 020 7397 5700

Fax: 020 7407 4697

E-mail: helpdesk@cds.coop

www.cds.coop

Housing Corporation Registration No: LH0170

Industrial & Provident Societies No: 17107R

Chair: Mrs Maureen Stables

Executive Director: Mr David Rodgers