

A Policy Framework for Neighbourhood Renewal

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Because neighbourhood renewal initiatives represent a response to the spatial effects of market operation, or more often to the lack of them, central government has an important role to play as a partnership member through framing and implementing the many diverse policies which affect the neighbourhood. This chapter looks at the policy framework which can enable or constrain neighbourhood renewal efforts, and these are assessed according to their longer term implications.

Of course, in attempting to peer into the future one is in realm of informed speculation; it could not be otherwise. But it is important to take this longer term perspective because just as we are only now coping with many of the manifest failures of housing and urban renewal policies initiated 25 years ago, as well as enjoying the successes of others, so the seeds of success or failure in the early 21st century are now being sown. At a time when there is considerable need and potential for neighbourhood renewal, there is also a risk that the opportunities created may be foreclosed by policies (or lack of them) and events.

Radical housing policy

In a previous chapter a view was quoted that building societies were undergoing their biggest transformation since their inception in the 19th century. In fact, the British social rented housing field is also undergoing radical change. Central government has initiated this change by pursuing a two-pronged policy direction of privatisation and demunicipalisation. Privatisation in the housing field is part of a general strategy to reduce the role of the public sector in British society and to increase that of the private sector. Demunicipalisation, of council housing stock and other services, is part of the

privatisation strategy but is also part of a general reorientation of the roles of central and local government in British society, which involves diminishment of local government spending power and areas of authority, and a concurrent centralisation of functions in central government departments and agencies.

These policy thrusts have opened up a range of opportunities for neighbourhood renewal, but also, depending on the cumulative effect of a number of policies, the possibility of many serious constraints on neighbourhood renewal efforts. These seemingly contradictory trends only reflect the fact that the old institutional arrangements had many limitations, and that new initiatives which tap into the energy created by partnership approaches were clearly required. Whether the new initiatives will prove appropriate to the task is a separate question.

New opportunities include better and more varied solutions to housing problems; greater consumer choice over sources of housing and management styles; consumer-oriented service delivery in all aspects of rented housing; the possibility of economic, social and built environment renewal proceeding simultaneously; creative fusion and better balance between public, private and voluntary sector initiatives; more empowerment of local residents and neighbourhoods; and the possibility of new initiatives in neighbourhood renewal.

There is, however, a danger that the opportunities created may be foreclosed before they are realised. Constraints on neighbourhood renewal include: the lack of a coherent and co-ordinated policy and implementation by central departments sufficient to meet the pressing needs of neighbourhood renewal; problems resulting from over-centralisation of housing and planning functions; 'ghettoisation' of the poorest tenants in the worst housing, either council or privately owned; unwillingness to address problems of market economy failure in the worst-off neighbourhoods; a shift away from rehabilitation in the inner cities; further polarisation between tenants and owner-occupiers; the subversion of housing association voluntary status in an effort to create a corporate private rented sector; and continued erosion of local partnership efforts and local initiative as a by-product of central government's restructuring of local government.

The implications of government policy for neighbourhood renewal

Earlier chapters have shown the need for neighbourhood renewal, and the potential for partnerships to address those needs creatively. This chapter examines the opportunities, limitations, constraints and risks which current policy direction and drift suggest. It is neither possible nor useful to separate

out the implications of privatisation from those of demunicipalisation and centralisation; they are self-reinforcing in many ways. Rather, the potential limitations of policy in a number of areas important for neighbourhood renewal are explored, and suggestions made for the improvement of policy and policy implementation.

Neighbourhood renewal and docklands-style partnerships

Before moving on to specific policies it is worth a reminder who the recipients or clients of policy might be. One distinction is between:

- existing neighbourhood residents and families, employers and employees and others with a direct connection to a neighbourhood;
- potential residents, and residents of the city at large.

This categorisation can be usefully combined with a second, proposed by Lund (1988), which are types of people for whom home ownership is not a viable option:

- single people and couples who are highly mobile and for whom the transfer costs (including time) of owner occupation outweigh any capital gains made;
- those claiming income support or with low wages relative to house prices in any given area.

Figure 8.1 Recipients of urban policy

		Policy Recipients	
		Owner-occupiers	Non owner-occupiers
TYPE I	Neighbourhood renewal policies	Low income, lack of marketable skills	Low income, lack of marketable skills
TYPE II	Docklands-style renewal policies	Better-off, skilled	Mobile, skilled

By combining these two distinctions and adding another between two different kinds of urban renewal -- neighbourhood renewal and docklands-style renewal -- a matrix can be derived which is helpful for policy analysis (Figure 8.1).

Many of the successes in docklands-style urban renewal have focussed on type II policy recipients and have been based on policies intended to 'draw-in' new residents, investment and economic activity into hitherto derelict industrial areas. Neighbourhood renewal policy on the other hand, while looking to new investment, must also consider the needs of a large number of existing residents on low incomes and usually with a lack of marketable skills. Neighbourhood renewal policies must therefore be integrated housing, environment and 'people' policies, and must address employment, income and social needs as much as the need for new investment. Not all policies suitable for type II, docklands-style, renewal will be relevant to the task of type I renewal. Some policies will need to be adjusted, and new policies will need to be developed. Equally, many policies will overlap both types of renewal and a high degree of 'policy coherence' is necessary if built environment, and social and economic renewal, are to occur simultaneously.

Policy coherence: who's in charge here?

Housing has been subject to more pieces of legislation this century than any other area of public service in Britain. The lack of stability this engenders has been identified as a serious problem of housing policy (Spencer, 1988).

There has also been an historical confusion over the objectives and appropriate lead central department for urban renewal efforts:

The Departments of Environment and of Trade and Industry have been vying for the position of lead department. The DoE sees the built environment as the yard-stick of regeneration; the DTI, job creation. The DoE has been trying to keep companies in city and town centres; the DTI has given grants to companies building on out-of-town green field sites (*Contract Journal*, 1988, p.12)

In 1989 it appeared that some resolution of this anomaly was in the offing: In July *The Independent* reported:

The Department of the Environment is now back in full charge of Britain's urban problem, two years after civil servants bridled at the transfer of a large part of the job to the Department of Trade and Industry and were put firmly in their place by ministers for doing so.

However this report was obviously premature, for DTI had not given up the fight. *The Independent* reported again on 10 August 1989:

A Whitehall power struggle has broken out over control of a vital element of the Government's inner city policies. In the wake of last month's ministerial reshuffle, the Department of Trade and Industry and the Department of the Environment are engaged in a tug of war over Task Forces and City Action Teams, the frontline channels for the Government's inner city aid programme ... But it emerged yesterday that Mr. Newton's previous responsibility for the 16 inner city Task Forces and the City Action Teams had been retained by the Department of Trade and Industry.

One source said last night that the issue remained to be resolved by the Prime Minister, and he denied that there was any dispute.

Although the focus for urban renewal policy now appears more firmly centred in DoE rather than DTI, it is still not clear who is in charge. Nor is there sufficient co-ordination between the housing and planning sections at DoE. One result of this to-ing and fro-ing is that there is little in the way of a coherent urban renewal policy, which is capable of embracing the diverse elements of housing regeneration and neighbourhood renewal, including environmental, employment and social aspects. There is in effect a policy vacuum which is in danger of constraining the potential for partnership neighbourhood renewal.

The housing policy vacuum

Beyond an ideological commitment to demunicipalise the council stock, encourage owner occupation, and to privatise the process of housing provision, central government appears to have little in the way of a coherent housing policy based on objectives for housing in the 1990s and beyond. It may be that de facto policy is to bring market forces to bear and not much else, but of course the very nature of problem neighbourhoods is that they represent market failure. Without a good measure of foresight and vision, and a set of defined objectives, there is no way to target resources, or to measure progress in neighbourhood renewal. The housing policy vacuum results in two major problems: first, an inhibition of partnership innovation, and second, a failure to reconcile the incompatible objectives of promoting market values with the encouragement of social objectives requiring government subsidy to offset the limitations of market operation.

On the first point, because partnerships are at the leading edge of a new style of cooperation between local authorities, housing associations and the

private sector, they demand a lot of learning-by-doing of local conditions, and of the organisational culture of one agency by another. This process often involves considerable face-to-face meeting time of people at the highest levels in organisations, subsequently translated into a complex but workable financial and development package. Unfortunately the main complaint of most partnership members from public, private and voluntary sectors is that all this learning is continually 'undone' by the vagueness of central policy, and by the lack of co-ordination between Treasury and DoE, the Department of Social Security and DoE, and between the planning and housing sections of DoE.

On the second point, the DoE appears to be having difficulty reconciling competing demands made on it by government to promote a market orientation in financing, rent levels and land valuations, at the same time it is to encourage social, subsidised housing developments by non-private agencies such as housing associations. The result is that:

- grant regimes and funding arrangements are frequently altered, without recourse to clear principles, and therefore appear arbitrary and whimsical;
- partners spend large amounts of time rewriting proposals to conform to the changed rulings.

The problem is said to 'percolate down to all aspects of DoE's dealings with partnerships' and to undermine the required confidence and clarity that an overall policy framework would give. The result is that instead of offering general guidance to the whole area of partnership efforts, the DoE focuses instead on the 'nuts and bolts' of project finance, and policy represents no more than the aggregation of these small decisions.

Centralisation and local initiative

The 1977 urban policy White Paper promoted partnership between central government and local authorities, in which the latter provided local knowledge of needs and a vehicle for directing central funds into inner city environments (Duffy, 1989). Urban Development Grant (UDG), an idea borrowed from the USA, was the main policy instrument. However, from May 1988, as part of a continuing process of centralisation of power in Whitehall, UDG was replaced with a 'City Grant' in which central government deals directly with private sector developers, cutting local councils out of the process. A recent 'Developer's Guide to the Inner Cities' (*Contract Journal*, January, 1988) describes the general approach:

Everyone agrees that the scale of urban dereliction is huge. Its reversal would provide the construction industry with a large slice of its workload for a decade or more. But so far, with the exception of London's Docklands, regeneration has taken place only on a piecemeal basis.

The reason is that the Government wants to remove the local authorities from the process, and so centralise power. It has done this by ending council house building, restricting the use of capital receipts and paying grants direct to developers rather than through local councils. The Government has been evolving a structure to plug the gap but has been hampered by confusion of responsibility between departments.

The government's attitude to local authorities as partners in renewal is reflected in its general approach as much as its policies. For example, Kenneth Clarke's famous breakfast meetings to promote urban renewal are described in *New Civil Engineer* (June, 1988):

Among all his other responsibilities at the Department of Trade and Industry, Kenneth Clarke is waging a campaign to persuade businessmen up and down the country to take upon themselves the task of regenerating their local inner city areas. At a series of highly publicised breakfast meetings in city centres, amid American style razzmatazz, he is cajoling, educating and enticing them into action. But any local councillor who applies for a ticket to one of these 250 seat breakfasts will be refused. Clarke does nothing to disguise his hostility to urban local government, and he clearly sees its role in inner city regeneration as secondary to that of the private sector.

In as much as this attitude is indicative of the government's views, it leaves central government with only two options: leave urban renewal to the private sector and withdraw from the game, or become actively and locally involved in the assessment of every urban renewal initiative in England involving central funds, such as with City Grant or Housing Association Grant. There is plenty of evidence that the first option is untenable: many inner city problems reflect what is loosely termed market failure but what is more accurately described as market disinterest in problems and neighbourhoods where little or no financial gain is likely. This is rational risk awareness on the part of the private sector, for such problems are beyond the capacity of single firms or even consortia of companies. The government has therefore opted for the second option:

We're making sure that central government gets directly involved, and the thing we're concentrating on most at the moment is getting private sector

participation in this country up to the right level' (Clarke, quoted in *New Civil Engineer*, June, 1988).

There are two sides to this centralisation coin.

- Local authority initiative is appropriated by central departments, and the range of local government options in renewal are reduced.
- Policy is developed on an ad hoc basis by leaving most of the detail to be decided gradually by the Secretary of State through regulations, rather than through primary legislation.

On the latter point, many people feel that central government's implicit approach is to curtail the very kind of local initiative which is praised in American urban renewal efforts, by insisting on detailed development consents by the Secretary of State, and particularly by the changing of the financial 'rules of the game' with what the leader of one of Britain's most innovative local authorities calls 'monotonous regularity'. Decisions are further centralised and often delayed by what partnership members see as the arbitrary use and interpretation of the accounting conventions which attempt to distinguish public from private expenditure. Such delays have meant millions of pounds additional costs to projects. These concerns are expressed by nearly all partners in the case studies, both public and private.

The other side of the coin is a reduction of local partnership options and initiative by the centralisation process. For example, City Grant is funded and administered 100 per cent by central government, cutting out local authority involvement in assessing or funding projects. City Grant replaced Urban Development Grant, Urban Regeneration Grant and, in some cases, private sector Derelict Land Grant. Grant is available to private sector capital development projects which would not proceed without grant. All schemes must provide either jobs or private sector housing. This can be housing for sale or, if it does not increase the amount of grant needed, housing to let at market rent. All projects must bring in substantial private investment. Applications for grant are made direct to the Regional Offices of the Department of the Environment.

The use of City Grant in England however can be compared to the continuing use of Urban Development Grant in Wales, where local authorities and private sector developers together identify projects which would not go ahead without public sector assistance. Once the local authority is satisfied that such assistance is needed an application is made to the Welsh Office which administers the scheme. If approved, the local authority will be authorised to

give financial assistance of a specified amount, a proportion of which is reimbursed by the Department of Environment. The proportion is normally 75 per cent. The system is similar in Scotland.

Just why English cities should be treated differently from those in Scotland and Wales is unclear, but such devolution of power in Celtic regions is both commendable and efficient. In reality, the administration of City Grant is just one example of the poor relationship between central and local government in England – a situation avoided in Wales and Scotland to a considerable extent. For example, the Glasgow studies reported in the next chapter suggest a reasonably good working relationship between Glasgow District Council, Strathclyde Regional Council and the Scottish Office, which accounts in part for the high level of innovation and success in neighbourhood renewal in Glasgow. Although not without their differences, the levels of government in Scotland understand that at the end of the day cooperation in partnership, rather than conflict, is the most effective approach to the daunting problems of urban renewal.

A Glaswegian example bears this out. In about 1987, the Scottish Office decided that it wanted to become an active partner in peripheral estate renewal in Scotland, and to mount a series of flagship pilot projects, it in effect asked the large local authorities to assess which estates could be renewed in partnership, and to formally invite the Scottish Office and its agencies into the renewal process. A negotiating process followed in which various options were assessed and agreement was reached on which estates were most appropriate for a central-local-community partnership approach.

This can be compared to the unfortunate manner in which central government in England has attempted to impose HATs on local areas. The DoE would have been better off to propose a partnership renewal programme which included, as at Castlemilk in Glasgow, elements of tenure diversification: housing association and co-op tenures (ultimately 30 per cent of units at Castlemilk), private owner occupation (20 per cent), and council house refurbishment (remaining 50 per cent); and to make clear that a substantial sum of money was to be made available. Wise local authorities would have been queuing to invite the DoE in, and recalcitrant authorities might well have followed later as successful programmes developed.

The negotiating process at Castlemilk was delicately played out, with both central government and city council preparing alternative (but compatible) plans for the redevelopment process, to be used as negotiating counters. Both sides have something to gain from a partnership; the Scottish Office a piece of the action, the city council a financial inducement in terms of a £70m

shortfall in its own renewal plans. It is not surprising therefore that the putative partners arrived at a compromise arrangement in late 1989. This degree of cooperation between central and local government in Scotland has also meant that the Scottish Office publically states that no UDCs or HATs are necessary for Scotland.

The use of City Grant to cut local authorities out of the grant application process, leaving it only with a residual planning role, also runs counter to the American experience:

That appears to fly in the face of evidence from the US and elsewhere that successful urban regeneration comes from effective partnership between three parties: central government; local government and business (Ferguson, 1988, p.4).

The operation of the American Urban Development Action Grant (UDAG) described in chapter four, bears this out.

There are other ways in which centralisation stifles local initiative in neighbourhood renewal. One byproduct of dramatic reductions in HIP allocations is that programmes of housing renewal based on years of effective collaboration between local authorities and housing associations are coming to an end, to the distress of local authorities, including Conservative Kensington and Chelsea for example, reported later in the case studies.

Another effect of HIP cuts is further centralisation of control over housing association activity in the agency of central government, the Housing Corporation, by which central political and policy thrusts, like privatisation, can be implemented. Its powerful tool, Housing Association Grant, is used as an effective instrument of government policy in a number of ways, for example, to draw in private finance, or as will be discussed shortly, to shift emphasis away from inner city housing rehabilitation to build new houses.

Although the overall level of Treasury subsidy to the national needs of neighbourhood renewal is the key to the process, the potential of HAG as a policy instrument is also substantial. It could be an important vehicle of neighbourhood renewal or conversely it could be used as part of a programme to engineer a new corporate private rented sector. However it is used, it is increasingly the case that as local authorities are squeezed out of direct housing association funding, central government, through the Housing Corporation, will dictate to local authorities the types of housing activities which will be funded.

There are other ways in which central government calls the tune. The DoE's clampdown on leaseback and barter arrangements between local

authorities and the private sector is reported to cut off urban renewal initiatives on inner area housing, shopping and conservation policies through the effect of cost penalties. The Royal Town Planning Institute (RTPI) for example, argues that the regulations:

restrict the ability of the local authorities to enter into partnerships with the private sector for the development of land on sites where the problems were such that the private sector alone would not have contemplated development (*Planning*, April 1988).

The RTPI says that as a result, provision of socially desirable but uncommercial developments, of a type often necessary to engender the neighbourhood renewal process, are drastically curtailed. The effect in inner city neighbourhoods is especially severe, given this is where private-funded schemes are likely to be least viable. Similarly, the Association of District Councils notes:

The Government has praised such joint ventures, but now it is killing them off because a few councils exploited the system to evade spending limits (*Planning*, April 1988).

The effect of the centralisation policy

Generally, such a centralisation programme will not result in a policy framework conducive to maximum success in neighbourhood renewal. The evidence from the United States, Canada and northern Europe is that, for effective local urban management, central government must provide active encouragement for imaginative thinking and innovative action in local government (Stewart and Stoker, 1989). Britain's central government has shirked this fundamental task.

The dangers of centralisation are clear:

Centralised government is, in the end, weak and inefficient government. General rules set by the centre do not apply with equal force to local circumstances. The application of centralised rules usually results in overload and bureaucratisation, while attention given by the centre to local problems is at the expense of the problems that central government is most able to solve. Frequent interventions by central government in setting varying targets and grants-in-aid, using different formulae and different criteria, are destabilising for local decision-making, whilst the resources devoted to coping with this uncertainty are wasted (Jackson, 1988, p.17).

Later this chapter proposes an 'enabling policy framework' by which central government can encourage local initiative in urban regeneration. It also considers the potential for statutory renewal areas to redress some of the problems of overcentralisation, assuming that the regulations being drafted for the Secretary of State are devised in such a way as to promote genuine neighbourhood renewal.

Policies towards housing associations and cooperatives

Well before the advent of council housing in the 1920s, charitable housing trusts such as Peabody, Guinness and Sutton Dwellings were providing good quality dwellings at modest rents. Their role has not diminished, these three trusts currently provide 35,000 rented dwellings. Other associations, such as North Housing, arose in the 1930s or the post-war period to meet desperate housing need.

Since the 1974 Housing Act, housing associations have had an admirable record in housing rehabilitation, and most of the case studies point out housing associations and cooperatives' important role in meeting the needs of neighbourhood renewal. The government also sees great potential for housing associations to help meet policy objectives, being neither Rachmans nor profligate local authorities. Housing associations are therefore earmarked for a massive 85 increase in government funding through the Housing Corporation by 1991, for new build and some continued rehabilitation work.

Similarly the 'Tenant's Choice' provisions of the Housing Act 1988 offer at least the possibility that substantial amounts of local authority stock will be transferred to housing associations, either to existing associations or to new associations created specifically to take over council estates. However the extent of transfer and the general rate of growth of the size and number of associations is an open question. Under the current arrangements and rent levels, large scale transfers are unlikely, but it is equally an option for central government to create powerful incentives to transfer. At present Treasury rules require that council stocks be transferred at market prices, and funds will need to be raised to repay existing loans, which may act as a disincentive. Whatever may transpire, a view ahead to the year 2000 would offer a distinct possibility of a greatly expanded role for housing associations as a corporate provider of British rented housing.

At first glance, and given the housing associations' enviable record in rehabilitation, such a development would bode well for neighbourhood renewal. There is however danger that other pressures will conspire to reduce

or eliminate the opportunity for housing associations to make their much needed contribution.

These policy issues arise.

- The risk that housing associations will cease to be social landlords and instead become a new private rented sector.
- The question of the appropriate scale and diversity of associations compared to the task of renewal.
- Relationship among national, regional and local associations, and other partners, especially local authorities.

The social objectives of housing associations

The historical social, that is non-profit, orientation of associations, and the movement's record in housing those in need, is well documented. The intention of the housing association movement to remain as social landlords was clearly set out in 1987 by the now Director of the National Federation of Housing Associations:

The movement rejects the concept of its incorporation into an 'independent sector' along with private landlords. We do a completely different job, work in a very different fashion and have objectives which are wholly different from the private landlords. Housing associations are properly part of the social housing sector and establishing an identifiable tenancy arrangement will help make that clear (Coulter, 1987, p.19).

In the event, the government has steadfastly refused to create a separate housing association tenancy, and new association tenants are now 'assured' tenants as in the private sector. This and other developments have clearly worried the housing association movement, and rightly so. Among the concerns are:

- association rent levels are being pushed up towards the one-third of income proposal attributed to, but then denied by, the Director of the Housing Corporation;
- housing rehabilitation is becoming more and more difficult to fund under HAG;
- financially 'risky' but social appropriate developments are avoided because of the need to attract private finance;
- there is a policy preference for low cost owner occupation over renting; and

- there is a gradual, subtle shift of the institutional framework (as for building societies) towards a more general profit orientation and commercial awareness of the need for improving returns on capital.

Taken together, these trends may make it increasingly difficult for housing associations to continue with their traditional aims and objectives, and to meet the needs of their traditional client groups. There may be a temptation to house those who can afford the rents or the mortgage, or those whose total rent costs will continue to be met by housing benefit, but not those on low freed incomes or in low wage employment.

In addition to concerns about their ability to serve their traditional clients, associations are concerned about their institutional status and ways of working. A strength and the attractions of the housing association movement is its occupation of the middle ground between public and private sectors. Without continued government underwriting of risky investments, associations may abandon this middle ground of charitable status (as some already have). Their existing 'social housing' board members may prove less appropriate to new tasks as emphasis shifts from a focus on client and product to the ability to raise mixed finance. New board members may not necessarily find traditional objectives compatible with new ways of working. At an extreme, and keeping in mind that provision of housing for those on low incomes is an area where returns on investment are notoriously poor, there is little beyond sentiment or government policy to keep housing associations in the social housing business.

A statement by a recent special ministerial advisor at DoE provides fair warning of where government might feel pressure needs to be placed to achieve a real end to 'public' housing:

Housing Associations (are) in the front line of the Government's reforms for taking over local authority on housing and expanding renting generally. It is far from clear that they will be steadfast allies. Although the Government has taken to calling them part of the 'independent' sector, their traditions and funding are almost entirely public sector. Until recently they have depended on 90 per cent Housing Association Grant from the Government's Housing Corporation for their capital costs, on freedom from risk and competition, on low 'fair rents' set by another agency and on close cooperation with many local authorities, which they will be reluctant to antagonise. Many can be regarded as the continuation of local authority housing by other means (Coleman, 1988, p.39).

Maintaining scale and diversity in the housing association movement

It is a reasonable question whether national and regional housing associations, often operating out of local offices, or genuine community based housing associations, would be more effective in meeting the national need for neighbourhood renewal. As suggested in a previous chapter, 'localness' counts for a lot in terms of empowerment of residents by their own neighbourhood institutions. On the other hand, bigger associations have a breadth of experience to draw on, more skilled staff, and more financial clout. Also, as Maclennan et al. (1989b) point out, bigger associations realise economies of scale in housing management, and perhaps development. In any event, neighbourhood renewal is such a localised, unique and complex task that such an analysis, beyond case studies, is probably impossible.

What is clear, however, is that to avoid replicating the 'one answer' housing solutions of the 1960s, where policy, finance and fashion dictated system-built tower-blocks or deck access flats, government would be wise to promote the policy equivalent of 'biodiversity' – many streams of housing provision in a variety of tenure-ownership types. This may be its intention but there is a danger that a rush to demunicipalisation, voluntary transfer and part private schemes will favour large housing associations, the biggest 14 of which already own a third of housing association stock. They have the asset base, the ability to borrow on the private market, and the qualified development departments to take on the task, and therefore an important role to play. It will be natural for local authorities to turn to them. At the same time there is increased evidence of mergers between medium-sized associations designed to create larger, financially stronger associations with an expanded capital base. One reason for this trend to bigness is financial; social housing is:

Unfamiliar territory for the City's investment analysts and they are less interested in the non-profit making objectives of housing associations than their asset bases. Without significant asset base there is unlikely to be a massive inflow of private funds (Pilkington, 1989).

But experience, particularly in Scotland, suggests that smaller and community based associations and cooperatives may play a key role in neighbourhood renewal. Developments by these smaller organisations and especially where tenants become genuine partners, certainly take longer and may therefore require higher levels of central subsidy, but must not be foregone solely for that reason.

In addition, the recent complexity of mixed financing now requires a level of financial clout and analysis capability which increasingly favours large

associations. One positive response to this kind of complexity is the development consortium of bigger and smaller associations, and cooperatives, to provide a variety of landlords and housing types in neighbourhoods, described in the last chapter. Another option is to consider the extent to which development and management functions can be separated, with large associations and urban renewal specialist associations making best use of their development expertise in aid of smaller associations or consortia of associations. Similarly, Maclennan et al. (1989b), in their review of housing management, argue that smaller associations could profitably contract out management functions to larger associations thereby producing a productive relationship.

The opposite side of the coin to cooperation is competition among associations. Some competition can be rewarding, for example, local authorities or community development trusts are entitled to ask competing associations to submit alternative development proposals for consideration. Other competition may be less useful, for example, the 'predatory behaviour' of out-of-town associations dealing directly with local authorities without regard for the views and viability of local associations. As discussed in the last chapter, local authorities have a key role in mediation here, according to their own objectives and criteria. However, it may also be that central government's enabling policy framework will need to address these questions.

- how best to encourage balance of provision and to support local and community-based associations; and
- how the development and operation of consortia of associations and cooperatives can be encouraged.

These points raise a number of issues. One is that financial packages for mixed-funding renewal proposals are complex. Some smaller associations simply do not have the human resources to take up complex spread-sheet analyses and financial negotiations which underpin development proposals. The preparation of these financial packages, and their seemingly endless revision, is time-consuming and therefore expensive what ever association takes on the task. Continuing education on the latest financial analysis software, and up-front expenditure provision for financial planning, may be necessary.

Secondly, related to the more general issue of diversity, there is no obvious way to distinguish local and/or community based housing associations for whatever level of preferential treatment in provision of development assistance is required. The recent *Housing Cooperatives Review* (DoE, 1989,

p.3) notes that ‘the new concept of the tenant controlled housing association is being developed by the Housing Corporation from experience with the community based housing associations pioneered in Glasgow...’ These are distinguished by reference to the proportion of tenants within their membership, their committee of management, or both. Such community based associations (and cooperatives) bring a number of advantages to the neighbourhood renewal process:

- being genuinely local, they may be able to assess more accurately than larger, non-local organisations the needs and potential for neighbourhood renewal, and to draw up appropriate plans thereof;
- the very process of their development and management empowers residents and builds confidence by the fact of self-management; and
- the community based association provides a useful vehicle for the necessary expansion beyond the housing area to employment, training, community business, health, environment improvement and other elements of the neighbourhood renewal equation.

But, although experience with the broad neighbourhood renewal functions tends to be associated with smaller associations, there is no evidence that medium and large associations could not also engender this kind of activity, given the will to do so and a *highly devolved* development process. If this is possible, and the case studies indicate that it is, instead of neighbourhood renewal being the almost marginal activity it is now, the force of the housing association movement could give it a powerful impetus.

Given this, important points raised by the cooperatives review have implications which go well beyond cooperatives to the whole question of the potential contribution of housing associations to neighbourhood renewal. From the conclusions of the review committee (pp.4-5) the following points are also applicable to the broader needs and tasks of neighbourhood renewal:

Promotion – Tenants need adequate information about the options available. Local authorities, the Housing Corporation, housing associations and secondary co-ops could all provide information and encourage opportunities for participation and control where tenants want it.

Start-Up Services – Having chosen an housing model, tenants need detailed advice and assistance in equipping themselves for their new responsibilities. These start-up services should be properly identified and funded by the DoE, local authorities and Housing Corporation.

Training – Training is a key start-up service. Successful training is dependent upon sufficient professional trainers within secondary agencies.

The supply of professional workers in this field must therefore be increased and DoE should consider how new or expanded training courses might be financed. Grant support for start-up services should be made conditional upon tenants' commitment to ongoing training.

Support Agencies – The role of support agencies is crucial to a successful growth in neighbourhood renewal programmes. The DoE, Housing Corporation, NFHA and National Federation of Housing Cooperatives must maintain a close working relationship. There needs to be a strong network of support agents at the local level to provide on the spot services for emerging organisations and a growth in the number of local authorities, housing associations and secondary co-ops which can offer these services. Proposals should increase the supply of agencies, thus filling gaps in the network, and should ensure that the cost of providing these services is properly met on a regular basis.

Many of the development tasks for neighbourhood renewal will be undertaken by residents in some way, but others will need to be contracted out to agency staff or to housing associations. In addition, some smaller associations will need to contract out to larger, specialist, or secondary associations. In each case, persons skilled in housing and neighbourhood renewal will be required to assist the process. There is a risk that the potential for neighbourhood and council estate renewal may be constrained by lack of skilled people and the resources to pay them. Here the DoE and the Housing Corporation may need to consider how best to nurture this renewal process, perhaps by greatly expanding the concept of a Cooperative Promotion Allowance (CPA) to encompass the needs of a broad spectrum of housing based neighbourhood renewal. This might be called the Neighbourhood Renewal Promotion Allowance for housing associations.

Finally, a major rethink on the role of housing associations and cooperatives as agents of neighbourhood renewal is required before the strength and experience of the movement can be harnessed to that task. This possibility, however, is rather divergent from the notion of housing associations as agents of a reinstated private rented sector, and the two possibilities are probably incompatible. The housing association movement therefore stands at a cross-roads, and as a creature of government policy and funding, its future direction will be determined in large part by the direction of housing and urban renewal policy over the next few years. At present the policy is contradictory – lip service is being paid to the idea of a neighbourhood renewal role, but at the same time associations are being nudged (some say shoved) down the

privatisation road. If that continues many opportunities for neighbourhood renewal will be lost.

Other policy constraints on neighbourhood renewal

The danger of ghettoisation in council housing

Best practice in neighbourhood renewal often encompasses neighbourhoods which include private, housing association and council tenures. For example, Blackburn's Brookhouse Renewal Neighbourhood contains 2,800 units in owner occupation, 200 private rented and 650 council houses. The *Brookhouse Project Initial Report* (Borough of Blackburn, 1988) argues that it is necessary to re-assess piecemeal approaches to urban renewal and to recognise adjacent council estates as resources in possible solutions to urban problems. This comprehensive approach, which seeks to integrate council estates into the urban fabric, rather than separate them, will become increasingly important if there is to be widespread neighbourhood renewal, and as tenants' choice options begin to be realised. The health of council estates is therefore integral to the neighbourhood renewal approach and will become more so as worst-off estates with problem tenants are increasingly residualised or 'ghettoised' in a run-down, stigmatised council sector.

Current policies are increasing the rate at which better quality housing and reliable tenants are leaving the council sector. For example, the right to buy policy has resulted in the sales of one million better quality council houses. There is also an increasing correlation between low income tenants and poor quality council houses, reflected in a decaying council stock with an increasing proportion of tenants who are semi-skilled and low skilled workers, on low incomes or reliant on welfare benefits (Brindley and Stoker, 1988, p.47).

The process of residualisation of the council sector during the 1970s and 1980s has been well documented. For example, Forest and Murie (1988) quote DHSS Social Security Statistics which show the distribution of supplementary benefit recipients by tenure:

Figure 8.2 Supplementary benefit recipients – tenure, 1967-84

Year	Number (000)	Proportion of recipients in each tenure (percentage across)		
		Owner occupiers	LA tenants	Private renters
1967	2,154	17	45	38
1968	2,223	17	47	36
1969	2,296	17	49	34
1970	2,329	17	51	32
1971	2,471	17	53	30
1972	2,475	17	55	28
1973	2,292	17	56	27
1974	2,268	17	58	25
1975	2,261	17	57	25
1976	2,328	18	58	24
1977	2,432	19	59	22
1978	2,420	18	60	21
1979	2,342	19	61	20
1980	2,462	19	61	19
1981	2,869	19	61	19
1982	3,208	19	62	18
1983	3,191	21	61	18
1984	3,389	21	61	17

Note: There have been changes in methods of estimation and slight variations in figures given for particular years.

Source: DHSS, *Social Security Statistics*, HMSO, London from Forest and Murie, 1988, p.68)

Most striking of all is the effect of an aging population and the rising proportion of households in council housing with economically inactive heads:

Demographic shifts towards a more elderly population are producing the effect across the population as a whole but it is particularly evident in the public sector. Between 1979 and 1984 the proportion of households with heads aged 65 or over rose from 33 per cent to 37 per cent. And households with single elderly members rose from 20 per cent to 25 per cent. Overall, the proportion of households with economically inactive heads rose from 41 per cent to 53 per cent. If those unemployed but seeking work are added, the proportion of non-working heads rises to nearly two thirds of council tenancies (Forest and Murie, 1988, p.69).

Nor is the housing association movement likely to prove a panacea. Cuts in HIPs, the advent of assured tenancies under the 1988 legislation, rents rises

across the social rented sector, stock transfers and the need for new landlords to borrow against a creditable asset base and predictable rent flows may all contribute to a propensity for housing associations to avoid the council estates most in need of a neighbourhood renewal approach.

In the absence of positive policy action, events and policy drift will accelerate the process of ghettoisation in the 1990s as rents increase in the council sector and as alternative options are made as attractive as possible to council tenants.

Policies which allow a combination of this process of ghettoisation are dangerous for four reasons.

- Cycles of deprivation in residualised council estates and neighbourhoods with estates increase the need for neighbourhood renewal but make the task increasingly difficult.
- The existence of poverty ghettos makes the whole task of encouraging city-wide confidence building and investment more difficult.
- There is a danger that if the process of attrition of housing departments' staffs continues, local authorities may have neither sufficient skilled manpower nor the resources to effect successfully the increasingly difficult role as a residuary housing welfare agency, e.g. housing homeless families and difficult tenants.
- Residualisation reinforces a new form of polarisation in British society in which poor and ethnic minorities are marginalised, a process described by Haley (1987):

... a more unequal society as between a majority in secure attachment to a still prosperous country and a minority in marginal economic and social conditions, the former moving into the suburban locations of the newer economy of a 'green and pleasant land', the latter tending to be trapped into the old provincial industrial cities and their displaced fragments of peripheral council housing estates (p.19; quoted in Forest and Murie, p.253).

The shift out of rehabilitation

At the same time as council estates and their tenants are residualised, there is evidence that the bias of the current Housing Corporation funding regime is shifting housing association emphasis away from rehabilitation of older, inner city properties. The need to forecast cash flows accurately, the need for predictable running costs, the loss of contingency cover for difficult site preparation or unforeseen events in building rehabilitation, and the better economies of scale in managing green field sites over a 'pepper-potted'

neighbourhood, all conspire to make new-build less risky than inner city renewal. This has curtailed a major area of local authority/housing association cooperation. A continuing withdrawal from rehabilitation may have a critical negative impact on the fortunes of inner city neighbourhoods.

This shift out of rehabilitation is another chink in the traditional charitable armour of housing associations, particularly those that sprang up following the 1974 Act and started from a refurbishment base in traditionally built housing. For many associations, particularly those with an inner city perspective, buying and rehabilitating run down properties has been their primary function and their development departments have been geared to such work for the last decade or more. As in Sparkbrook, their record in rehabilitation is impressive and these associations have made many and substantial contributions to quality of life in Britain's inner cities. For many, the shift out of rehabilitation must be unexpected. For example, in 1984 Miles wrote:

Indeed, unless there were a dramatic reversal of policy away from rehabilitation and back to large scale slum clearance the longer term role of housing associations in urban renewal programmes would seem to be secure. It was, after all, the switch of emphasis during the 1960s from slum clearance to rehabilitation which opened up the possibility for housing associations to participate in urban renewal on a similar scale to local authorities.

The drift of policy in terms of rehabilitation versus clearance and redevelopment is unclear. Under the new mixed funding arrangements, rents in rehabilitated property will need to be unaffordably high unless grant rates higher than the national average are based on recognition of higher cost levels of inner city rehabilitation.

The government may have implicitly decided that the higher costs of rehabilitation are unacceptable, that mainly low cost and shared ownership schemes on green field and cleared sites more appropriate, and that, in the inner cities, new powers under the Local Government and Housing Act will encourage clearance under compulsory purchase orders (CPOs) thus freeing up land for private developers and housing association new-build. Such a scenario would be in keeping with the government's objectives and with a shift of housing association activity away from traditional functions. While the equity and efficacy of such a scenario can and should be debated, it is unfortunate that government policy, based presumably on long term goals for housing, is not clear enough to allow appropriate debate on such vital matters.

Wanted - an enabling policy for neighbourhood renewal

This policy review suggests that, given the magnitude of disrepair and the need for comprehensive neighbourhood renewal, a more coherent and integrated housing and urban renewal policy is required if British society is not to become more polarised, and if maximum long term effectiveness is to be realised from diverse policy initiatives. This concluding section outlines a framework for such an coherent policy approach.

Characteristics of an enabling policy

Encouragement of local initiative

First, it must be possible for central government to realise its ideological programme, which has encouraged many aspects of innovative partnership approaches, without acting as a brake on local initiative. An alternative to the existing position is a national housing/urban renewal policy framework which would enable local partnership initiatives, and in which local authorities would provide a consumer-oriented, non-ideological overview of need and opportunity, drawing in partners with the capability to maximise resident benefit. This requires a 'strategic' role for local authorities, and an 'enabling' role for central government policy. As it is, the whole area of partnerships is tainted by the tensions of central-local relations in England, which are in danger of spreading north to Scotland and into relationships between housing associations and local authorities. A coherent policy requires policy integration among central government departments, among local government departments, and importantly, a consistent and co-ordinated approach between central and local government.

Importance of voluntary organisations

Secondly, there is tremendous potential for voluntary organisations to engage in neighbourhood renewal, but policy must encourage this in many ways, including financially. Urban problems will be exacerbated rather than resolved if the housing association movement, like the building societies, comes under institutional pressure to shift towards commercial status, in line with the government's privatisation drive. Such a shift 'up-market' from a social rented to a private rented sector may be subtle at first and it may already have begun in response to the requirement for private finance in housing association developments. Given the existing problems of multiple deprivation in some urban neighbourhoods and the inability of the market to help tackle such problems, a shift towards commercial status for housing associations would be singularly inappropriate.

Policy should explicitly recognise the useful institutional position of housing associations as voluntary bodies working at the conjunction of the public and private sectors, and should enhance rather than undermine it. The problem will not resolve itself until the DoE (and the government) somehow reconciles its objectives of promoting market-linked operations, rents and land valuations, and private financing with the incompatible objective of renewing neighbourhoods and promoting social housing.

Importance of resident involvement

Thirdly, this analysis of the characteristics of neighbourhood renewal problems suggests that real progress on a variety of fronts will only be made when residents become equal partners early in the renewal process. All the more formal organisations or institutions involved, DoE, Housing Corporation, local government and housing association, therefore have important obligations in this regard. Such a radical approach needs to be a basic objective of partnership programmes, funding needs to be made available for this process to unfold, information networks need to be created and nurtured to allow transferable learning about what works and what doesn't, and finally residents' organisations need to be encouraged to become full partners in renewal.

Diversity in tenure

Fourthly, diversity in tenure/ownership types is least risky in terms of policy failure and provides consumer choice. There will be financial consequences of such a policy, start-up and training costs may be higher, but these short term costs will be more than offset by the long term social and economic gains which flow from healthy communities and cities.

Integrated urban renewal/housing policy

Fifthly, the Department of the Environment, which is now a central focus of power with regard to housing, urban renewal and local government, is in a good position to forge a unified urban renewal/housing policy based on longer term objectives for British cities and public/private interaction, and to use the Housing Corporation as an agency for change where appropriate. Also, preoccupation with leveraging in private funding and with narrow housing-based financial criteria may fail to address the problems of urban neighbourhoods in greatest need, and the DoE needs to confer with the Treasury to ensure that perspectives and decision rules based on short-term efficiency objectives do

not obscure longer term needs and opportunities or unnecessarily inhibit innovative action.

There is precedent for this in that the Housing Corporation in Scotland, now Scottish Homes, has for a decade considered its main function to be neighbourhood renewal. Over the past five years the proportion of its budget explicitly set for this task has never dropped below 57 per cent. Its approach has been to tackle renewal by developing sophisticated 'growth-pole' policies for neighbourhood renewal in direct partnership with local authorities. These have been implemented with adequate funding over a sustained period of many years, by the vehicle of community-based housing associations working in Housing Action Areas. The dramatic transformation of Glasgow's inner neighbourhoods is witness to the success of this approach. This model for renewal of older areas of private housing is now being shifted to peripheral estates, where genuine partnerships between central and local government, and the community, are underway.

The role of the Housing Corporation

Sixthly, although there are some HAG-funded showcase developments, inner city rehabilitation without adequate subsidy is a labour of love, even for the private sector. If the government's intention is to encourage neighbourhood renewal which includes the provision of good quality social rented housing, rather than just create a quasi-private rented sector, it should view the Housing Corporation, like Scottish Homes, as an agency of neighbourhood renewal and accept Housing Association Grant (HAG) as a legitimate tool for that purpose. A strength of the Housing Corporation, working with housing associations and local authorities, is that it has in place an appropriate and decentralised institutional structure with which to tackle neighbourhood renewal and link central government to the neighbourhood.

The HAG-funding regime may offer a considerable additional flow of benefits in terms of neighbourhood renewal for marginal levels of extra investment, and this can be viewed as no different from the pump-priming investment of public funds in Urban Development Corporations. The evidence is that public investment will lever in private investment, but that the levels of public funding must be commensurate with the task and appear early in the renewal process, backed-up with sophisticated policy support.

Shift back to rehabilitation

Seventh, the dramatic shift away from rehabilitation by housing associations responding to the dictates of the current HAG funding regime runs counter to

the spirit of a neighbourhood renewal policy. In this preference for new-build, housing associations are not alone as the few private developers to get involved in inner city rehabilitation report slim profit margins, subsidised by more profitable divisions within their companies. While some managed clearance may be necessary, most of the three million homes requiring refurbishment cannot be swept away along with the complex social networks which characterise inner city neighbourhoods.

Environmental improvement

Eighth, for good neighbourhood renewal, essential environmental improvements will need to be funded by local authority or grant expenditure. Again the UDCs' critical role in environmental improvement and provision of infrastructure provides a useful model, and DoE will need to find the funds.

Private sector role

Ninth, with regard to the magnitude of rehabilitation required in the private sector, the building societies and private development companies may be important partners and sources of finance and expertise in assisting with the critical problem of poor owner occupiers in low equity, unfit homes. In this, and all areas of private sector involvement, the private sector can be expected to participate only if the rewards are sufficient to justify the risks involved.

These then are some general characteristics which would need to be part of any integrated approach which hoped to tackle the challenges of neighbourhood renewal in Britain. In terms of current legislation the Local Government and Housing Act, enacted in late 1989 with regulations to follow in 1990, offers great potential for central government support of neighbourhood renewal efforts. The provisions of this Act and its potential were summarised in the previous chapter.

Conclusion

The policy challenge of run-down housing and alienated communities is best seen in terms of the need for partnerships for neighbourhood renewal. The problems those partnerships face are more difficult than waterside, docklands-style development because they are exercises in the regeneration of communities, rather than of derelict land. In policy terms, neighbourhood renewal requires the integration of housing and urban policy, and a creative fusion of central policy, local strategy and community self-development.

Housing and Neighbourhood Renewal

The shift in the political agenda of housing over the last few years is providing important opportunities, but there is a risk of foreclosing a number of exciting options just when innovative partnerships for neighbourhood renewal are emerging. An enabling housing policy, a service orientation replacing partisan ideology, continuing institutional adjustment, and resident participation are all necessary to nurture neighbourhood renewal.

Section II now considers in more detail the case studies of neighbourhood renewal upon which the report is based.