

The Local Government and Housing Act

7 Neighbourhood Renewal Under the Local Government and Housing Act

The main policy mechanism for neighbourhood renewal is likely to be the new statutory ‘renewal areas’ designated under Part VII of the Local Government and Housing Act. These replace Housing Action Areas and General Improvement Areas, and propose that local authorities may designate renewal areas, acquire land or carry out demolition, or enter into partnership with housing associations and other organisations to engage in neighbourhood renewal. The levels of funding for renewal areas are to be determined by application to the Secretary of State. There are four provisions of this Bill which will directly impact neighbourhood renewal efforts: renovation grants, group repairs schemes, clearance provisions, and renewal areas.

Renovation grants

The purposes of renovation grants set out in the Act are to put a dwelling in reasonable repair, to provide satisfactory internal arrangements, adequate services and amenities, spare heating and insulation, and to provide dwellings by conversion. The following grants are proposed: renovation grants, common parts grants, minor works grants, and grants for the disabled.

Renovation grants are for the purpose of improvement, repair or conversion, and ‘common parts grants’ are for similar works in common parts such as hallways, and lobbys. Dwellings must be at least ten years old to qualify. There are mandatory and discretionary elements to these grants. Grants are mandatory for all unfit dwellings not owned by private landlords. The Act requires local authorities to approve a grant application if they are satisfied that the dwelling concerned is not fit for human habitation, that the works proposed will render it so fit and that renovation is the most satisfactory course of action. An ‘unfit’ dwelling may be structurally unstable, in serious

disrepair, damp, lacks basic amenities such as indoor toilet, or suffers from inadequate ventilation or ineffective water and sewage systems. It is estimated that about 1.3 million owner occupiers in unfit dwellings in England and Wales may be eligible for some assistance, subject however to a means test. Beyond this basic definition of fitness, local authorities are given discretion to pay an additional grant to achieve a 'reasonable' standard of repair.

One major change brought about by this legislation is a shift from attention solely to building condition to an approach which combines building condition and ability to pay as criteria for grant. This is in keeping with the overall privatisation programme, to encourage sharper targeting of resources and thus economic efficiency and to encourage more private individual and private sector (building society) finance in the renovation process.

No renovation grant may be paid without an 'occupation or letting certificate' along with the means test. These certificates, of owner-occupation, tenancy or intended letting, specify that grants can only be paid where an owner intends to occupy for a minimum of 12 months, or there is a legal tenancy, or that the dwelling will be let for at least five years.

The most dramatic change over previous grant regimes is the introduction of means testing. A system is proposed in which applicants will be entitled to grant assistance towards a ten year loan package at standard rates of interest if their income falls below thresholds based on housing benefit levels. To qualify for a maximum 100 per cent grant the income level will probably be the same as for claiming housing benefit plus £20 a week. Savings above £5,000 will count as £1 per week of income for every £250. The grant will be reduced for those with incomes higher than the threshold by the loan which they could get with 20 per cent of their additional income. Households with incomes of more than £14,700 a year are likely to be excluded.

In addition, there are two other types of grant. Grants for the disabled are intended to make dwellings more suitable by bringing amenities up to standard or by facilitating access and movement in and around the dwelling. Most of the conditions set out are mandatory, subject to consultation with the Social Services Department.

Minor works grants are available to elderly people to assist them to remain in their homes. The value of the assistance in grant or materials will be limited to £1,000 per individual application and a maximum of £3,000 in three years. The works included are insulation and repairs, improvement or adaptation for an elderly owner occupier or tenant (Battersby, 1989).

Group repairs schemes

In addition to the various renovation grants there is provision for group repairs schemes, applicable only to external building works. These are intended to supersede enveloping schemes, such as pioneered in Birmingham. Repairs will be on roofs, chimneys, walls, doors, windows and other external elements such as pipes. At least three-quarters of the houses in a terrace, a minimum of four houses, must be in disrepair to initiate a scheme.

As with renovation grants, there will be means testing, and therefore 'assisted' and 'unassisted' participants, all of whom must be willing to undertake repairs if the schemes are to go ahead. Unassisted participants, who will contribute 100 per cent of costs, include housing associations and local authorities. While some people will get 100 per cent assistance, others who qualify will contribute up to 50 per cent of costs, reduced to 25 per cent in a renewal area. Disposal of a dwelling before five years will incur a partial pay-back.

Clearance

The Act provides that slum clearance subsidy may be paid to a local authority in any financial year in which they incur a loss in connection with the exercise of slum clearance functions. The method of determining whether the authority has incurred a loss, the rate or rates of subsidy and the manner of paying subsidy are all to be determined by the Secretary of State. Higher rates of subsidy are payable for slum clearance in a renewal area, but the application must be made before the ten year renewal area is declared.

First indications are that the subsidies implied will reflect market value compensation, and that the government's intention is to encourage local authorities to engage in more clearance than has been politically possible over the previous decade. This is based on the notion that houses reach the end of their 'economic life' and when that point is passed renovation grants do not offer value-for-money.

Statutory renewal areas

The Act enables a local authority to declare a renewal area if they consider on the basis of a report that the living conditions in an area are unsatisfactory, and that declaration is the best means of dealing with those conditions. The report must contain details of housing conditions and incomes in the area: a systematic assessment of the options by which those conditions might be improved; the powers available to the authority following declaration and the way in which they would be exercised; the costs of the proposals and the

resources available for implementing them. This report is to reflect not only the views of the local authority but also those of relevant private sector bodies and community organisations. Unless deleted, renewal area designation is for ten years.

The Act provides that an area should contain at least a specified minimum number of properties, probably between 1,000 and 3,000 houses; that a specified proportion of properties should be in private ownership; and that the physical condition of the properties and the financial circumstances of those living in the area should be such that they would benefit from special status.

The objectives of renewal areas are:

- improvement of repair of dwellings,
- proper and effective management and use of housing accommodation,
- improved well-being of the residents of the area and increased neighbourhood stability, and
- better targeting of resources and increased private investment (Battersby, 1989).

The Act provides that, for the purposes of achieving the objectives set out below, an authority may acquire, either by agreement or, subject to authorisation by the Secretary of State, by compulsory purchase orders, any land in a renewal area on which there is housing; and may provide new housing on such land. The objectives for which land may be acquired: the improvement or repair of premises to be carried out by either the authority or a person to whom they propose to dispose of the premises; the efficient management and use of the accommodation; and the welfare of the residents in the area.

There is additional power to obtain by agreement or compulsorily land for the purposes of improving the amenities in the area (and whether or not it is land on which housing is situated) and whether or not the improvement will be carried out by the local authority itself. The land acquired may include land which the authority proposes to sell to another person who intends to provide or assist in the improvement of those amenities.

A local authority may carry out works including demolition on land which it owns. It may also assist others to carry out works by providing loans, grant, guarantees, or materials. A local authority may also enter into an agreement with a housing association or other person by which that person might exercise the authority's functions in a renewal area. There is obvious potential here

for expansion of the joint local authority-housing association approach to renewal.

The main advantages of declaring a renewal area are intended to be: powers to carry out environmental improvements, increased exchequer contributions, and lower contributions by assisted participants in group repair schemes (Battersby, 1989).

Contribution of the Act to neighbourhood renewal

Many provisions of the Local Government and Housing Act could be used to assist and guide an housing-led neighbourhood renewal process.

First, if the statutory renewal area programme is to meet the considerable nation-wide needs of neighbourhood renewal, sufficient resources to accomplish this will have to be made available from the Exchequer and from the private sector. Evidence from the United States suggests that in housing rehabilitation there is considerable positive interdependence between levels of public and private investment in renovation and maintenance (Whalley, 1988). Similarly, analysis of past improvement and repair policies in England, particularly Housing Action Areas (HAAs) and General Improvement Area (GIAs), suggests that, although some local progress was made by those programmes, overall the level of financial commitment was insufficient to reduce deterioration and decay significantly, and that investment was only sufficient to maintain a holding pattern (Smith, 1987). In other words, the investment level did not reduce the overall problems of disrepair in British housing, but probably prevented it from getting worse.

A related problem of the new legislation is that it may prove more difficult to target improvement programmes on neighbourhoods, despite the group repair scheme provisions. Since there is no neighbourhood dimension to that part of the programme, owners simply having to satisfy an income test and a fitness test, the mandatory grant recipients may be scattered all over a city rather than concentrated within the renewal areas. But the latest evidence from the many successful HAAs in Glasgow is that targeting is essential to success renewal:

These results indicate that where Glasgow District Council did have some ability to target expenditure, either via the HAAs or through Section 44 Agency Agreements, it was possible to steer expenditure into particular localities. The capacity to steer expenditure was, however, far more limited where the renovation programme was solely demand-led. It should also be borne in mind that HAAs, and to a much lesser extent, the Section 44 Agency Agreements, permit compulsory action if the owners refused to get involved in the renovation scheme. The co-ordinated use of grant promotion backed up with

statutory action has been an important element in Glasgow's renovation strategy (Robertson, 1989, p.72).

The local relevance of the fitness standard proposed under the new Act may also be of issue. For example, initial assessments in the Barber Trust area of Sparkbrook, Birmingham, one which has been substantially neglected, suggests that mandatory grants will not be obtained because the fitness of the property is still above minimum standards (Wadhams, 1990). Although under the Act local authorities will have discretionary power to pay for repairs above the fitness standard, it is unlikely they will find capital resources to do so unless there is a dramatic change in policy. Public expenditure forecasts up to 1991/92 are for continued reductions in real terms (McCulloch, 1989). Without an overall level of combined public and private investment matching the substantial if inadequate levels of the previous decade, deterioration rather than improvement is probable.

In terms of the number of statutory renewal areas required, if about 10 per cent of unfit private homes are in areas where a majority of homes are unfit, and if the average size of a renewal area is 2,000 homes, this suggests a minimum of 130 to 140 statutory renewal areas will need to be designated in England. There may be substantial implications here for central and local government administration.

Secondly, the lessons of the case studies are that a high degree of policy coherence at the central government level will be necessary if neighbourhood renewal, as opposed to only housing refurbishment, is to succeed. Housing refurbishment in the absence of broader renewal on the social and employment fronts may be inefficient or even a waste of money. However there is considerable potential within the renewal area concept for the broad social and economic approach to neighbourhood renewal, and commentators are already perceiving the renewal areas hopefully as 'mini urban development corporations' (Morphet, 1989).

Thirdly, effective neighbourhood renewal is based on a thorough understanding of the unique set of local needs and opportunities which characterise and differentiate neighbourhoods. A range of local factors will be relevant:

- existing physical and tenure characteristics;
- balance between public and private stock;
- resident's demographic factors: age pattern, social history, racial make-up, extent of long term unemployment, income levels;

- strength or even existence of local economy;
- degree of activity and commitment of residents' groups; and
- presence and type of housing association activity.

A national renewal area policy can provide a context for local action, but it is no substitute for the detailed local knowledge and the up-front planning required to fashion a workable renewal plan and financial package, relevant to, and with the participation of, residents of that neighbourhood. If maximum long-term benefit is to be extracted from public investment in renewal areas, and if private investment is to be attracted, it will be necessary to provide the necessary resources for adequate planning and community involvement to take place.

For maximum benefit, it may be necessary to institutionalise a considerable bureaucratic flexibility for three aspects of renewal areas: in defining the renewal area to be designated, in assessing the proposed renewal area programme, and in the implementation of policy. In renewal area designation, it is important that neighbourhoods are delineated such that renewal area status is likely to generate significant and interactive improvements in housing, the physical environment and the socio-economic environment. Appropriate delineation has been a common problem in past area based schemes (Carley, 1981), and delineation should be on an historical/social basis rather than by arbitrary rule rigidly adhered to, for example, no more than 3,000 dwellings. Overall, the literature on housing rehabilitation suggests that the relatively unique structural and demographic characteristics of urban neighbourhood strongly influence the relative impacts of renewal programmes (Whalley, 1988, p.47).

If proposed renewal areas are to be adequately assessed prior to designation it may be necessary for this to be undertaken by regional DoE officers with sufficient local knowledge, in cooperation with local authority, housing association and residents' representatives. Local building society managers may also play an important role. It will not be possible to assess renewal area applications without 'walking the streets' at some point. It is also the case that a declined renewal area may need to be surrounded or adjoin a larger 'strategy' area, which also has a degree of geographic coherence and provides a wider framework for reinforcing developments like road works or park improvements.

With regard to policy implementation, the case studies suggest that a flexible range of measures should be made available, or developed, as appropriate to meet local needs. Experience is that no one type of approach

(group repairs, voluntary grants, mandatory grants, or tenure diversification) is a panacea for neighbourhood renewal needs. Different areas will require different approaches, and the determination and hammering out of an agreement on the appropriate approach, and the appropriate partners to implement it, is a critical part of the process of renewal and generates commitment to the overall programme. Available tools of intervention should therefore relate to local needs, rather than be based solely on administratively simple (and thus generalisable) approaches. An enabling approach to neighbourhood renewal would most certainly entail a broad range of housing and institutional options – renovation, selective clearance, enveloping, and enforcement – with the active involvement of community groups, housing associations, local authorities, building societies, agencies like PROBE or new found development trusts encompassing the partners. The diversity of approaches to renewal in the case studies, and the importance of fashioning a workable partnership, underscores this. A review of the success of HAAs makes a similar point:

The available evidence shows that living conditions within many HAAs improved as a result of declaration. Grants take-up was stimulated, while public sector improvement, particularly by housing associations, and the use of compulsory powers made an important contribution to progress and were dependent on declaration. A whole range of local factors contributed to the speed and extent of progress: existing physical and tenure characteristics, income levels relative to the costs of work, and the commitment of the local authorities through grant promotion, compulsory powers and housing association activity. On balance the highest levels of improvement were achieved where policy involved direct local authority and housing association activity to back up grant take-up by owner occupiers (Smith, 1987, p.29).

Fourthly, during the span of a renewal area process over a decade, many dynamic effects will surface, and an ‘interactive’ approach to planning, administration and expenditure on renewal areas will be necessary. Although diligent and foresightful planning is important, it will be impossible to predict where the renewal process will go; how to keep it on track for maximum social benefit or value for money; how to take advantage of unforeseen events, positive or negative (new employment vs. factory closure, gentrification), or new knowledge about the process of renewal itself. What is important therefore is not so much to lay the whole plan for a renewal area out in detail ten years in advance, as to encourage the development of community-based institutional mechanisms and communication networks which can actively and effectively manage the renewal process. Considerable attention will need

to be paid to the possible organisational arrangements in neighbourhoods, and to the converse danger of inflexible central and local bureaucracies building up around renewal area programmes.

Fifthly, with the introduction of means-testing for renovation grants, and the special participation requirements of group repairs schemes, the degree of self-contribution and grant take-up may be critical to renewal area success. Local neighbourhood conditions, housing market, ethnic make-up and perceptions and other factors may have strong positive or negative influences on propensity to invest in housing repair or maintenance. For example, one study (McConney, cited in Whalley, 1988) found that 'owners did spend more out of their own pockets on repairs when other owners on the same street or block made repairs'. Unless there is neighbourhood-wide housing and environmental improvement it may be irrational to expect people to make such investments – increases in housing value may be less than the investment required, even after grant. This is the 'valuation-gap'. For example,

Uncertainty regarding the future of neighbourhood will seriously deter investment in its housing, and under such circumstances moderate reinvestment programmes are unlikely to be successful ... If most other structures in a neighbourhood are deteriorating, there is no incentive to rehabilitate ... Housing improvement is only likely to take place of the element of uncertainty about the investment behaviour of others is removed (Whalley, 1988, pp.46-47).

The converse of this situation is the rationale for the neighbourhood or area based approach, but it is worth reminding ourselves that timid, partial, approaches or insufficient penny-pinching investments in neighbourhood renewal, may offer less value for money in the longer term than the bolder, more comprehensive approach.

A related problem stems from the regulation that three-quarters of potential participants in group repairs schemes must participate, including non-assisted owners who may not qualify for building society loans. The result may be that such schemes may have limited impact where they are most needed, at least without labour intensive promotion and education schemes by local authorities, building societies and other relevant agencies. Incentives to investment are now seen to include essential environmental improvements, not only in residential but in commercial areas. The environmental and shopfront improvements being undertaken by the Sparkbrook Neighbourhood Agency in Birmingham is a good example of commercial area application spilling over from residential improvements.

With regard to grant take-up, the experience of Housing Action Areas suggests there can be difficulties with take-up by old and/or poor owner occupiers without sufficient social or language skills. Smith's (1987, pp.31-32) review of HAAs suggests that:

Among the several measures to ensure that grants reached the people who need them most, high priorities must be to make the availability and the conditions of grants understandable to the general public, including those who have language difficulties, to advertise them in the widest possible way, and to enable local authorities to operate them with a minimum of 'red tape' and delay. Agency services with local authorities and housing associations playing a leading role, in partnership with building societies, voluntary organisations, professional institutions and the building industry, were welcomed.

Where residents are from racial minorities, it may be important to understand their attitudes and approach to owner-occupation, their extended family structure and its relationship to housing investment, and the position of various owner occupiers with the extended family decision-making system. In many of the neighbourhoods requiring renewal area designation, an understanding of the cultures of people from other backgrounds will be of primary importance.

The re-advent of means testing brings with it a host of endemic problems on take-up. The warnings of the National Consumer Council (1977, pp.34,80) of 13 years ago on means tested benefits for housing will still have to be heeded:

In the field of housing rebates, there is considerable evidence to suggest that those in greatest need have the greatest tendency to miss out on their entitlements and, therefore that the unclaimed benefits are if anything above average ... People are not claiming hundreds of millions of pounds to which they are entitled in law. Ignorance, stigma, fear of adverse reactions from employers and landlords who are asked to verify information, and dislike of having private affairs enquired into, have together had a sharp deterrent effect.

Without intensive promotion, general negative attitudes to means testing may combine with other factors, such as ethnicity, to minimize the potential effect of group repairs schemes.

Sixth, it is important that the re-emphasis on demolition and clearance provisions within the Act not be abused by central or local governments enthusiastic for a new round of neighbourhood clearance. Designation should not be used to break up existing communities or to sever the important links which old people, large families, single parents and racial minorities may have

within existing neighbourhoods. This renewed interest in clearance is in part a result of insufficient past investment which makes clearance inevitable. Derelict, cleared land contributes to urban blight, something British cities still have more than enough of, compared to many European counterparts. Although small scale, selective clearance is a useful tool we must not forget that wholesale clearance is socially disruptive and ultimately very expensive. This is particularly true now compared with the 1960s as most houses which might be earmarked for clearance are in owner occupation. Clearance drives people on low incomes out of owner occupation into tenancy – and may effectively deprive them of almost the whole of their life's savings (Heywood, 1989, p.31). Because of the importance of preserving, nurturing and building on community networks to the neighbourhood renewal process, anything more than selective clearance is inappropriate and unacceptable.

Seventh, as noted, the Act requires local authorities to precede renewal area designation with a comprehensive report, but the existing capacity of local authorities to assemble such a data base varies considerably. Some local authorities, for example Birmingham, will have no trouble adapting existing, relatively sophisticated local area data bases. Other local authorities however may be a long way from being able to do so. For example:

The view from those closely involved in developing and commentating on the new policy guidelines is that most local authorities are totally unprepared for the changes the new legislation will bring (Morphet, 1989, p.37).

Finally, the potential changes which local authorities may need to contemplate have been discussed earlier. Four will be particularly important for renewal areas:

- the need to 'embed' renewal area designation and implementation in an overall corporate housing policy;
- the need to have designation and planning on detailed local survey data;
- the need to establish liaison with the community through new or existing decentralised arrangements; and
- the need to question whether existing local authority departmental arrangements are appropriate to the task or whether new cross-departmental arrangements should be devised.

The Department of the Environment may also wish to consider whether the long term interest of a ten year renewal area policy might not be best served by assisting and encouraging local authorities, through education and

incentive funding, to retrain staffs and refashion objectives to meet the needs of neighbourhood renewal. At a time when housing departments are facing major shake-ups in their ways of working, encouraging a pro-active view of their strategic role in housing, planning and renewal might pay dividends.

The next chapter now takes a longer term view of the ways in which policy can contribute to neighbourhood renewal.