findings

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Housing association investment on local authority estates

Housing association investment on local authority estates became a significant element of social housing capital expenditure in the early 1990s. A new study by Professor Tony Crook and Joanna Disson of the University of Sheffield and Dr Roy Darke of Oxford Brookes University examined the scale, location and nature of this investment in England. They found that:

- **One-fifth of all Housing Association Grant (HAG) allocated between 1991/92 and 1993/94 was spent on modernisation and redevelopment of local authority estates. The proportion of total investment was even higher in the northern regions and in metropolitan areas, where it was one-third of total HAG.**
- **Housing associations invested in over 26,000 homes on local authority estates. The vast majority were newly built, replacing council houses which had been demolished, and did not add to the total housing stock.**
- **Local authorities' own lack of capital to undertake improvement works was the main reason for housing associations' increased involvement.**
- **Rents for new housing association homes were significantly higher than equivalent sized and modernised local authority homes, despite attempts by housing associations to keep them down.**
- **New homes built by housing associations were difficult to let on a third of the estates studied.**
- **Housing associations were involved in local economic regeneration initiatives on estates, but building contracts and other housing association initiatives generated few jobs for local residents.**
- **Partnership arrangements between associations and local authorities dealt with land transactions and the development process. Few dealt with longer-term estate management matters.**

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Introduction

The initial catalyst for housing association activity on council estates was the Estate Action Programme introduced by the Government in the mid-1980s, and the Government's drive to diversify tenure on estates. The spur to the greater level of involvement in the early 1990s was the reduction of other capital funding available to local authorities for the improvement of their stock, together with the importance given to local authority priorities by the Housing Corporation in its assessment of housing association bids for HAG. No specific targets for the level of housing association work on local authority estates had been set by the Government or the Housing Corporation. More recently, housing associations have become involved in wider economic and social regeneration initiatives on these estates.

The council estates on which associations are working have severe social problems and are characterised by high levels of unemployment, crime and vandalism.

Much of the investment by associations on council estates was made within a formal partnership framework where local authorities were able to influence schemes. In return for land sold at nil or discounted values, local authorities received nomination rights to new lettings, and sometimes set out conditions on rents. Partnership agreements often covered housing standards, housing mix and involvement of tenants in the design process.

Scale of investment

£761m of HAG was spent on local authority housing estates over three years from 1991/92 to 1993/94. This was one-fifth of the total HAG allocated over this period. Total investment on local authority estates, including the private finance element, was in the region of £1.3bn (see Table 1).

There were significant regional variations in the proportion of housing association investment on local authority estates. In particular, the three Housing Corporation northern regions (North East, North West and Merseyside) had greater proportions of their total investment on council estates. A third of the combined total went on estates, compared to 13 per cent for the rest of England.

There were also significant variations between different types of local authority. Just under a third (32 per cent) of total investment by housing associations in metropolitan districts was on local authority estates, compared to only 7 per cent in London Boroughs and 18 per cent in other local authorities. The highest proportion of total investment was generally in the major cities, for example 55 per cent of total HAG in Leeds and 50 per cent in Sheffield was spent on local authority estates.

Table 1: The financing of schemes (including both HAG and private finance) on local authority estates

Region	1991/92 to 1993/94	
	%[1]	£m[2]
London & Home Counties (North East)	**10**	**109.5**
London & Home Counties (North West)	**6**	**57.0**
London & Home Counties (South)	**14**	**170.2**
West Region	**14**	**117.8**
East Midlands	**19**	**118.3**
West Midlands	**20**	**140.4**
North East	**38**	**303.5**
North West	**28**	**170.3**
Merseyside	**31**	**89.6**
England	**18**	**1,276.9**

Notes

(1) Percentage of total value of all schemes in each region spent on local authority estates

(2) Total value of schemes in each region spent on local authority estates

New and refurbished homes

Housing associations invested in over 26,000 homes on local authority estates over the three-year period. Ninety per cent of these were new homes built mainly on sites of former local authority housing which had been demolished, although some homes were built on infill sites. The remainder were previously council properties which had been refurbished by housing associations.

The vast bulk of housing association investment on local authority estates replaced substandard council houses, and did not result in a net increase in the number of homes provided. This was of particular concern to some of the housing associations in the study, especially those in the two case studies in Southern England, who felt their investment should be providing more homes in total.

Scheme costs

Where redevelopment was involved, the demolition, clearance and rehousing costs were borne by the local authorities. Housing association new build schemes on local authority estates cost less in total than those built elsewhere, £49,914 per home compared to £54,161. The amount of Housing Association Grant used per home was also less than elsewhere, £27,820 compared to £32,673, with the average percentage of HAG on estates being 57 per cent compared to 61 per cent on new build schemes elsewhere.

Local authorities helped drive down costs for housing associations by contributing land at nil or discounted prices. Associations themselves contributed to lower HAG by drawing on their reserves. The direct cost of apparently lower HAG contributions to estate improvement work was being carried by local authorities and housing associations through their contributions in cash or in kind.

Standards

Housing standards were generally being maintained. Housing associations had to work hard to do this, using standard house types and volume contracts. Over half of the associations in the study also used their own reserves.

Housing association schemes often remodelled estates, replacing flats and maisonettes with houses with gardens. Developments tended to be on a smaller scale, with greater diversity of house size and design than those they replaced. Improvements in landscaping and security, and the introduction of energy- and water-saving features, were reported by housing associations. However, internal space standards were an issue in some areas. For example, in the London Borough included in the study the reduction in space that existing council tenants faced in new housing association homes was a point of contention.

Rent levels

Housing association rents for new homes were significantly higher - in the region of 25 to 75 per cent - than equivalent sized modernised local authority homes. On only one out of the fifteen estates included in the study were local authority and housing association rents at the same level. This is despite the use of rent pooling, reserves and, more specifically, rent agreements in one-third of the authorities studied.

There was some evidence that rents for housing association properties on local authority estates were lower than association properties elsewhere. But the gap between council and housing association rents remains a cause for concern. For example, in the West Midlands metropolitan district in the study, the potential conflict over rents was growing. Council tenants were reluctant to move out of blocks being demolished into more expensive housing association homes (and also objected to the concomitant loss of their right to buy).

The necessity for housing associations to secure rents that will meet their long-term financial and business plan objectives may have the effect of increasing the proportion of households on refurbished estates on benefit, with consequences for wider regeneration aims.

Letting new units was not always easy. In a third of the estates studied, new housing association property was proving difficult to let.

A mixed community?

Many local authorities and housing associations wanted to create more mixed communities on council estates. But housing association investment was not achieving this. The profile of tenants moving into housing association schemes was similar to the profile of those moving on to the estate as a whole. The majority of households housed in the last twelve months were in receipt of housing benefit; 8 out of 10 recent lettings were to households with no adults in work and 8 out of 10 had young children. Nearly half the associations interviewed believed that letting policies needed to be changed to create mixed communities.

Involving private sector developers and increasing the proportion of home ownership on estates was difficult to achieve. There had been small developments for low-cost home ownership on a third of the estates studied, but some had been difficult to sell. Estates with the worst social problems needed to show considerable improvement before mortgage lenders would be willing to lend on these properties. In the Yorkshire metropolitan district in the study, the private sector developer had pulled out after completing only half of a joint venture scheme because of poor sales, which were due to the stigma attached to the estate.

Economic regeneration

Half the associations were involved in economic regeneration initiatives, and two-thirds were using local labour clauses in their building contracts. But there was little evidence that jobs had been created for estate residents. Many associations spoke of problems of resourcing regeneration initiatives, particularly in the context of competitive bids for HAG. Associations also found it difficult to implement economic initiatives effectively (including local labour clauses), although there was more success where associations were part of a wider structure that had specifically targeted economic regeneration, like City Challenge. Outside these wider initiatives there was little evidence of success in creating jobs for estate residents.

Estate management

Partnerships between local authorities and housing associations were development-led. They were based around land transactions and nomination agreements. There was little evidence that agreements had been made about the long-term management of houses and the wider management of the estates. Some local authorities were critical of associations' lack of involvement in wider management issues affecting estates. At the same time, most associations saw themselves as housing specialists, not community development organisations.

Associations did not, with the exception of some caretaking staff, have a local management presence, in the sense of staffed area offices. In all cases the number of homes they owned on the estates was too small to justify opening a local office. In some cases discussions were in hand about sharing a local authority office.

There were a number of tenants' and residents' associations on the estates in the study in which local authority tenants were actively involved - but housing association staff and tenants were rarely involved in these organisations.

Private finance and investment risk

Raising private finance for schemes on local authority estates had not been a problem for housing associations. But valuations of properties on estates fell below the costs of development to a greater extent than elsewhere. This meant that associations were not only using reserves to maintain standards and try and keep rents down, but low valuations were reducing the collateral available for further borrowing. Investment on council estates was often more risky than development elsewhere, for example on greenfield sites. Associations were concerned that there had been insufficient investment in surrounding areas to buttress their own investments.

Conclusions

If housing association investment on local authority estates is to contribute to long-term regeneration, at acceptable levels of risk for associations, the following issues need to be addressed:

- A minimum critical mass of investment on each estate needs to be achieved over the long term. This requires strategic planning by development partners.
- It may be necessary to place community need before housing need when making allocations on these estates if strategies to create diverse communities and reduce social exclusion are to be successful.
- Lower rent levels must be achieved if local job creation initiatives are to have any chance of success, and benefit dependency is to be avoided.
- Partnership arrangements must be structured to secure the long-term management of estates.

About the research

The research involved a postal questionnaire to all housing associations in England which received HAG between 1991/92 and 1993/94; interviews in all regions with senior staff in the Government's regional offices, the Housing Corporation and the National Federation of Housing Associations; interviews with senior staff of local authorities and selected housing associations in five case study local authorities and interviews with housing association and local authority estate management staff on fifteen estates within the five authorities.

Further information

The full report, **A new lease of life? Housing association investment on local authority housing estates,** by ADH Crook, RA Darke, and JS Disson, is published by The Policy Press in association with the Joseph Rowntree Foundation (ISBN 1 86134 044 3, price £11.95).

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118 Housing association space standards decline (Jul 94)
143 Housing associations and non-housing activities (Apr 95)
154 Housing associations, private finance and market rents (Sep 95)
156 Multi-landlord estates (Sep 95)
185 Housing costs, housing benefits and work disincentives (Jul 96)
192 Housing associations and the private lender (Sep 96)

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