

City Growth Commission

Submission of Evidence by Dr Tim Brown on behalf of the Centre for Comparative Housing Research, De Montfort University, Leicester

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Summary

Housing is an important but neglected aspect of the debates on city growth models. It is an essential element of infrastructure. Investment in housing also contributes to economic development. Nevertheless the successful co-ordination of economic growth with housing policy at a city region level requires:

- Agreement on the geography of policy making at a city region / sub regional scale
- Recognition of the importance of linking city region strategies with initiatives at the neighbourhood level
- Willingness to be innovative and learn lessons from other countries.

Introduction

The Centre for Comparative Housing Research (CCHR) at De Montfort University is involved in research and consultancy projects for government departments, councils (e.g. Hull City Council) and housing associations (e.g. Places for People) on housing, regeneration and local economies (e.g. local enterprise partnerships). We also have a well-established track record of work on investigating the potential of lesson learning from other countries. This has included projects on social housing allocations and lettings, planning systems, institutional investment in the private rented sector and affordable housing supply. More details of our activities can be found on our website at www.dmu.ac.uk/cchr.

The focus of our evidence centres on the importance of housing in contributing to economic growth at a city level. A well-functioning housing market is an important part of the infrastructure for city growth. Furthermore, housing initiatives can boost local economies through a multiplier effect as well as targeting labour market problems such as young people not in employment, education and training (NEETs).

There, of course, has been a growing interest in recent years in the UK, Western Europe and North America on the economic regeneration of cities. This has resulted in, for example, interrelated debates on the governance of cities (including leadership such as elected mayors), the geography of city regions, the role of local enterprise partnerships and lesson learning from other countries (such as the shrinking cities issues in the rust belt of the USA). However, the housing dimension to these debates has been marginalised in England. For example:

- Only eight out of 39 local enterprise partnerships include housing as a priority
- Coverage of housing in city deals is, at best, variable but with some emphasis on improving the supply of new homes
- There is a consensus that there is a long-term problem over the undersupply of housing (especially affordable homes). But there has been a reluctance to consider alternative approaches from other countries to boost supply.

1. *What are the key benefits – for the economy, investment, innovation, productivity and public finances – of shifting to a multi-polar growth model, in which our major cities are key players in the nation’s economy?*

A growth model recognizing the significance of cities and their sub-regions should be integrated with housing policies. The design and delivery of housing strategies must reflect local housing and economic challenges and opportunities. For instance, in the USA, national affordable housing programmes such as the low income tax credit system (which has delivered 2.5 million new or refurbished homes over the last 25 years), gives considerable autonomy to states and cities over its targeting. Cities in sunbelt regions focus on new affordable housing provision targeted at specific income groups to tackle the supply crisis. In rust belt cities the emphasis is on clearance, redevelopment and refurbishment so that there is a better housing offer to inward investors as well as addressing poor conditions faced by existing communities. There is, thus, a balance between national government, the individual states and municipalities over responsibilities that provide a degree of local autonomy. In England, cities potentially have considerable resources such as real estate and finance, but their actions are strongly limited by government controls. For example, the changes to the housing revenue account regime offer considerable opportunities for councils with retained stock to develop long term strategies for affordable housing. But the artificial cap on borrowing imposed by the Treasury prevents innovation even though there are already effective controls through the prudential borrowing system (see below).

2. *What does the international evidence show about the role of cities in driving growth and catalysing innovation? What are the key success factors that we can learn from?*

There are a significant number of research studies on the successful regeneration of cities in Europe and North America¹. These focus on both large cities (e.g. Bremen and Leipzig) as well as medium size towns such as Ghent and Tilburg. There are two significant re-occurring themes from these and other studies in relation to housing:

- Innovative housing solutions are an important element of driving growth and innovation. It is an essential element of infrastructure. This might take the form of new provision or the refurbishment of existing stock. These types of provision fulfill two roles – addressing the housing problems faced by existing communities and creating a housing offer that is attractive to inward investors and potential entrepreneurs.
- Neighbourhood-level interventions (i.e. small scale initiatives) can cumulatively make a positive large-scale difference. But these types of actions need to be co-ordinated at a city region / sub-regional level. For example, the regeneration of the former docks and shipbuilding area of Gothenburg into a high quality mixed use area involves a wide range of public, private and third sector organisations operating at a range of geographical scales. A city region strategy that prioritises investment in this area has been vital so that a wide range of organisations (e.g. universities, local housing companies and housebuilders) have confidence to invest their resources in this long-term project.

3. *What is the relationship between public service reform and economic growth at city level? How can more effective demand management – through public service reconfiguration and integration for instance – help to drive social and economic productivity? Can this enable our cities to become more financially sustainable?*

In relation to housing and regeneration, there have been a number of significant interrelated public service changes over the last two decades. CCHR has been involved in the development and evaluation of a number of these changes. They include:

- A gradual shift towards a strategic enabling and facilitation role for councils
- The development of new models of social housing management through stock transfer, arms length management organisations and boroughwide housing co-operatives (e.g. Rochdale)
- A greater use of local delivery vehicles²
- Partnerships and collaboration³

¹ See, for example:

Power, A. et al (2010) Phoenix Cities – The Fall and Rise of Great Industrial Cities, Bristol, Policy Press

Van Boom, N. and Mommaas, H. (Eds) (2009) Comeback Cities – Transformation Strategies for Former Industrial Cities, Rotterdam, NAI Publishers

Cadell, C. et al (2008) Regeneration in European Cities – Making the Connections, York, JRF

² See Brown, T. and Lishman, R. (2010) Co-ordinating Regeneration – Improving Effectiveness in Local Delivery, Northern Way, Newcastle, Regeneration Momentum Research Paper 3

- A stronger focus on the customer through, for instance, choice-based lettings systems⁴

The vast majority of these initiatives have been developed by councils – thus, demonstrating their ability and appetite for change and innovation despite central government controls. Each of these changes has been the subject of intense debate and discussion. However, there has been relatively little focus on the impact on economic growth. Nevertheless, there are a number of emerging findings:

- These changes can be designed to contribute explicitly to tackling local economic development issues e.g.
 - Operating choice-based lettings systems to promote cross-boundary mobility to improve efficiencies in the labour market
 - Ensuring that the commissioning and procurement processes for housing development and regeneration build in local employment and training initiatives
- The exposure of councils to partnership working raises awareness of the need for different skills and expertise. For example, the growing interest among councils such as Hull, Manchester and Southampton in institutional investment in the private rented sector, has highlighted the challenges of understanding how pensions funds, insurance companies and investment trusts operate. A better appreciation of the understanding of finance markets is also, of course, an essential pre-requisite for tackling economic growth issues.
- Complex partnership and collaboration arrangements, however, raise issues over local accountability and governance. CCHR research on co-ordinating regeneration in East Hull highlighted that while residents generally welcomed the outcomes, they were bewildered by the range of initiatives⁵.

4. *How can decision making and responsibility for public policy and public services be better aligned with the reality of local labour markets? How can policies around employment support, childcare, skills policy, welfare strategy and economic development better reflect the needs of local people and businesses?*

A key issue is the geography of policy making. With the demise of the regional tier of government in England since 2010, there has been a renewed emphasis on city regions and sub-regions. This is taking a number of forms including local enterprise partnerships (LEPs), city deals, growth strategies and combined authorities. From a housing perspective, strategic housing market assessments based on groups of local authority areas and travel to

³ See Brown, T. and Yates, N. (2012) Public Private Housing Partnerships. In Smith, S. et al (Eds) (2012) International Encyclopedia of Housing & Home, Oxford, Elsevier Press, Vol 5 pp 446-451

⁴ See Brown, T. and Yates, N. (2005) Allocations and Lettings – Taking Customer Choice Forward in England?, *European Journal of Housing Policy* Vol 5 No 3, pp 343-357

⁵ Brown, T. and Lishman, R. (2010) Co-ordinating Regeneration – Improving Effectiveness in Local Delivery, Northern Way, Newcastle, Regeneration Momentum Research Paper 3

work areas (TTWAs) continue to be significant. In addition, the Localism Act, 2011, and the new planning policy framework (NPPF), require effective co-operation between adjoining authorities. There is a consensus that existing local authority administrative boundaries do not reflect the realities of the geography of labour markets, housing markets and local economies. However, the various recent initiatives often do not have the same geographies. This leads to the temptation to search for a single functional ideal city region geography for England. But this is a futile exercise given the urbanized nature of most of England and the overlapping housing and labour markets.

A further dimension is the accountability and governance of city regions and sub-regions. The incremental growth of un-elected partnerships at this geographical scale taking key decisions on strategic issues covering, for instance, economic development, housing, transport and planning poses major challenges for democracy. At the very least, this creates fundamental implementation issues if local councils are unwilling to reflect these priorities in their local planning frameworks (such as residential and employment land allocations) and through the development control system.

A final consideration is the relationship between strategic decision making on transport, economic development, housing etc and policies that contribute to their delivery but are the responsibility of other organisations. These include higher / further education and training and welfare policies. For example, the growth of higher education over the last two decades has resulted in a number of major cities outside London having over 40,000 students at universities. From a strategic economic perspective, this has potential benefits in terms of entrepreneurship and cutting edge research in high technology sectors. But it often comes at a cost in relation to the impact on housing and neighbourhoods.

There is no straightforward answer to the geography of decision making. Previous attempts in the 1970s to set up two-tier local government proved unpopular and were quickly dismantled in the 1980s in metropolitan areas followed by changes in other parts of England in the last two decades. The current initiatives are more 'bottom up' than 'top down', but it remains to be seen as to their democratic legitimacy. Nevertheless, as the example from Gothenburg shows (see above), it is essential that there is a co-ordinated and supported city region / sub-regional strategy.

5. *How can growth in other English cities complement London's economic success? What should be the interrelationship between devolution, growth and reform strategies in London and in our other major cities?*

There are three dimensions to this question – governance, the direct 'London effect' on housing and labour markets and the relationship between London and the rest of England.

In relation to the former, the starting point is that unlike the rest of England, London has a relatively well-developed and mature system of 'city region'

government comprising a strategic and democratically elected body and 32 London Boroughs and the City of London. In addition, the Greater London Authority has, for example, taken over the role and functions of the Homes & Communities Agency. This type of model is not uncommon for other world cities. But it is a model that is unlikely to be replicated elsewhere in England (see above).

Nevertheless, the London impact on housing and labour markets directly extends throughout the South East as well as into parts of the East of England, the East Midlands and the West Midlands. An example of this is the ripple / wave effect on house price increases of a booming London housing market. Clearly, therefore, cities and their sub-regions in the South East need to develop strategies that take account of the direct 'London effect' as well as local opportunities and challenges.

The relationship in regional policy terms between London and the rest of England since the Second World War has been based on the principles of enhancing the potential of London while decentralizing jobs and housing (e.g. new towns and urban containment). Research over many decades has indicated that although there have been successes, there also been failures. For example, the new towns in the South East never generated the degree of self-sustainment originally intended leading to high levels of commuting into the capital. Decentralisation of jobs from London and the South East often focussed on low skilled and administrative jobs that did not provide long term growth potential in the receiving towns and cities. As there is a growing interest in the development of garden cities and new towns, it is essential that there is effective strategic co-ordination between these initiatives and the economic development of London and other city regions.

6. *What needs to change between Whitehall and our cities to make multi-polar growth a reality? What does the Centre need to do to enable this and what economic and revenue levers do cities require?*

As has already been pointed out, there is capacity and an appetite in local authorities to develop new innovative ideas in housing, planning and regeneration. However, despite frequent attempts by governments to reduce central controls, there is still a high degree of centralization and a relatively low level of local autonomy compared with other countries. The example of the housing revenue account changes has been highlighted above. If the government raised the borrowing ceiling or abandoned it altogether, local authorities with housing stock would have the capacity to significantly increase the supply of affordable housing and the refurbishment of existing stock. It could also pave the way for councils to more effectively utilize land that they own with this additional financial resource to enter into partnerships with other organisations to deliver a broader range of housing so contributing to new and refurbished mixed tenure neighbourhoods.

Expecting governments to relinquish controls in a period of fiscal austerity is, however, unrealistic. One way forward that is common in a number of other countries is government support for independent organisations that pilot and

evaluate innovative initiatives. In the Netherlands, for example, the Dutch government, for instance, facilitated the work of a social housing experiment unit (SEV). It worked with municipalities, housing corporations etc to design, test and evaluate new ideas in social housing. If these pilots were judged to be successful, municipalities were encouraged to take forward the initiative.

7. *What other practical, organisational, cultural and systemic barriers stand in the way of a fundamental shift in economic power to our cities and how can these be overcome?*

A considerable but under-researched barrier is the impact of the relative lack of autonomy on promoting a culture of innovation. Centralized systems of resource allocation, regulation and targets appear to contribute to a lack of new ideas and initiatives. It is assumed (often mistakenly) that innovation requires new legislation and regulation as well as significant additional resources. CCHR work over the last two decades on social housing allocations and lettings (especially lesson learning from the Netherlands on choice-based lettings) has identified that there were no such impediments to this new model. Indeed, a number of councils and housing associations were able to implement this scheme without any changes to regulations or legislation.

We would argue, therefore, that despite the relative lack of autonomy, there are opportunities for innovation at the local level by councils and their partners in the areas of economic development, regeneration and housing. An important source of innovation is learning the lessons from other countries