

HOUSING RENEWAL

BEACON COUNCIL SCHEME ROUND 5, 2003/4

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EXECUTIVE SUMMARY

- There are 17.2 million homes - which equates to 80% of all homes - in the private sector in England. 5.5 million of these homes - around a third – do not meet the decent homes standard. The remaining 20% of homes - 4.2 million – are in the social rented sector. 1.6 million of these do not meet the decent home standard.
- Local authorities have a number of options available to them to improve the condition of their own stock. They also have a number of duties and powers in respect of private sector housing, both in terms of providing assistance, and taking enforcement action.
- Existing powers to give grants to private owners and tenants for repairs and improvements will be repealed in July. Authorities have recently been given wider powers to provide assistance and we expect new means of doing so to be developed. A number of authorities have additionally developed ways of providing more practical assistance.
- Authorities also have a number of powers to take enforcement action to ensure that homes in the private sector meet the minimum statutory standard, although in practice these are used on a limited basis. Even in the private rented sector the emphasis is often on persuasion rather than compulsion.
- Excellent practice in private sector renewal is likely to include:
 - having a strategy based on a sound understanding of the wider housing market in the area and region, as well as the private sector; takes an approach that reflects the issues identified; links with other relevant policies and strategies; and has been developed in consultation with the full range of stakeholders;
 - working in partnership with relevant organisations to ensure the approach is effective;
 - maximising the resources available to the authority for renewal;
 - offering financial assistance that helps owners and tenants make best use of their own resources and stretches the authorities own resources further, alongside more practical assistance;
 - having an organised system for dealing with information received about poor condition; and an effective proactive approach to dealing with conditions in the private rented sector;
 - using powers and resources in a way that complements action being taken in the social sector to ensure sustainable, mixed tenure communities;

- demonstrating increases in the proportion of fit, improved or decent properties, and, potentially, a certain percentage of expenditure on these improvements coming from private lenders.

POLICY CONTEXT

The Government believes that everyone should have the opportunity of a decent home¹, so promoting social cohesion, well-being and self-dependence. Poor housing conditions can have an impact on the health of occupants, and concentrations of such housing can have an adverse impact on the “liveability” of an area, in some cases leading to wholesale abandonment as seen in some areas of the North and Midlands.

ODPM’s Public Service Agreement (PSA) 7 is, *by 2010, to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.* The decent homes agenda also feeds into PSA5 to *achieve a better balance between housing availability and the demand for housing in all English regions...*

As landlords, local authorities have a special responsibility to ensure that the homes it provides for its tenants are in decent condition. There are four options available to local authorities to improve the condition of their own stock: use the major repairs allowance; a large scale voluntary transfer to a registered social landlord; establishing an arms length management organisation (ALMO); or setting up a private finance initiative.

The Government believes that it is primarily the responsibility of owners to keep private sector homes in decent condition. However it recognises that some - and in particular the elderly and other vulnerable groups - do not have the resources necessary for this. Local authorities are responsible for providing support to owners and tenants in the private sector for repairs and improvements to their homes.

Authorities have traditionally provided this support through various grants, currently under the Housing Grants, Construction and Regeneration Act 1996. They do also have powers under the Housing Act 1985 to give loans, but these are tied to commercial interest rates, and our most recent figures show that less than 50 a year are currently given. However, the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, which came into force on 18 July 2002, gives authorities new, wider powers to provide assistance for these purposes. It enables them to develop solutions to deal with local problems and priorities. We expect that new methods of providing assistance - for example low cost loans and equity release - will be developed, alongside grants.

Before authorities can use these powers – and in any case, before 18 July 2003, when current powers to give grants will be repealed - they must prepare a policy setting out how they will do so.

¹ A decent home is one that: meets the current statutory minimum standard for housing (currently the fitness standard); is in a reasonable state of repair; has reasonably modern facilities and services; and provides a reasonable degree of thermal comfort. More detail on this definition, and on implementation of the standard in social housing can be found in A Decent Home: the revised definition and guidance for implementation, DTLR, 2002.

Local authorities may also contribute to the running costs of any Home Improvement Agency in their area. HIAs promote independent living by helping the elderly and disabled to cope with the repair and adaptation of their homes, including helping them secure financial assistance.

The Housing Act 1985, Local Government and Housing Act 1989 and Housing Act 1996 give local authorities various duties and powers in respect of condition in the private sector. Authorities are required to consider housing conditions in their area annually, and devise a strategy for dealing with them. They have several powers to ensure that homes are fit for human habitation (the current minimum statutory standard), whether or not they go on to offer assistance. They can serve repair notices, deferred action notices, close or demolish a property.

Where there are larger areas of unfit properties authorities may also declare either clearance or renewal areas. In clearance areas housing is purchased by the authority, either voluntarily or compulsorily, demolished, and the area redeveloped. In renewal areas assistance is deployed to renovate houses in the area, although houses may also be demolished.

Some of the worst conditions are found in the private rented sector, and in particular houses in multiple occupation (HMOs, which are houses occupied by more than one household for example, bedsits). Authorities have powers to introduce various registration schemes for HMOs, which may require HMOs to meet certain standards of physical condition and management. The draft Housing Bill published for consultation on 31 March includes provisions for mandatory licensing of the highest risk HMOs.

Authorities are required to prepare Housing Strategies that analyse housing-related issues in their area across sectors, sets priorities for action, analyses the options and set out a clear action plan. The Strategy needs to include a plan for dealing with private sector stock in poor condition. ODPM has suggested that authorities review their private sector renewal strategies in preparing their policies for providing assistance under the new powers.

Improving housing condition has links to a number of other policies and services, including:

- Planning and land use;
- Employment and broader economic regeneration;
- Social and health care ;
- Crime and anti-social behaviour;
- Fuel poverty and energy efficiency;
- Equal opportunities and diversity;
- Housing market renewal in areas of low demand, in particular the 9 pathfinder areas.²

² See Circular 17/96, Private Sector Renewal: a Strategic Approach, DETR 1996; Private Sector Renewal Strategies, A Good Practice Guide, DETR 1997; and Housing Renewal Guidance (Consultative Document), ODPM, June 2002, for further details.

DEFINITION

Scope of theme

We understand that the Beacon Council Advisory Panel originally consulted on the inclusion of a theme for private sector housing renewal. Although this was modified in the press notice announcing themes to contain a reference to poor condition housing in all tenures, the detail spoke only of private sector renewal strategies and solutions.

Clearly, and for obvious reasons, the duties on and powers available to local authorities to deal with social and private sector housing are very different. The scope of a theme encompassing both would, we believe, be too wide, and the duties and powers too different, to produce useful results. However, we understand that the driver for the inclusion in the press notice of a reference to condition in all tenures was the Panel's interest in renewal of housing estates of mixed tenure.

Mixed tenure communities are becoming more common as a result of the success of schemes such as Right to Buy, and housing association purchase of older private sector properties for renovation. Recognition that an area-based approach to renewal often yields better results (see Current Practice, below) makes using different powers and resources in a complementary way important. We will suggest some assessment criteria that might be used to reflect this.

Scale of the renewal problem

The English House Condition Survey 2001 estimates that, at April 2001, there were 17.2 million homes in the private sector, which equates to about 80% of all homes in England. Of these, 5.5 million - nearly a third - did not meet the decent homes standard. These 5.5 million homes house 5.2 million households, 4.2 million of which are owners-occupiers and 1 million of which are tenants. 1.2 million of them are vulnerable³. 2.1 million homes did not meet the standard because they required renewal work – that is to meet the fitness standard, put right serious disrepair or provide new facilities and services. 3.4 million homes required improvements solely to the level of thermal comfort.

At April 2001 there were 4.2 million properties in the social rented sector, which equates to about 20% of all homes in England. Of these, 2.8 million were owned by local authorities and 1.4 million were owned by housing associations. A total of 1.6 million social sector homes (1.2 million authority

³ Vulnerable households are those who may suffer health problems as a result of living in poor housing conditions which they do not have the resources to remedy themselves. They are most likely to include those over 60, families with young children, and those with a disability or suffering from a long term illness. We have defined these groups with reference to receipt of a number of income-related or disability benefits.

owned, and 380,000 association owned) did not meet the decent home standard⁴.

Factors contributing to the private sector renewal problem

- ***Age of the housing stock.***
Poor housing conditions are closely related to the age of the stock. The vast majority of housing built both before 1919 and 1945 is in the private sector.
- ***Lack of awareness of condition of home and problems this may cause.***
- ***Lack of resources to put things right, and to maintain home in good repair.***
- A number of factors have had an impact here. Initiatives such as Right to Buy have created a new cohort of owners, many of whom lack the income or savings to tackle longer term repairs and maintenance. The overall ageing of the population and increasing longevity creates another large group who may lack resources for this. The flexible labour market and increasingly instability in personal relationships also make it harder for many younger people to devote resources to renovation. And in the current climate of steadily increasing property prices, particularly in London and the South East, owners may have little money left over from mortgage and related payments for repairs even where they have a decent income. Research has also found evidence of rapid deterioration after receipt of grant assistance as a result of lack of subsequent maintenance, and a significant number of properties receiving successive grants⁵.
- ***Concerns about the inconvenience of works and “cowboy” builders.***

Services provided by local authorities for private sector renewal

Local authorities involvement in improving conditions in the private sector would appear to fall into two main “service” categories:

- ***providing assistance***, whether financial or more practical. Where an authority supports a Home Improvement Agency in its area, it can help in providing this assistance to the most vulnerable households in the area; and
- ***taking enforcement action***, both pro- and re-active, to improve conditions in properties unfit for human habitation.

⁴ Figures from the English House Condition Survey 2001, ODPM, not yet published.

⁵ Crumbling Castles? Helping owners repair and maintain their homes, Philip Leather, March 2000.

CURRENT PRACTICE

General

- ODPM encourages local authorities to **develop their private sector renewal strategy with regard to, and to be consistent with, related policies and strategies** including renewal of social sector stock; planning and land use; employment and broader economic regeneration; social and health care; crime and anti-social behaviour; fuel poverty and energy efficiency; and equal opportunities and diversity⁶.
- ODPM encourages local authorities to **match their approaches to private sector renewal to the problems they have identified** in their area. Examples include basing approaches on: particular groups of clients such as the elderly, disabled, or BME communities; areas with concentrations of poor condition housing, perhaps where wider regeneration is taking place; types of property, such as empty homes; or particular sectors, such as the private rented sector⁷.
- Although many practitioners now question the value of providing assistance to individual homeowners – often known as “pepper-potting” - there is currently still considerable **support for area-based approaches to renewal**.⁸

In providing assistance

- Local authorities are **currently making the transition between powers to give grants** under the 1996 Act (which will be repealed in July 2003) **and their new, wider powers to provide assistance** under the Regulatory Reform Order. Although authorities were encouraged to target grants to make best use of resources within their areas, the legislation was quite prescriptive, governing eligibility and conditions.
- The new powers enable authorities to **develop solutions to address local problems and priorities**. We expect them to **develop new means of providing assistance**, such as low cost loans and equity release products. As well as helping owners and tenants make better use of their own resources, by providing a return to the authority these products will also enable it to help more people. Authorities may provide this assistance directly, as with grants, or indirectly, through third parties such as special purpose vehicles. We are also **encouraging authorities to develop schemes that lever in funds from private lenders** to maximise the resources available for renewal. Grants will remain a valid component of strategies for those without the resources to afford even low cost loans or

⁶ Circular 17/96, Private Sector Renewal: A Strategic Approach, DETR, 1996; Private Sector Housing Renewal Strategies, A Good Practice Guide, DETR, 1997; and Housing Renewal Guidance (Consultative Document) ODPM, June 2002.

⁷ Ibid.

⁸ Crumbling Castles? Helping owners to maintain and repair their homes, Philip Leather, March 2000.

equity to release, but it will be up to authorities to decide eligibility and conditions. Authorities must have a policy in place setting out how they will use their new powers by 18 July.

- We are aware that some local authorities are already using their new powers to develop new means and ways of delivering assistance. For example, Birmingham plans to give a £1million grant to Art Homes, a local, not for profit organisation, to set up a revolving loan fund to provide equity release products to owners. Rochdale has sold a package of loans made to homeowners to a private lender for a sum to be invested in providing further assistance. The Houseproud partnership between the Home Improvement Trust, private lenders and (currently around) 45 local authorities helps elderly and disabled people repair and adapt their home, arranging access to 3 loan and equity release products where necessary.
- Some authorities have also developed ways of **providing practical assistance to owners and tenants**. These include: handyperson schemes; providing advice and information to raise awareness of home condition problems; free or low cost home maintenance surveys and/or schedules of works and indicative costs; tool loans schemes; classes to teach DIY skills; and keeping lists of “competent” builders.⁹

In enforcement

- Local authorities are required to **have regard to ODPM guidance in deciding the most satisfactory course of action in respect of houses unfit** for human habitation. Authorities considering declaring a renewal area must carry out a comprehensive appraisal of the area, usually in the form of a Neighbourhood Renewal Assessment.
- **Enforcement powers are used on a very limited scale**, and usually in combination with grant assistance, to “sweeten the pill”. The majority of action is taken in the private rented sector. Few authorities take action against owner-occupiers. Clearance area activity is also low¹⁰.
- Even **in the private rented sector the preference is often for persuasion rather than compulsion**. Many authorities have set up **mechanisms for voluntary working with private landlords**. The most common are landlord forums (formal meetings to discuss issues of common interest, in operation in 146 authorities) and voluntary accreditation schemes (assessment of properties against a range of condition and management criteria, in operation, suspended or planned in 87 authorities)¹¹.

⁹ Encouraging Home Owners to repair and maintain their Homes: A Review of Initiatives, Centre for Urban and Regional Studies, Birmingham University, 1998.

¹⁰ Crumbling Castles? Helping owners to maintain and repair their homes, Philip Leather, March 2000.

¹¹ Voluntary Accreditation for Private Landlords, undertaken for DETR by the Centre for Urban and Regional Studies at Birmingham University, 2001.

- ***ODPM encourages local authorities to use their powers to set up HMO registration schemes*** to improve their awareness of the numbers and locations of these types of property, and improve their condition and management. Having such schemes in place should also help ease the introduction of provisions for mandatory licensing of higher risk HMOs in the draft Housing Bill. We are aware of around 130 authorities that have introduced such schemes.

OBSTACLES TO EXCELLENT PRACTICE

- ***Lack of knowledge of housing conditions.***

Although local authorities are required to consider the condition of housing in their area at least once a year, this does not necessarily imply that a physical inspection must be undertaken. However, information on the condition of stock, its location and occupation, such as would be gleaned from a local physical survey, is essential in developing an effective renewal strategy. Anecdotal evidence from authorities suggests that some avoid such surveys as they do not have adequate resources to either undertake them, or deal with the consequences (they have a duty to take action in respect of unfit properties): see below.

- ***Lack of resources, both in terms of money and staff.***

Nationally, local authorities spend around £300 million a year improving conditions in private sector housing. Resources for private sector renewal now come from the single capital pot and must compete with priorities such as health and education, as well as social sector housing. Different political attitudes towards the two sectors, uniformed views about the relative severity of need in them, and a history of separation of the two functions exacerbate the resource problem for private sector renewal¹². Larger, urban local authorities are generally more likely to have bigger budgets and staff numbers - to some extent reflecting the fact that they will often have larger, more varied problems with private sector housing in their area.

- ***Inability to involve private sector lenders.***

In order to maximise the resources available to them for private sector renewal authorities will need to work with private lenders. However, the Council of Mortgage Lenders believes that lenders are unlikely to want to deal with individual local authorities as it is simply not cost effective¹³. This has, to a large extent, been borne out by authorities' experience to date. Authorities may need to consider working together on a local or regional basis, or consider offering assistance through third parties.

- ***The "grant dependency culture".***

Where owners and tenants have the resources or equity to afford low cost loans or equity release products that have been developed by authorities, they are likely to be less enthusiastic about accepting them than grant assistance, as it involves them paying for all, rather than some, of the cost themselves. Where take up is an issue it may affect authorities' ability to continue to offer those products.

¹² Private Sector Housing Renewal Strategies, A Good Practice Guide, DETR, 1997.

¹³ Delivering the new Home Improvement Regime, a background paper by CML, July 2002.

- ***Timeframe for developing policies for using new powers to provide assistance.***

Local authorities are required to have new policies for providing assistance in place by 18 July. We are aware that some new means of providing assistance are now being used by local authorities (see Current Practice, above). However, these initiatives have taken some time to develop. Our contact with local authorities and their representatives suggests that many will be seeking to develop new initiatives in the longer term. The Centre for Urban and Regional Studies (CURS) at Birmingham University has recently started a two-year research project for the Joseph Rowntree Foundation, ODPM, and Welsh Assembly to look into how authorities are using their new powers, and identify “best practice”.

- ***Voluntary approaches to securing improvements in standards in the private rented sector can suffer by their nature.***

Sufficient, but appropriate, incentives often need to be offered to landlords to achieve recruitment, bearing in mind local market conditions. Often landlords with properties in the worst condition are least likely to cooperate with such approaches.

OUTCOMES

- The Best Value performance indicators include two measures on private sector housing, and one specifically applicable to renewal: the proportion of unfit dwellings made fit or demolished as a direct result of action by the local authority per annum. This includes dwellings made fit through the provision of assistance, sponsorship of an HIA providing assistance, and enforcement action. The problems with this indicator are that not all assistance given by an authority will necessarily make dwellings fit, and that it does not appear to account for improvements to dwellings made as a result of more practical assistance (see Current Practice, above), although this can be difficult to measure.
- Local authorities are also required to provide annual information on private sector renewal activity. This has previously taken the form of the number of dwellings improved by, and expenditure on, the various types of grant. ODPM has recently revised this to reflect the wider powers authorities now have to provide assistance. Information sought now includes the different types of assistance that authorities are providing, the amount they, and any other parties (for example private sector lenders), are spending on them, and the number of dwellings the assistance is improving. Authorities are aware that from April 2003 they will need to collect information in this way. The first returns are due summer 2004.
- The new PSA target will measure homes made decent. Neither of these data sets cover this. Progress will be measured nationally, through the new annual English House Condition Survey, although the annual information provided on activity mentioned above will also be used to gauge activity at a local level. Authorities only have powers to require homes to be brought up to the fitness standard, and will need to encourage owners and tenants to take other measures which might make them “decent”. They are also increasingly likely to be offering means of assistance that require owners and tenants to pay all, rather than none or some, of the costs themselves, which may affect take-up rates for assistance that would make homes fit, let alone decent.

INDICATIONS OF EXCELLENT PRACTICE

Vision and Strategy

A private sector renewal strategy that:

- is based on a sound understanding of wider housing markets in the area and region and has clear links to the authorities' Housing Strategy;
- is based on a good understanding of the private sector housing in their area, including its condition, and the circumstances of its occupants;
- takes an approach to renewal that reflects the issues identified; and
- complements other, relevant strategies and policies including those for dealing with social sector stock.

Consultation

- A private sector renewal strategy that is developed in consultation with the full range of stakeholders both in and outside the authority, including owners, tenants, and landlords.

Partnership

- Works in partnership with other organisations to help ensure that its approach to renewal is effective (for example if an authority has a high proportion of elderly people living in poor condition homes they could forge partnership working arrangements with health professionals, HIAs and other relevant organisations).
- Works in partnership with others both in and outside the authority to make the best use of other resources available to help improve condition – including housing condition, in all tenures - in problem areas, (for example the Neighbourhood Renewal Fund or New Deal for Communities).

Innovation

- Maximises resources available to the authority for renewal for example by accessing or leveraging in funds from private lenders.
- Provides assistance through third parties where this has benefits for the authority (for example, the third party has expertise in developing particular products, has experience in administering them and/or can lever in private funds).

Actions

- Does not rely solely on grants, but promotes sustainable home ownership by offering other options for financial assistance that help owners and tenants make better use of their own resources, and stretch the authorities' further.

- Has developed effective means of providing practical assistance for owners and tenants.
- Has an organised system for reacting to information received about the condition of private sector homes.
- Takes an effective, proactive approach to dealing with conditions in the private rented sector.

Outcomes

Potentially:

- demonstrates increases in the proportion of fit properties, number of properties improved or homes made decent;
- a certain percentage of expenditure is on either private sector renewal from private lenders, or on assistance as loans or equity release rather than grants.

Consumer and user satisfaction

- Seeks feedback on service provided, which indicates high levels of satisfaction on objective measures, for example speed and quality of service (generally speaking consumers are unlikely to be highly satisfied to be offered a loan instead of a grant!)