Implementing new powers for private sector housing renewal

Rick Groves and Sian Sankey

This report analyses the early experiences of local authorities in England and Wales who are implementing private sector housing renewal strategies.

Eighty per cent of the housing stock in England and Wales is now privately owned, and the government has recently overhauled its approach towards encouraging homeowners and landlords to maintain and improve the condition of their properties.

The report begins by outlining this new approach. The government's agenda encompasses a new standard for private sector housing; a new system for evaluating this standard; new powers for local authorities to attract higher levels of private finance; more stringent measures to improve conditions in the private rented sector and new PSA targets to measure progress made.

The main part of the report evaluates a number of key aspects of the policy, viz. innovative uses of grant aid and the relative success of the policy in encouraging the use of private finance; preventative approaches to private sector housing renewal; improving energy efficiency in private sector dwellings; area-based improvement programmes and addressing the most pressing conditions in the private rented sector.

The report finds a contrast between the optimistic and ambitious expectations of the government's new measures, and the serious lack of capacity and resources within local authorities to deliver effective local private sector housing renewal strategies.

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Office of the Deputy Prime Minister
Creating sustainable communities

The **Joseph Rowntree Foundation** has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of the Foundation.

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First published 2005 by the Joseph Rowntree Foundation

ISBN 1 85935 427 0 (paperback)
ISBN 1 85935 428 9 (pdf: available at www.jrf.org.uk)

A CIP catalogue record for this report is available from the British Library.

Cover design by Adkins Design

Prepared and printed by:
York Publishing Services Ltd
64 Hallfield Road
Layerthorpe
York YO31 7ZQ
Tel: 01904 430033; Fax: 01904 430868; Website: www.yps-publishing.co.uk

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Introduction

The Regulatory Reform (Housing Assistance) (England and Wales) Order (RRO) was approved on 18 July 2002 and became operational on 18 July 2003. The RRO swept away the prescriptive powers associated with previous legislation on private sector housing renewal and instituted a general power on local housing authorities to provide ‘assistance’ in ‘any form’ and to ‘any person’ for the purposes of repairing, improving, adapting and rebuilding residential premises. The RRO was the first in a series of measures, culminating in the Housing Act 2004, which have radically changed the way in which the Government seeks to encourage private sector home improvement in England and Wales. The aims of the research project were twofold:

1 to monitor the development and implementation of new private sector housing renewal strategies

2 to identify and disseminate ‘good practice’ for the benefit of other local authorities and partner agencies.

The research was commissioned jointly by the Joseph Rowntree Foundation, the Office of the Deputy Prime Minister (ODPM) and the Welsh Assembly Government. The project began in January 2003.

Key findings

- There is currently a major contrast between the expectations of the policy reforms of central Government and the capacity of local housing authorities to deliver these programmes. Despite this, the initial response of local housing authorities to the RRO was generally favourable.

- The initial policy changes made by local housing authorities were characterised by the introduction of a variety of new types of grant aid that more effectively addressed local housing problems.

- Engaging with private lenders in order to attract private finance and develop a portfolio of affordable loan products has been extremely difficult to achieve.

- The major thrust in private sector housing renewal has been in the area of energy efficiency, which is supported by a grant regime available from the Department for Environment, Food and Rural Affairs (Defra).

- Since the introduction of the RRO, developments towards the private rented sector (PRS) and preventive approaches to private sector housing renewal have been relatively disappointing.

- As a result of the focus of government attention on vulnerable households living in non-decent homes, area-based activity appears to be giving way to client-based programmes, except perhaps in the Market Renewal Pathfinder (HMRA) programme.

- Unless private finance can be more effectively levered into these programmes, it is difficult to see how local housing authorities can meet their obligations under the RRO and the Housing Act 2004.

- Over half (54 per cent) of all local housing authorities in England employed fewer than five full-time members of staff on private sector housing renewal activity and 26 per cent of authorities had fewer than three persons undertaking this kind of work.

Background to the research

The RRO and related reforms (including provisions in the Housing Act 2004) introduce a radical new approach to private sector housing renewal. These include: the adoption of an ‘enabling’ approach by local housing authorities; the introduction of loan finance and the associated notion of leverage to reduce the dependency on grant aid; the consolidation of locally based approaches towards local problems in the housing market; the encouragement of more effective approaches towards the prevention of the deterioration of the stock; the adoption of a new housing standard (the decent homes standard) and through Public Service Agreement (PSA) 7 the concentration of attention on vulnerable households living in non-decent homes; and (through the Housing Act 2004) a new method of evaluating the condition of the housing stock (the Housing, Health and Safety Rating System) and a system of mandatory and discretionary licensing for houses in multiple occupation (HMOs) in the private rented sector. This is a formidable new agenda for local housing authorities.

The research methodology

The research involved a number of different methodologies. These included:

- two questionnaire surveys of all local housing authorities in England and Wales; these surveys were undertaken in February 2003 and April 2004 and provided the main source of data on progress with the development of RRO policies
- a review of a random sample of approximately 50 private sector housing renewal policy documents from both urban and rural areas
- a series of visits to local authorities in connection with the Beacon Councils' exercise
- a number of visits to local authorities and intermediary financial agencies to discuss issues relating to good practice
- a large number of telephone interviews and desk research.

Progress in implementing private sector policies under the RRO

Although most local authorities welcomed the overall change in policy, they were for the most part cautious in introducing change to their own policies. The most obvious initial changes were in the introduction of a range of grants that gave more flexibility to their local policies. The introduction of loan finance, however, has been problematic, with many authorities having been unable to reach agreement over the availability of loan finance with local lenders. As a result, just under 30 per cent of authorities had decided to provide loan finance of their own and a further 22 per cent of authorities were collaborating with 'not-for-profit' intermediary lenders. Progress in drawing in private finance had, as a consequence, proved particularly slow.

The major thrust in private sector housing renewal was in the area of energy efficiency, where measures pre-dated the RRO. Almost all authorities were engaged in partnerships with the aim of improving domestic energy efficiency. This area of policy benefited greatly as a result of the Warm Front grants regime managed by Defra.

Developments in other areas of policy, such as the private rented sector (PRS) and in more preventive approaches to private sector renewal, were disappointing. Thirty per cent of vulnerable households in non-decent homes were living in privately rented accommodation but very few innovative approaches were being adopted to seek to engage more effectively with private landlords in order to improve management and maintenance standards in the sector. One reason for this may have been the imminent changes affecting the sector in the Housing Act 2004 and local authorities may well have been holding back with their policy changes in anticipation of the major changes that are yet to come into effect.

With the exception of the HMRA Pathfinder programme, there was evidence from the surveys that area-based approaches were giving way to more client-based programmes. This was partly a response to the Government's guidance for local authorities to concentrate their attention on vulnerable households living in non-decent homes. There was evidence of some innovative practice in respect of clearance programmes, however.

The major finding of the research was that, despite the fact that over 80 per cent of the housing stock in England is now in private ownership, more than half of the housing authorities in England employed no more than five full-time staff on private sector housing renewal activity. More than a quarter of all authorities (26 per cent) employed fewer than three staff. When staff employed indirectly were taken into consideration this made very little difference to the overall picture. Hence, the most significant conclusion to be drawn from the study is that private sector housing renewal has a very low political priority locally and many housing authorities in the country are inadequately staffed in order to carry out their obligations under the RRO and the Housing Act 2004.

Ways forward

The report recommends the following ways forward.

- In order to meet its commitments under PSA 7 to improve the housing conditions of vulnerable households in non-decent homes in the private sector and to prevent the further deterioration of the older private sector housing stock more generally, central Government needs to demonstrate a greater political commitment to private sector housing renewal.

- It acknowledges that, while an increase in public resources would not go amiss, the real key to securing an enhanced programme of repairs and maintenance in the private sector is to mobilise private finance and ensure that there is available a range of low-cost loan products that are underpinned by grant aid in the most needy circumstances. It appears that, for these arrangements to take place, central government assistance is necessary to share the risks with private lenders.

- The Government should encourage and assist the development of 'not-for-profit' intermediary lending agencies and extend coverage across England and Wales.

- There needs to be greater impetus to the process of exploring ways of delivering private sector home improvement programmes more effectively than at present. Larger local authorities and the Housing Market Renewal Pathfinders need to take a lead in this process. Existing options could be more effectively evaluated and lessons disseminated.

- An opportunity has been missed in the Sustainable Communities Plan for recognising the potential strategic significance of a programme of preventive care for the older housing stock in those authorities without major remedial problems.

- There needs to be much more effective engagement with the PRS and a concerted effort to improve the quality of management practice and the maintenance and repair of the private rented stock.

- There are demonstrable advantages arising from efforts to achieve greater co-ordination between energy efficiency/fuel poverty programmes and housing renewal programmes. Energy efficiency and fuel poverty programmes also need to be more effectively targeted on vulnerable households than they have in the past.

- In essence, however, none of these recommendations is achievable without more central government support and the attraction of much higher levels of financial and staff resources to the programme.

1 Introduction

The research project entitled ‘Implementing new powers for private sector housing renewal’ was commissioned by the Joseph Rowntree Foundation, ODPM and the Welsh Assembly Government in January 2003 with the following aims:

- to monitor the development and implementation of new strategies by local authorities introduced under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002

- to identify good practice for broader dissemination.

The research has involved a number of different methodologies. The main sources of data regarding the progress of local authorities in implementing their new powers under the RRO involved two questionnaire surveys of all local housing authorities in England and Wales. The first of these was undertaken in early 2003 after the powers of the RRO had been introduced but before they came into force and the second was carried out approximately a year later after the RRO had become law in July 2003. These two surveys were supplemented by an initial review of a sample of approximately 50 private sector housing renewal strategies chosen at random as they were completed by local authorities but involving both urban and rural authorities. A number of visits were undertaken to local authorities as part of the Beacon Councils’ evaluation exercise, but also to other authorities regarded as demonstrating good practice in an aspect of private sector housing renewal. A series of visits were also undertaken to review the activity and progress of ‘not for profit’ intermediary lending agencies and the development of loan products. These visits were supplemented by a large number of telephone interviews with local authority staff and by desk research to keep abreast with emerging policy documents and other published information relevant to the implementation of the RRO. The dissemination of good practice has taken place through a number of presentations at conferences and seminars, the publication of research summaries of the two questionnaire surveys and other newsletters and bulletins.

This final report of the research brings together these various pieces of work into an overall evaluation of the progress made by local authorities in implementing the powers of the Regulatory Reform Order (RRO). During the course of the research the Government’s agenda for private sector housing renewal has continued to evolve with the publication of various standards and action plans, and most notably, with the addition of the provisions contained in the Housing Act 2004. As a result, the Steering Group has taken the view that the research should address the implementation of the RRO within the context of these further developments in the

Government's approach to the renewal of private sector housing as a whole. The final provisions of the overall agenda, including the Housing Health and Safety Rating System (HHSRS) and the mandatory and discretionary licensing powers, have only very recently been introduced by the Housing Act 2004 and have not yet come into effect. The research, as a consequence, is very much a snapshot of the early stages of the introduction of a new regime for private sector housing renewal, which constitutes a radical departure from previous approaches. Indeed, the most significant element of the new reforms, the introduction of loan finance, remains at a very tentative stage of development, although it has already had an important impact on policy.

The report begins with an outline of the Government's new agenda for private sector housing renewal including the key elements of the RRO and subsequent private sector provisions, including the Housing Act 2004. These provisions are outlined together with expectations of performance, where these have been made explicit. Chapter 3 begins to document the way in which local authorities have responded to this agenda, first, by establishing private sector policies, the nature of those policies and the targeting of particular groups. Chapter 4 continues the evaluation, focusing on the changes made to policy as a result of the RRO, including changes to grant aid and the introduction of loan finance, preventive and area-based policies. Policy areas pre-dating the RRO, such as energy efficiency measures and provisions relating to the private rented sector (PRS), are considered next. Chapter 6 introduces into the discussion some of the constraints on local authorities in developing their programmes. The final chapter provides a summary of the progress made by local authorities in implementing new policies under the RRO and offers some suggestions as to ways forward for the development of the private sector housing renewal programme.

The Appendix provides an outline of the challenge presented by housing conditions in the private sector as determined by the English House Condition Survey, 2001 and subsequent updates of figures from the 2003 survey.

2 The RRO and the new agenda for private sector housing renewal in England and Wales

Introduction

The Regulatory Reform (Housing Assistance) (England and Wales) Order (RRO) was approved on 18 July 2002 and came into force on 18 July 2003. This chapter outlines the key elements of the RRO; guidance and other provisions subsequently issued by the Government; the new private sector provisions in the Housing Act 2004, and brings these elements together to provide a succinct review of the Government's new agenda for private sector housing renewal in England and Wales.

Key elements of the RRO

The RRO and accompanying reforms represent a significant change in direction in private sector housing renewal and one that ranks with other key milestones in post-war private sector housing renewal policy, such as the 1974 Housing Act and the Local Government and Housing Act 1989. The RRO swept away the prescriptive powers of previous legislation to provide specific types of grant aid and to make area-based designations, and replaced these with a general power to provide 'assistance' in 'any form' and to 'any person' for the following purposes:

- to acquire living accommodation
- to adapt or improve living accommodation
- to repair living accommodation
- to demolish buildings comprising or including living accommodation and to construct replacement accommodation.

Local housing authorities have, therefore, been given considerable powers of discretion to respond to challenges in the local housing market and to formulate their private sector renewal policies. Alongside this enhanced discretion, however, there are a number of safeguards. A local housing authority may not provide such assistance unless they have:

- adopted and indeed published a policy for the provision of housing assistance
- made available assistance consistent with this policy
- accompanied any conditions to the assistance in writing
- ensured that 'appropriate advice or information' is available to the recipient in discharging his responsibilities once in receipt of assistance.

There were also a number of key principles underpinning the RRO. First and foremost, the RRO extended the principle of 'enabling' to private sector housing renewal activity. While the function of providing and managing new social housing had long been transferred to other providers, most notably Registered Social Landlords (RSLs), most authorities had continued to administer directly their responsibilities for private sector housing renewal. Consistent with this philosophy, local authorities will, henceforth, retain the strategic responsibility for surveying housing conditions in their area and preparing appropriate policy responses but they will be expected to work more closely with partners in the housing market, such as Home Improvement Agencies (HIAs), in order to deliver the actual programmes. During the preparatory stages of the RRO it was also envisaged that local housing authorities would work more closely with local banks and building societies in order to facilitate the availability of loans, but, despite widespread attempts to engage with private lenders, very few local authorities have actually been successful in forging these kinds of partnerships.

The introduction of loans and the associated notion of *leverage* is perhaps the most significant principle introduced by the RRO and constitutes the most important policy shift. Grant aid for rural housing was first introduced in the 1920s and extended to urban housing in the 1949 Housing Act. The principles underpinning the availability of grant aid for home improvement and repair have remained largely unaltered since the post-war period. While the idea of introducing loans is not new,[1] the discretionary power to offer grant and loan packages introduced by the RRO is a major departure from previous policy and, not surprisingly, poses the greatest challenge to local housing authorities. The aim of this provision is not simply to stretch government resources to tackle greater numbers of properties, but also to ensure that owners in particular are made aware of the financial responsibilities associated with homeownership.

Hence, a third principle of the RRO is to seek to reduce the dependency on grant aid which has characterised previous policies and to attempt to reassert the message that, in the majority of circumstances, owners are responsible for the maintenance and repair of their own properties – a message incidentally that was also spelled out in the Green Paper in May 1985.[2] The current Government has made clear that it acknowledges a responsibility to continue to assist 'vulnerable households'[3] and to intervene on a potentially large scale where it regards local housing markets as in danger of collapse, hence the Housing Market Renewal Area initiative. It is clear, however, that other groups resident in non-decent housing are expected to undertake the necessary repairs and improvements themselves.

The concentration on vulnerable households also means that the Government has effected a change in the focus of private sector renewal policies away from the condition of the housing stock per se and on to those households most in need of assistance who are living in the worst housing conditions. This focus is also apparent in the adoption of the new Housing Health and Safety Rating System (HHSRS), which seeks to assess directly the effect of a housing defect on the inhabitants of a dwelling.

A fifth principle of the RRO is that, by granting discretion to local housing authorities, the Government is enabling those authorities to develop specific local responses to local problems rather than providing a national and prescriptive framework for the implementation of private sector renewal programmes. This facility is only meaningful, however, if local authorities have the skills and resources to be able to implement these locally appropriate policies and there is evidence that this is not always the case. There is a danger, therefore, that local policies will be prepared without any real possibility of them being capable of implementation.

During the 1980s there was also much discussion about preventive action – the notion that, by stepping in early with a modest repair or intervention, then a more serious and expensive solution could be averted at a later stage. The primary measure by which this was achieved at the time, the Repairs Grant, was then dropped from the repertoire of grant aid in the 1989 Housing Act, thereby reducing the scope for local authorities to develop preventive approaches in any strategic way! Nonetheless, over the next decade or so, some local authorities did develop effective home maintenance initiatives (see, for example, Groves *et al.*, 1999). A further principle of the RRO, however, may be seen in the re-emphasis of the importance of preventive approaches in private sector renewal policies by encouraging local authorities to assist owners with advice and guidance and a range of other activities.

While the RRO itself does not address measures in the private rented sector in any specific way, it has been evident for some time that the Government has wished to see more concerted action taken to address the problems of condition in the PRS.

As outlined in the Appendix, almost half the stock in the PRS (49 per cent) fails the decent homes standard. Even under previous grant-based regimes, private landlords were invariably the least responsive group to improve the quality of their stock and the current Government introduced a manifesto commitment to introduce a system of mandatory licensing for houses in multiple occupation (HMOs) as early as 1995. In the Housing Green Paper in April 2000, the Government acknowledged that 'too many privately rented homes are in poor condition'[4] and restated its commitment to 'retain our many good and well-intentioned landlords, and help them raise their standards further' while at the same time making sure that 'the worst landlords perform better – or get out of the business altogether'.[5] Almost a decade later, the manifesto commitment has been fulfilled with the inclusion of a mandatory HMO licensing scheme in the Housing Act 2004. A further principle underpinning the Government's measures for private sector renewal, therefore, is a commitment to encourage responsible landlords while introducing greater powers for local authorities to tackle those less scrupulous.

Recent provisions relating to private sector housing renewal

A number of measures relevant to the implementation of private sector housing programmes have been approved since the introduction of the RRO. The first of these came in the 2002 Spending Review, which extended the decent homes standard first developed for public sector properties to the private sector. The same year the Government introduced a new Public Service Agreement (PSA) target for the private sector. Initially, this involved a commitment to 'increase the proportion of private housing in decent condition occupied by vulnerable groups', but, in the subsequent *Decent Homes Target Implementation Plan* (ODPM, 2003c), the Government introduced specific targets for the proportion of vulnerable households in the private sector whose homes achieve the decent homes standard by 2006, 2010 and beyond.

In order to assist local authorities in developing their policies towards meeting these private sector targets, ODPM revised its housing renewal guidance in Circular 05/03 (ODPM, 2003b). It has subsequently issued advice on the definition of decent homes and on the implementation of policies in the private sector (ODPM, 2004a), and devised an online 'Ready Reckoner' to assist with the calculation of vulnerable households in non-decent accommodation in the private sector.[6] It has also issued two further housing manuals to assist local authorities in formulating their local private sector policies. The first of these is the *Housing Market Assessment Manual* (ODPM, 2004b), which is designed to provide 'local authorities and their partners with a framework for better understanding how housing markets operate'. The second manual is an update of the Neighbourhood Renewal Assessment guidance first published in 1992 (ODPM, 2004c). These two manuals are seen as complementary, with the former offering a means of analysing the local housing market in context and the latter concentrating on a more detailed analysis at neighbourhood level.

Private sector provisions in the Housing Act 2004

Since the RRO, the final set of provisions for private sector housing were recently given approval in the Housing Act of 2004. These include the introduction of a new system for assessing housing conditions – the Housing, Health and Safety Rating System (HHSRS) – accompanied by new procedures for enforcing housing standards (Part 1 of the Act). Part 2 of the Act includes a new mandatory licensing scheme for houses in multiple occupation (HMOs) and discretionary licensing powers in selective areas are also introduced in Part 3. These powers are also accompanied by a revised definition of an HMO (set out in Part 7 of the Act). Part 4 of the Act introduces Interim and Final Management Orders enabling a local authority to take over the management of an HMO in the event that the authority is unable to issue a licence and the much publicised Home Information Packs (sellers' packs) are outlined in Part 5. These provisions in the Housing Act tend to complete the Government's current reforms for private sector housing and, together with the energy efficiency measures, powers to assist with aids and adaptations for older and disabled people, and the HMRA Pathfinder programme, all of which pre-dated the RRO, enable us to obtain a more comprehensive understanding of the new agenda for the maintenance of housing standards in the private sector.

The new agenda for private sector housing renewal

Bringing these various elements together, one can observe that the Government's new agenda for private sector housing renewal has the following major components:

- provisions to improve the energy efficiency of the residential stock introduced under the Home Energy Conservation Act 1995 and since supplemented with additional measures to combat fuel poverty and promote 'affordable warmth'

- the powers available under the RRO to provide 'housing assistance' to private landlords and homeowners in order to maintain minimum standards

- aids and adaptations for older and disabled people
- the adoption of the decent homes standard for private sector homes
- the introduction of the Housing Health and Safety Rating System (HHSRS) as the means of assessing housing standards
- the Housing Market Renewal Area Pathfinder programme to tackle the problems of low demand and failing markets in towns and cities in the Midlands and the North of England
- the new Housing Act powers of mandatory licensing and management orders to enable local authorities to intervene more effectively in high-risk properties (HMOs) in the privately rented sector.

The commitments and responsibilities of local authorities under each of these headings will be elaborated in turn.

Energy efficiency and fuel poverty

The Home Energy Conservation Act of 1995 (HECA) designated local housing authorities as energy conservation authorities and required them to prepare and submit an annual report to the Department of Environment (DoE) setting out their proposals for energy conservation measures which they considered practical, cost-effective and likely to result in significant improvements to the energy efficiency of the residential environment. These measures introduced by HECA applied across all tenures. The Government introduced a target for local authorities to improve domestic energy efficiency by 30 per cent over ten years.

Subsequent to this, the Acheson Report *Our Healthier Nation* (Acheson, 1998) acknowledged a link between poor housing and health, and, since that report, the Government has strengthened its measures for tackling fuel poverty under the Warm Homes and Energy Conservation Act 2000 and issued strategies for tackling fuel poverty (DTI, 2001) and for improving levels of energy efficiency throughout the economy, including the residential environment (DTI, 2003). The UK Fuel Poverty Strategy defined fuel poverty as:

> … a fuel poor household is one which needs to spend more than 10 per cent of its income on all fuel costs and to heat its home to an adequate standard of warmth.
> (DTI, 2001)

It also set targets to reduce fuel poverty among vulnerable households in England by 2010 and to eradicate fuel poverty in England by 2016. The Energy White Paper (DTI, 2003) committed the UK Government to decrease carbon emissions by 60 per cent by 2050 (para. 2.12), and acknowledged the need to 'tackle the problem of our old, poorly insulated and draughty homes' (para. 1.37) by recommending a range of energy efficiency measures in the home.

Among a wide variety of measures,[7] the main tool for addressing the issues of energy efficiency and fuel poverty in private sector housing has been the Warm Front grant, introduced in 2000 and administered by Defra. In addition, other schemes and initiatives that have had a positive impact include the Energy Efficiency Commitment (EEC), a statutory obligation on licensed energy providers to encourage and assist domestic energy consumers to make energy savings, and a pilot programme of Warm Zones in five local authority areas.[8] The Warm Front grant has provided a package of energy efficiency and heating measures up to a maximum value of £1,500 tailored to the needs of a specific property, with a grant of £2,500 offered to eligible households who are aged over 60 years. Over one million households in England have been assisted by the Warm Front scheme since 2000.[9] Under the EEC scheme, Ofgem[10] estimates that around five million low-income households will have benefited from this scheme when it ends in 2005. These figures are expected to include around 360,000 energy efficient boilers and, more specifically, 170,000 measures, including cavity wall insulation, loft insulation and energy efficient boilers, directed at fuel poor households. The Warm Zones pilot programme was a co-ordinated, area-based approach, which sought to secure the improvement of energy efficiency among as many households as possible within a given locality.

In its recent publication *Fuel Poverty in England: The Government's Plan of Action* (Defra, 2004c), the Government reasserted its commitment to eradicating fuel poverty among vulnerable households by 2010. While recounting the achievements of the Warm Front scheme, it acknowledged that grants could be better targeted to those at the greatest risk of fuel poverty. It also accepts that the scheme may not be reaching about 25 per cent of vulnerable, fuel poor households because of the fact they are not claiming the benefits that would make them eligible for the scheme. Among a number of recommendations, it announced:

- an increase in the resources available for the Warm Front programme by £140 million
- improvements, where possible, to energy efficiency measures to a level where there is a minimal risk of fuel poverty

- a decision to provide all eligible households with central heating
- an increase in the level of grants
- more effective targeting in areas of concentration of the fuel poverty.

As far as the EEC scheme is concerned, the Government proposes to extend the scheme to 2011 and to continue to use it: 'to help raise awareness of sustainable energy use and provide real practical advice and support on energy efficiency for householders, as well as addressing environmental and social issues' (Defra, 2004c). The second phase of the EEC (from 2005–08) began on 1 April 2005, at broadly double the level of activity of EEC I (2002–05). Energy suppliers are required to direct at least 50 per cent of energy savings to a priority group of low-income consumers. There will be a review in 2007 to inform the setting of the target for the EEC 2008–11, taking account of the progress made and the development of other policies that may impact on the EEC mechanism.

The strategic significance of the RRO

The powers available to local housing authorities under the RRO have already been outlined above. The important point to emphasise here, however, is the strategic significance of the RRO in that it requires all local housing authorities to prepare and publish private sector housing renewal policies and, as part of this exercise, to bring together these various elements in an integrated programme of local action targeted on vulnerable households living in non-decent homes. Because the energy efficiency measures outlined above pre-dated the RRO and are backed by significant sums of grant aid, they have tended to develop a momentum of their own and integrating these programmes with the requirements of the RRO, which is intended to be both targeted and loan-based, is likely to be a challenging exercise for local housing authorities.

Aids and adaptations for older and disabled people

Not all of the prescriptive legislation relating to grants and area-based designations was repealed by the RRO. One of the surviving powers is that involving Disabled Facilities Grants (DFGs). DFGs were introduced as a mandatory grant to those registered as disabled and living in unsuitable properties under the 1989 Local Government and Housing Act. Local authorities also had discretionary powers under the Housing Grants, Construction and Regeneration Act of 1996 to provide Home Repair Assistance for minor repairs and adaptations in the home. While the latter has been repealed, most local housing authorities have used RRO powers to replace this form of 'assistance' with a similar provision, either a specific grant for repairs and adaptations, or a more flexible, small grant. These measures now provide the basis for most housing authorities' programmes of assistance towards older and disabled people and, since their introduction, DFGs have become an increasingly important feature of local authorities' private sector housing renewal policies. A major government review of DFGs is under way, however, to consider proposals to improve the efficiency and fairness of the provision of housing adaptations for disabled people. A team from Bristol University has prepared a research report, which was presented to ministers in June and the Government is committed to producing proposals for change later this year.

Consistent with the aims of the RRO in creating an enabling framework, the Government is also encouraging local authorities to work with older and disabled people in partnership with Home Improvement Agencies (HIAs). In mid-2004, there were an estimated 227 HIAs in England, costing approximately £39 million per year.[11] These HIAs provided coverage of about 70 per cent of local authorities in the country and most were managed by RSLs and/or charitable bodies. There is further funding from Government of £2 million to enable more extended coverage, through which it is hoped to extend HIAs to an additional 78 local authorities.

Government policy on housing for older people is set out in *Quality and Choice for Older People's Housing: A Strategic Framework* (DETR/DH, 2001) and stresses the following five key areas.

- Diversity and choice – ensuring the provision of services that promote independence and are responsive to older people's needs and preferences.

- Information and advice – ensuring that information and advice are accessible both to professionals and older people themselves on the variety of housing and support options available.

- Flexible service provision – assisting local authorities and service providers to review housing and service models to improve flexibility to meet changing needs, taking into account the views of older people.

- Quality – emphasising the importance of the quality of housing and support services in terms of both ensuring that homes are warm, safe and secure and monitoring services.

- Joint working – improving the integration of services delivered at the local level, by housing social services and health authorities and through government departments.

A good practice guide on the delivery of aids and adaptations has also been published recently by ODPM (2004d).

The decent homes standard and the targeting of vulnerable groups

The decent homes standard was introduced in 2000 with the intention of bringing all social housing up to this standard by 2010. The standard built on the fitness standard by adding three further requirements – that the property should be in a reasonable state of repair, that it should have reasonably modern facilities and services, and that it should provide a reasonable degree of thermal comfort.[12] In the 2002 Spending Review, the decent homes standard was extended to the private sector where it was estimated by the English House Condition Survey (EHCS), 2001 (ODPM, 2003g) that 5.4 million dwellings failed the standard. When vulnerable households were introduced into the equation it was estimated by the EHCS that 1.2 million vulnerable households were living in non-decent homes in the private sector. *The Decent Homes Target Implementation Plan* (ODPM, 2003c) sets out an overall trajectory for the delivery of private sector home improvement strategies (PSA 7) up to the year 2020. These targets are to ensure that 65 per cent of vulnerable households are living in decent homes by 2006, 70 per cent by 2010 and 75 per cent by 2020. The most recent estimate from EHCS, 2003 shows a reduction in the number of vulnerable households living in non-decent homes to 1.056 million (37.2 per cent) in 2003. This is in line with the objective in *The Decent Homes Target Implementation Plan* of reducing the proportion of vulnerable households in non-decent homes to 35 per cent by 2006.

In practice, however, it is very difficult to identify what these targets mean in terms of the provision of 'assisted' improvements by local authorities because the number of vulnerable households in non-decent homes is very much a dynamic process subject to market forces. Over time, the number of vulnerable households is likely to be subject to constant change because of changing employment opportunities, an ageing population and changes in the benefit system. At the same time, some houses that might have been included within the target for local authority action may be purchased and renovated, while others currently meeting the decent homes standard will deteriorate to the point where they (and their households) may become part of a local authority's targeted programme. The overlap with the Warm Front programme operated by Defra is a further complication. According to the EHCS, 2003, 72 per cent of private sector vulnerable households living in non-decent homes fail the thermal comfort criterion and 52 per cent of vulnerable households do so because of this criterion alone.[13] Hence, the targets expressed by the Government, outlined above, to increase energy efficiency and reduce fuel poverty will also impact on the PSA 7 target in the private sector. As a consequence, while ODPM has made some observations about the extent of assisted home improvements over the decade (see, for example, ODPM 2003c), it has also been extremely cautious about overall forecasts of the level of 'assisted' activity. The number of vulnerable households in non-decent homes may also increase as a result of further policy commitments in future, e.g. the adoption of the new Housing, Health and Safety Rating System. The new annual EHCS has been introduced to enable an annual monitoring of performance and will produce a 'reasonably reliable estimate' of vulnerable households in non-decent homes at regional level by 2005 and thereafter. While it is acknowledged that the process of private sector housing renewal will continue to be market led, it will be unfortunate if the PSA standard is not further clarified so that local authorities have a better understanding of what they are required to do in order to comply with it in terms of *assisted* repairs and improvements.

The Housing, Health and Safety Rating System

After a long period undergoing development, the new HHSRS was approved as part of the Housing Act in November 2004. The most significant difference between the HHSRS and assessment methods under the fitness standard is that the HHSRS will seek to evaluate, not only whether there is a defect in the property, but also what the effect of that defect is on the inhabitants of the property. Hence, 29 potential hazards have been identified in connection with the residential environment and these have been grouped into four different types of hazard, namely:

- 'physiological requirements', including the impact of excessive cold (or heat), the effects of dampness and mould growth, etc.
- 'psychological requirements', such as overcrowding or the effects of noise
- 'protection against infection', including food safety and domestic hygiene
- 'protection against accidents', such as falls, the danger of fire, or the hazard posed by hot surfaces and materials.

While the detailed regulations have yet to be released, the HHSRS is likely to work in the following way. Once a hazard has been identified, an Environmental Health Officer (EHO) will have to assess how dangerous it is and what the likelihood of the hazard causing harm to the occupants of the dwelling is. These outcomes will then be scored and banded into a range of scores from A to J. Bands A to C will constitute a property with 'Category I' hazards and the local housing authority will have a duty to address these hazards without delay. Bands D to J will constitute 'Category II' hazards and the housing authority will have discretion as to whether it wishes to take actions against such properties. A 'decent home' will be free from all 'Category I' hazards.

A range of actions will be available to local housing authorities in order to deal with Category I and Category II hazards. These will range from the serving of a Hazard Awareness Notice where an owner may be notified of the presence of a hazard but no further action may be taken, through Improvement Notices requiring works to be undertaken to the premises in a similar way to previous enforcement action, to emergency provisions enabling emergency remedial action to be undertaken, 'prohibition orders' to be served or, in extreme circumstances, a 'demolition order' to be made.

The Housing Market Renewal Pathfinder programme

In the mid-1990s, some local authorities in the North of England began to experience a phenomenon in some of their older, terraced, pre-1919 stock where there was a sharp fall in values accompanied by an increasing length of time for properties to sell. This led to circumstances where the only purchasers for such properties appeared to be private landlords seeking quick investment returns. In turn, this resulted in further decreases in value, the abandonment of some properties and increasing numbers of voids or empty properties.

To better understand this phenomenon, a number of the most severely affected local authorities commissioned the Centre for Urban and Regional Studies (CURS) at the University of Birmingham to research the reasons behind these declining market circumstances. The research report entitled *Changing Housing Markets and Urban Regeneration in the M62 Corridor* (CURS, 2001) had an immediate impact on policy thinking. It confirmed the significance of large-scale problems, identifying 280,000 properties 'at risk' in these authorities and the need for a new approach to regeneration and renewal in these and similar areas.

In response to these problems, the Government announced nine Housing Market Renewal Pathfinders (MRPs) in towns and cities in the Midlands and North of England in April 2002. Under these arrangements each of the MRPs was allocated £2.6 million to fund early development activities and to prepare local strategies or 'prospectuses'. This announcement was followed by confirmation of the Housing Market Renewal Fund of £500 million in the Sustainable Communities plan (ODPM, 2003d) in February 2003. The aims of the programme were to bring about a restructuring of the housing markets in these areas through what Cole and Nevin (2004) refer to as a 'holistic approach'. The approach of the Pathfinder programme was characterised by the following.

- The establishment of local boards involving both public and private sector representation.
- The adoption of areas consistent with the manifestations of 'falling demand'. This has meant large-scale declarations crossing local authority boundaries and having a sub-regional significance.
- Like the principles embodied in the RRO, it has involved little central government prescription, but rather an innovative mandate to provide radical solutions. It is hoped that the Pathfinder programme will be a source of innovative tools and solutions, which may have wider application in respect of RRO programmes elsewhere.
- The appointment of small dedicated teams to commission a genuinely research-led approach to the problems of these areas.
- The programme is one based predominantly on capital investment, but has adopted an 'integrated' approach, which seeks to identify the causes of failing markets. Hence, it includes concerns about the local economy and labour markets, the incidence of crime, transport infrastructure, educational attainment, etc., as well as developments in the local housing market.
- Nonetheless, a major element of the programme is about modernisation and clearance, and redevelopment programmes feature quite strongly in each of the prospectuses.

In the interim, the prospectuses of each of the Housing Market Renewal Areas (HMRAs) has been prepared and submitted for scrutiny to the Audit Commission. All nine of the Pathfinders have successfully negotiated approval for their proposals and have had their initial bids for funding sanctioned. Further financial support for the current HMRA programme was announced in the 2004 Spending Review and this has increased funding up to £1.2 billion until March 2008. It has also been announced that £65 million of this £1.2 billion will be used to address the problems of low demand in other areas via the Regional Housing Boards.

New powers in the Housing Act 2004 for tackling management and maintenance problems in the private rented sector

The final set of measures that constitute part of the reform of the statutory provisions for private sector housing renewal are those contained in the Housing Act 2004. The Act introduces the following measures directed at private sector housing, most of which are concerned with the PRS:

- a new definition for a house in multiple occupation (HMO) (Part 7, sections 254–9)
- new provisions relating to the licensing of HMOs and other residential properties (Parts 2 and 3)
- management regulations to apply to all HMOs (Part 7, sections 233 and 234)
- additional control mechanisms in the form of 'management orders' for PRS properties and 'empty dwelling management orders' (Part 4)
- Home Information Packs, popularly referred to as 'sellers' packs' (Part 5)
- a recent addition to the Act, Tenancy Deposit Schemes (Part 6, Chapter 4).

The Act introduces a new definition for HMOs. Succinctly, the new definition of an HMO is as follows:

- a house, hotel or flat occupied by more than one household where shared amenities and rent, or other amounts, are payable
- a house converted into self-contained flats, which does not meet the 1991 Building Regulations and in which less than two-thirds of the flats are on long leases.

The new licensing provisions for HMOs require landlords of HMOs, or their managing agents, to seek a licence in order to let their properties. Local authorities have a duty to satisfy themselves that there is no enforcement action required in respect of a Category I or II hazard within five years of the application for the grant of a licence. Mandatory licensing will apply to HMO properties where they are three storeys or more and occupied by five or more persons, comprising two or more households. According to government estimates this amounts to about 20 per cent of all HMOs. There are further discretionary powers for local authorities to declare areas in which HMOs may be subject to mandatory licensing, or indeed to adopt an additional licensing scheme for smaller properties, but in these circumstances a local housing authority will have to secure the permission of the Secretary of State. The licence will ensure that:

- the licence holder is a ‘fit and proper person’ to manage the property
- the HMO must be reasonably suitable for the number of persons living there
- there are satisfactory management arrangements in place.

The licence would normally be for five years and conditions may be attached in respect of any of the above or for additional reasons (such as training for the landlord or for the manager).

Where a local authority refuses to grant a licence or subsequently revokes a licence for whatever reason, to an HMO requiring a licence, the local housing authority must serve an Interim Management Order on the premises (which requires it to manage the property in place of the landlord).

The Act also makes provision to allow local authorities to set up selective licensing schemes in areas suffering from low demand or from persistent problems with anti-social behaviour in the PRS. If the local housing authority adopts such a scheme it applies to all privately rented properties in the relevant area, other than those that are exempt by statute. Before making such a scheme a local authority must identify the problem and consider how the scheme will assist in tackling it, consult with those likely to be affected by it and obtain the Secretary of State’s consent for making it. Schemes can be made for a maximum period of five years and must be kept under review.

Two late additions to the Act included, first, the powers to apply to a residential property tribunal for authorisation to serve an interim Empty Dwelling Management Order (EDMO) or a final EDMO. This gives local authorities further powers in order to bring empty homes back into use, especially where they have been empty for some considerable time. The second addition to the Act was the introduction of Tenancy Deposit Schemes for those on shorthold tenancies. The aim of the latter is to seek to protect shorthold tenants from unscrupulous landlords who refuse to repay deposits where the withholding of the deposit is unwarranted.

Conclusions

Taken together, these measures constitute the Government's new approach to private sector housing renewal. Ideally, they may be seen as an integrated package of measures designed to fulfil the Government's explicit commitments to focus on vulnerable households in poor housing conditions. Given the extent of innovation (e.g. a new standard, a new method of assessing the standard, substantial discretion to local authorities in formulating local policies, the introduction of loans, targets, etc.) and the changed focus of policy, the expectations of Government as far as private sector housing renewal policy are concerned are now not only more diverse, but also more ambitious than they have been in the past. The Government has, moreover, been quite explicit in defining the circumstances when it is prepared to intervene to assist in the private housing market. These circumstances include assisting vulnerable households where the latter are either unable to afford to effect repairs and maintenance or where, by virtue of age or disability, they are unable to carry out these responsibilities. It has also made clear through the Housing Market Pathfinder programme that it is willing to intervene on a large scale and with substantial resources where it is deemed necessary to underpin and effect changes to private sector markets at risk of collapse. The Government's expectations of the targets to be fulfilled at national level are also clearly expressed in *The Decent Homes Target Implementation Plan* (ODPM, 2003c).

This major programme of policy reform has not as a whole been accompanied by any significant increase in resources (although there have been exceptions to this in some areas, e.g. in the resources available for energy efficiency measures or for the HMRA Pathfinder programme). Instead there has been a presumption, as a central feature of the RRO, that local authorities will successfully lever substantial sums of private sector finance into these programmes. Unfortunately, as will be outlined below, this has not as yet been the case. Nonetheless, it remains early days for these reforms and the remainder of the report will focus on how local authorities have responded to these measures and the RRO in particular, and how they are measuring up when compared with the high expectations of central Government.

3 Local authority responses to the new policy agenda – the preparation of private sector renewal policies

Introduction

The initial response of local authorities to the RRO was generally favourable. There was a widespread acknowledgement that sustainable, long-term improvements in private sector housing conditions required an approach that discouraged a dependency on public funds, although grant aid would continue to be important for low-income groups. One of the key responsibilities for local authorities under the RRO, however, was that they would not only prepare but also publish their private sector housing renewal policies. The Government's policy agenda to target vulnerable households in non-decent accommodation and the accompanying guidance on identifying these households emerged at about the same time. While most authorities were targeting vulnerable households in the initial round of policy documents, therefore, they were not necessarily focusing on those in non-decent accommodation. Since then, however, some local authorities have further modified their policies in order to take these changes on board. This chapter outlines the progress made by local authorities in producing their policies, identifies some of the key characteristics of these policies and the extent to which they have moved towards the Government's agenda of targeting vulnerable households in non-decent accommodation. Much of the information contained within the chapter is derived from the two comprehensive surveys of local authorities undertaken by CURS in February 2003 and April 2004. The overall response rates to these surveys were 55 per cent and 62 per cent respectively.

The status of private sector housing renewal policies

Very few local authorities (4 per cent of responses) had actually published their policies at the time of the first survey, although around half (48 per cent) had a draft policy by February 2003. By the second survey (April 2004), however, the vast majority of local authorities (96 per cent) had both produced and published their policies for private sector housing renewal. Approximately half of the handful of authorities that had not published their policies by this time had either 'interim' policies or were intending to publish shortly. Those authorities that cited reasons for not having completed their policies by 18 July 2003 all claimed a lack of staff resources as the principal factor.

The findings of the second survey revealed that 21 per cent of authorities had devised what they regarded as an interim policy, which was intended for review in the short term. Two-thirds of authorities (66 per cent) felt that they had completed their policies subject to a review in the foreseeable future and the remainder (13 per cent) that their policies were essentially completed for the next three to five years.

The distribution of authorities having produced and published their private sector housing renewal policy and the status of those policies by April 2004 is shown in Table 1. It may be seen from the table that, with the exception of the London boroughs, most English authorities differed only marginally from the norm, but almost a third of Welsh authorities (31 per cent) saw their current policies as interim and none regarded their policies as 'complete' for the next three to five years.

When compared with their previous private sector policies, the majority of authorities concluded that they had made some significant changes. Fifty-six per cent of authorities, for example, said that their current policies combined a mix of new and old elements. Some authorities (17 per cent) were more cautious and claimed that, while they had given new direction to their policies, they had only 'adjusted' existing policies rather than introduce more concerted changes. Twelve per cent of authorities admitted that their policies were either completely the same as previous ones or that they had made very little change to them. This left 15 per cent of authorities claiming that they had completely revised their policies and introduced some radical changes. These figures were consistent with those provided in the initial survey, although slightly higher proportions of authorities have either adopted largely unchanged policies (12 per cent compared with 8 per cent in the initial survey) or opted for more radical change (15 per cent compared with 12 per cent). Table 2 demonstrates these comparisons.

Table 1 The current status of private sector housing renewal policies by type of authority with a published policy

Type of authority	Interim policy (%)	Subject to review (%)	Complete (%)	Total number of responses
District councils	21	64	15	149
Unitary councils	25	59	16	32
Metropolitan authorities	19	76	5	21
London boroughs	–	88	12	17
All English authorities	20	66	14	219
Welsh unitary authorities	31	69	–	13
Totals	21	66	13	232

Source: second survey (Groves and Sankey, 2004).

Table 2 Comparisons of the extent of policy change suggested by local authorities (initial survey and current survey)

Policy change	Initial survey (%)	Total number of responses	Current survey (%)	Total number of responses
Completely/largely unchanged	8	16	12	28
An adjustment to existing policy	20	39	17	39
A mixture of new elements	60	117	56	131
Completely changed policy	12	24	15	34
All English authorities	93	182	94	219
Welsh Unitary authorities	7	14	6	13
Total	100	196	100	232

Source: second survey (Groves and Sankey, 2004).

It is interesting to see which types of authority felt that they had completely changed their policies as a result of the RRO. Most (65 per cent) were district councils, 18 per cent were metropolitan authorities, and there were also 9 per cent of London Boroughs and unitary authorities. None of the Welsh authorities felt that they had introduced radical change to their policies.

Some initial characteristics of private sector renewal policies

A review of the initial round of private sector policy documents revealed that they were generally more diverse than had been the case hitherto, a consequence perhaps of the greater discretion permissible under the RRO (ODPM, 2003e). Hence, it meant that authorities were drawing together an array of policy-related areas of activity, such as Energy Efficiency strategies under HECA, policies for aids and adaptations prepared under the Supporting People initiative, or empty property strategies. Manchester's policy was a case in point, where its Home Improvement and Relocation Assistance Policy needed to be read in conjunction with its area-based policy documents and the role of the Equipment and Adaptations Service, in order for its private sector housing renewal policy to be seen in its entirety.[1]

Many authorities also acknowledged the benefits of partnership working in developing their policies under the RRO. This was most manifest in various organisational arrangements that had been set up to address issues of energy efficiency, which pre-dated the RRO, but where many authorities were in partnership with other agencies. It was also revealed in other measures, however, such as joint working with other authorities to establish accreditation schemes (e.g. several London boroughs), the establishment of consortia to address the question of loan finance (Somerset, Devon and Dorset working together with Wessex Reinvestment Trust) or building relationships with local Primary Care Trusts (PCTs) to identify priority cases among older and disabled people. These measures were also reflected in the wide variety of agencies that were consulted during the process of formulating local private sector housing renewal policies (ODPM, 2003e).

Much of the innovative thinking to be found in the initial policy documents was with regard to the use of grant aid. Many local authorities used their enhanced discretion under the RRO to review, simplify and increase the flexibility of their grant-giving policies. A wide variety of policies ensued (see, for example, ODPM, 2003e). Progress was not so rapid with regard to private finance, however, and many authorities struggled to engage with private lenders or to put together coherent policies that combined both grant and loan schemes.

The findings of the first survey (ODPM, 2003e) also suggested that the introduction of the RRO was likely to affect local authorities' policies in four main ways.

1 There was likely to be a major shift towards preventative policies.

2 There would be a declining emphasis on remedial works.

3 There would be an increased emphasis on client-based policies.

4 Area-based policies would also increase in significance overall.

Following the adoption of the RRO, however, not all of these trends have materialised. The most striking development emerging from the second survey (Groves and Sankey, 2004) was the emphasis on client-based policies. This is not surprising given the Government's guidance since the RRO on the targeting of vulnerable households in non-decent accommodation. One implication of this, however, is that there has been some loss of emphasis on area-based policies, especially outside the HMRA programme. Perhaps surprisingly, many local authorities also stressed that their policies were more remedial than preventive and that they had authority-wide relevance rather than being primarily locality-based.

The targeting of particular groups

Most local authorities now appear to be targeting specific groups as a focus for their private sector housing renewal policies. The figures were consistently high in both surveys (87 per cent in the first and 87 per cent in the second survey). The main groups to be targeted include older people (44 per cent of authorities), the ‘over 60s’ (16 per cent), disabled people (51 per cent), benefit recipients (31 per cent) and ‘low-income groups’ (18 per cent) (Groves and Sankey, 2004). In addition to these groups, however, it appears that there are a diverse array of other potential target groups identified by a more modest proportion of authorities. These groups included, for example, black and minority ethnic communities, ‘empty properties’, the fuel poor, landlords, private tenants, households with children under 16 years of age, terminally ill or hospital discharge patients, first-time buyers in rural communities, etc.

Just under half of all local authorities are complying with ODPM guidance provided since the RRO (ODPM, 2004a) to estimate the number of vulnerable households living in non-decent accommodation in the private sector. Forty-five per cent of authorities claimed that they had, while 53 per cent admitted that they had not and the remainder did not know. In view of the fact that there were only a few weeks between the issuing of the guidance and the second survey, this modest figure is perhaps not surprising. Table 3 shows the distribution of local authorities estimating the numbers of vulnerable households in non-decent accommodation. It demonstrates that a much higher proportion of metropolitan authorities had carried out this exercise than their counterparts in other authorities and especially the district councils (39 per cent).

Among those authorities making this calculation, most (73 per cent) referred to estimates based on an existing local house condition survey and 19 per cent of authorities specifically made reference to ODPM guidance and/or the ‘Ready Reckoner’ in determining their estimates. Other data sources included Housing Benefit data and other surveys, such as local housing needs, neighbourhood renewal assessments (NRAs) and home energy conservation surveys. A further 6 per cent of all authorities were about to undertake an estimate based on house condition surveys, which were already under way, recently completed or had yet to be analysed.

Table 3 Local authorities estimating the numbers of vulnerable households living in non-decent accommodation

Type of authority	Yes (%)	No (%)	Don’t know/other (%)	Total number of responses
District councils	39	58	2	151
Unitary councils	53	44	3	32
Metropolitan authorities	67	33	–	21
London boroughs	53	47	–	17
All English authorities	45	53	2	219
Welsh unitary authorities	46	54	–	13
Totals	45	53	2	232

Source: second survey (Groves and Sankey, 2004).

Approximately half of all local authorities (49 per cent) already have in place policies that are consistent with the Government's guidance in incorporating measures to increase the number and proportion of vulnerable households living in decent homes. Table 4 outlines the profile of authorities whose private sector policies were clearly intended to reduce the number of vulnerable households in non-decent homes. Again, given the relatively short period of time between the issuing of the Government's guidance and the survey itself, this is an encouraging figure.

Conclusions

The conclusions emerging from this chapter demonstrate that the vast majority of local authorities have now prepared and published their private sector housing renewal policies. Most appear to be responding to the RRO with some degree of caution, however. They see their private sector housing renewal policies as evolving over time, rather than being changed in any dramatic manner. The majority of authorities also appear to be keeping their policies under review so that they can accommodate changes as and when they consider them to be appropriate.

The main emphases of policies following the RRO are threefold, favouring a client-based approach, towards remedial rather than preventive policies and taking on an authority-wide rather than a localised character. Some of these outcomes are consistent with those anticipated prior to the introduction of the RRO, but they differ in respect of preventive and area-based policies, neither of which have emerged as significantly as expected. There are clear variations, however, in the emphases given to private sector policies by different types of authorities.

Table 4 Profile of authorities whose policies incorporate proposals to increase the number of vulnerable households living in decent homes

Type of authority	Yes (%)	No (%)	Don't know/other (%)	Total number of responses
District councils	42	54	4	149
Unitary councils	63	37	–	32
Metropolitan authorities	57	43	–	21
London boroughs	65	35	–	17
All English authorities	48	49	3	219
Welsh unitary authorities	67	17	16	12
Totals	49	47	4	231

Source: second survey (Groves and Sankey, 2004).

The information available also suggests that local authorities are also responding quite rapidly to the Government's agenda for targeting scarce resources on vulnerable groups in non-decent homes. The majority of local authorities are targeting particular groups and these groups are wholly consistent with a definition of 'vulnerable' households. Although less than half of all authorities have made an estimate of the number of vulnerable households living in non-decent accommodation in the private sector in their areas, this is to be expected at this stage in view of the relatively short time between the issuing of the guidance and the completion of the second survey. Of those that have done so, only a relatively modest proportion of authorities so far, appear to have made use of ODPM guidance or of the 'Ready Reckoner'[2] in making their calculations. Just under half of all authorities claimed that their private sector housing renewal policies actually incorporated measures to reduce the proportion of vulnerable households living in non-decent accommodation.

4 Key policy changes in private sector housing renewal

Introduction

As stated above, the Government's expectations of private sector housing renewal programmes are now probably more diverse than at any time hitherto. These programmes encompass a number of key policy areas and this and the following chapter seek to outline the developments in local authority policies since the introduction of the RRO. This chapter concentrates on those aspects of policy most closely affected by the RRO:

- innovative developments in grant aid
- progress on the development of loan finance and loan/grant packages
- developments towards the adoption of more imaginative preventive policies
- the use of area-based policies.

Policy developments in each of these will be considered in turn.

Innovative developments in grant aid

Following approval of the RRO, one of the most immediate forms of innovation in policy was the introduction of new forms of grant aid. Many authorities took the opportunity to take a fresh look at their grants policy and to introduce modifications, and one of the most frequent changes was to introduce a small grant that was highly flexible.

In addition to more flexible grants, many authorities also chose to adapt their grants policies pending the availability of private sector loan finance to enable them to introduce grant/loan packages. Hence, a wide variety of grants have emerged as a result of the increased discretion available to local authorities under the RRO. These include the following.

- Grants to assist with home safety or security measures: examples of the use of these kinds of grant include the LB of Barking and Dagenham, which chose to continue a form of small grant assistance of up to £200 for home security measures introduced by the Thames Gateway SRB programme in order to assist householders who have been the victims of burglary. Oldham BC operates a similar scheme in association with a local New Deal for Communities (NDC) programme and Greater Manchester Police. The latter scheme is advertised as a 'target hardening' exercise involving a survey of the home, crime prevention advice, a property ID system and a small grant (averaging about £1,000) to include the costs of home security measures. Colchester BC also offers a small grant of up to £3,000, targeted at those on low incomes, for home safety as well as security measures.

- Grants to facilitate/expedite hospital release: the LB of Hounslow has used its RRO powers to develop a minor adaptations grant of up to £1,000 to assist vulnerable people awaiting hospital discharge or to help them remain in their own homes by carrying out urgent works. Wigan BC also offers 'one-off grant assistance' up to a maximum of £2,000 where a vulnerable, low-income owner-occupier is to be discharged from hospital and their dwelling is unfit and in need of urgent and essential repairs that prevent discharge.

- Grants to alleviate overcrowding: faced with a persistent problem of overcrowding, particularly among Asian households, Rochdale BC introduced a 'dormer grant' for the conversion of attic/loft space to provide additional bed spaces. The grant of up to £18,000 is means-tested, available only to nuclear (rather than extended) households and is clearly only available where the conversion is practically possible. Alongside the grant provision there is an equity-based loan facility for those households who have the appropriate levels of equity available in their properties.

- Enveloping or block grants: a number of authorities have reverted to the use of envelope or block grants similar to those used effectively in some cities during the 1980s. The use of the grant is tailored to local circumstances. Hence, Derby CC is adopting a variation on the original 1977 'facelift scheme' by using a 'façade improvement scheme' to improve the front or rear elevations of a block of properties as an inducement to owners to complete the internal maintenance and repairs on a loans basis. On finding that the means-tested contributions towards group repair schemes actually amounted to less than 10 per cent of total costs, Rochdale has employed a similar approach to Derby, subject to a neighbourhood renewal assessment (NRA). Sheffield has introduced a means-tested 'block improvement scheme' to include external, internal and environmental works, as well as security and energy efficiency measures to the decent homes standard.

- Empty properties or ‘homesteading’ grants: many authorities have introduced grants in order to bring empty properties back into use but the nature of the grant very much reflects differing market circumstances. The most frequently used type of grant is a direct grant to landlords as a contribution towards the acquisition and/or refurbishment costs of empty properties in order to bring them back into use for rental purposes, but other types of arrangement also exist. The LB of Greenwich, for example, is seeking to encourage opportunities for low-cost homeownership for first-time buyers or key workers through its ‘homesteading’ scheme. This involves the authority, first, in facilitating access to empty properties either by agreement or by the use of CPO powers; then, through the combined use of a grant and loan package, offering the property for resale to priority households on a ‘homesteading’ basis. Wigan, and more recently Derby CC, have initiated an ‘empty homes challenge fund’ through which they have selected an ‘empty homes partner’ on the basis of a bidding system and then provided the partner with grant aid to assist with the process of purchasing and refurbishing empty properties for rent or sale. Newcastle and Salford councils have both developed a range of measures, not only to bring empty properties back into use, but also to facilitate the process of assembling areas of empty property for clearance. One of these measures is the ‘home swap’ scheme. Under these arrangements the local authority acquires and improves older property in areas of reasonable condition and sells it on a ‘like for like’ basis to householders seeking to move from potential clearance areas. The ‘home swap’ property is sold at market value after improvement and any gap between this figure and the compensation payable for the owner’s property is bridged by a grant. Where the gap exceeds £25,000, the difference (up to a further maximum of £15,000) may be met by means of an equity-release loan.

- Grants used by rural authorities: market circumstances are often different in rural localities than in towns and cities, and two types of initiative may be highlighted where rural authorities have developed a grant-aided response to particular difficulties in the local market. North West Leicestershire provides an interesting variation on grant aid to bring empty properties back into use. The authority offers a ‘conversion grant’ of 50 per cent of eligible costs up to a maximum of £10,000 per unit for the ‘conversion of redundant non-residential buildings’ to residential use. The subsequent dwellings created must be converted to decent homes standard and must be subject to nomination rights by the local authority for a five-year period thereafter. Suffolk Coastal DC provides a second example. The authority exhibits many of the problems of high-demand rural locations and it has used its powers under the RRO to help those on modest incomes in rural communities to remain in the community. The authority has recently introduced assistance for first-time buyers, with an established local connection, to help them into homeownership by grant aiding repair works to the property (which may be subject to a retention by a building society) or, in exceptional circumstances, where there may be a shortfall between the asking price and the amount the prospective purchaser can raise through a commercial loan. An added advantage of the latter scheme is that it may be used to bring long-term empty properties back into use for the local community, rather than as 'second homes'.

These examples demonstrate the way in which some local authorities have used their new powers under the RRO in an imaginative and enterprising manner in order to adapt their use of grant aid to tackle specific challenges arising in their local housing markets. The continuing predominance in the use of grant aid may also be seen in Table 5, which reviews the level of assistance currently being provided through local authority programmes to private sector households in England. The table shows a steady diminution in the amount of grants processed, which is probably accounted for by the fact that local authority staff have been preoccupied with introducing new policies or policy changes as a result of the RRO. Interestingly, however, the table also shows the first signs of the use of loan finance after the introduction of the RRO in 2002 and a growing use of loans during the following year. Over the foreseeable future, one might expect to see an increasing substitution of the grant-aided approaches outlined above by more and more grant/loan packages, which will enable the modest resources available to local authorities to be extended still further.

On a simple quantitative basis, Table 5 highlights two further important issues: the first is concerned with the scale of the programme of private sector renewal and the second about targets. At current levels of (predominantly) public investment of around £250 million per annum, the table confirms that the task of developing programmes likely to have a meaningful impact on the overall problem of non-decent

Table 5 Housing renewal assistance programme in England

Grant/loan assistance	2001/02	2002/03	2003/04
Number of grants/loans			
Total number of grants completed	82,064	67,946	64,399
Number of loans made by LA	N/a	50	207
Number of loans through third parties	N/a	154	224
Total number of loans made by third parties facilitated by LA	N/a	450	1,177
Expenditure (£000s)			
Total expenditure on grants	288,458	259,059	246,619
Total amount of loans made by LA	N/a	228	1,276
Expenditure on other assistance	N/a	–	7,241

Source: ODPM internal data.

homes in the private sector (valued at £41 billion) remains awesome. Given that the Government has focused its concern on vulnerable households in non-decent homes, however, and these constitute approximately a quarter of the total households in non-decent homes (and, at an average cost of £9,100, an overall cost of around £10.5 billion), this begins to appear much more meaningful as a target for local authority programmes, especially if other government expenditure on private sector programmes (e.g. DFGs and the emerging HMRA Pathfinder programme) is taken into account.[1] The information available from Table 5 tends to corroborate the most recent evidence emerging from the EHCS, 2003 (see the Appendix) that reasonable progress is being made with respect to the decent homes targets for improving private sector housing advocated by *The Decent Home Target Implementation Plan* (ODPM, 2003c). It should be remembered, however, that much of the information in Table 5 pre-dates June 2003 when the RRO actually came into force and hence it is also impossible to infer from this data whether all grants and loans were targeted on vulnerable households or whether the homes were improved to the decent homes standard.

The key to achieving a scaling up of local programmes in order to address the broader problem of house condition in the private sector lies in harnessing private finance and the development of loan grant/packages, and it is to these issues that the focus of attention now turns.

Accessing private finance and the development of loan/ grant packages

One of the most important changes introduced into private sector housing renewal policy by the RRO was the intention to draw in greater amounts of private investment through the increased use of loans and loan/grant packages. As indicated above, this is not an entirely new concept and many authorities have been trying to engage with private lenders for some time in order to encourage the availability of modest loans for those on low incomes for private sector repair and renewal. It has become evident, however, that 'high street' lenders are highly cautious of this type of lending. It is generally seen as relatively high risk and expensive to administer relative to the sums advanced and, in the highly competitive market for domestic loan finance, has not been regarded as a priority by lenders unless a homeowner already has a mortgage loan with a particular lender. Although there have been one or two exceptions (see for example, Box 2 later in this chapter), for these reasons, securing private finance to consolidate grant aid has generally been a very slow process and few authorities have so far made the arrangements work.

The key to unlocking private finance has also been seen to be in enabling homeowners to release some of the equity that they hold in their properties. The rationale for this was clearly highlighted in the EHCS, 2001 (ODPM, 2003a) where it was pointed out that 63 per cent of vulnerable households in non-decent homes were living in properties worth more than £50,000 and that 39 per cent of vulnerable households also owned their homes outright. Since then house prices have risen substantially across the country, including most areas of older housing stock, and this has further consolidated the argument for seeking equity reinvestment alongside grant aid as a means of improving the condition of the older private sector stock. At the same time, there are many equity-release products already on the market but these are almost invariably directed at high-valued, low-risk properties in secure locations. They are also expensive products for relatively small loans and, during the 1980s in particular, there were some very negative outcomes of equity-release loans involving rolled-up interest repayments. As a consequence, none of the current commercial products appears to fit the bill as far as modest, low-cost loans for low-income homeowners are concerned (Appleton, 2004).

Hence, alongside the reluctance of high street lenders to engage with private sector housing renewal programmes, there has been the complication of the need for new financial products that do not appear to be particularly attractive to commercial lenders. This has been the unenviable backdrop against which local authorities have been striving to develop their private sector policies and in particular seeking to attract more private finance. According to the CURS second survey, however, 58 per cent of authorities in England claimed that the provision of loans or loan/grant packages was part of their policies under the RRO, while only 15 per cent in Wales were doing so. There appeared to be four approaches among these authorities towards the provision of loans and private finance:

- the largest grouping of authorities had eschewed private finance (at least for the time being) and were providing, or intending to provide, loans from their own resources
- those authorities working in partnership with ‘not-for-profit’ intermediaries
- a very small group of authorities still persisting with direct negotiations with lenders
- a similarly small group of authorities working with community-based organisations in order to access private finance.

Twenty-nine per cent of all authorities were providing either loans or loan/grant packages directly from their own resources. An increasing number of these authorities appeared to be recycling grant aid by requiring beneficiaries to repay their grants at some future stage, thereby changing the status of the grant to a loan. From the limited information provided about the types of loan products available or under consideration by local authorities, it was clear that the terms and conditions attached to loans were very diverse. The majority of authorities making loans available directly from their own resources were intending to make equity-release loans. Many of these loans were intended to be interest free, registered as a land charge and repayable on the future sale or transfer of ownership of the property. A small number of authorities were intending to charge low or modest rates of interest on these loans, or indeed to follow Bank of England base lending rates. Other authorities were offering loans as part of a loan/grant package, while a few were offering to grant aid the set-up costs of commercial loans. Caps on loans and repayment periods also varied. There also appeared to be a great deal of caution by local authorities and loans were frequently only for very modest sums – a 50 per cent interest-free loan up to a maximum of £2,500 in the case of one rural district council – but at least one London borough was offering interest-free loans to top up a maximum grant of £7,000 to a maximum value of £30,000 for vulnerable households. The purpose of the loans also varied. Most were available for repair/improvement works for homeowners, but other uses included relocation packages, top-ups for mandatory Disabled Facilities Grants (DFGs) exceeding £25,000, loans for landlords to encourage empty properties back into use and for key workers. A more systematic study of the terms and conditions under which loans are being made available by local authorities would be necessary in order to provide a more comprehensive picture of local authorities' intentions.

Box 1 ART Homes Ltd and 'PAL loans by post'

Art Homes Ltd is a 'not-for-profit' lender, which aims to provide a range of lending products to local authorities throughout its core business area of the Midlands. The ART Homes Board has also made a decision to operate outside this core area on a restricted basis by offering a single product, the Property Appreciation Loan (PAL), to local authorities throughout England.

The PAL product is proving to be the most successful product in the ART Homes portfolio and is undoubtedly the product most in demand in the Birmingham area, where the loan has been piloted. The PAL is a product whereby a loan is made to an individual homeowner in return for a stake in the value of the property. There is no interest charge attached to the product and there are no monthly payments of interest or capital required.

Continued

For example, a £5,000 loan on a property valued at £50,000 would result in a stake of 10 per cent being secured against the property. When the property was sold for, say £60,000, 10 per cent of the sale price or £6,000 would be repaid. Capital for the PAL fund, from which individual loans are made, will need to be provided by the local authority but the fund will then benefit from the increase in property price inflation as the loans are repaid.

ART Homes Ltd is offering a service where these loans can be made available to repair and improvement clients of local authorities on a postal basis. Local authorities will have to ensure that there is a ‘front-end’ delivery service in place to provide the necessary advice to homeowners on the work that needs to be undertaken. The service will also need to monitor the works and sign off the completed project.

In partnership with ART Homes Ltd, the local authority will also need to ensure that a suitable system is established to provide the appropriate mortgage advice to individual homeowners, to comply with relevant legislation.

Art Homes Ltd has a standard legal contract available to reduce costs and to speed up the implementation of a PAL by post system. The appropriate fees and charges for the service will depend on the likely scale of operation and the systems to be established, and will need to be negotiated individually.

ART Homes Ltd is currently in advanced discussions with two consortia of local authorities, which will provide a PAL by post system to 12 different authorities.

The second category of local authorities adopting loans as part of their policies were those already working, or intending to work, in partnership with a ‘not-for-profit’ intermediary such as the Home Improvement Trust (HIT) or the recently launched Wessex Reinvestment Trust in the South West region. Twenty-two per cent of all authorities came into this category and most were linked with two initiatives: first, the national Houseproud scheme administered by the HIT and, second, the recent Kickstart initiative by ODPM to distribute £60 million for private sector housing renewal via Regional Housing Boards between 2004 and 2006. Sixteen per cent of all authorities were signed up to the Houseproud scheme and just under a third of these were London boroughs, the majority of which are collaborating to develop a major London-wide Houseproud scheme. Under the Kickstart initiative, implemented through the Regional Housing Boards, seven urban authorities in the West Midlands are collaborating with ART Homes, ten local authorities in the South West with Wessex Reinvestment Trust and several authorities in the Greater Manchester area with the HomeImprove initiative involving a partnership between Rochdale, Oldham and West Pennine Housing Association. Another initiative includes seven authorities on the South Coast working together with the Portsmouth Area Regeneration Trust (PART). This project intends to develop traditional loan products in the first instance and is hoping to extend its lending services to other authorities and has rebranded itself as the South Coast Money Line. Sheffield has also recently established an initiative involving a number of councils in South and West Yorkshire.

While these intermediary agencies were captured by our survey because they were the most advanced in terms of their lending arrangements, there are potentially one or two other agencies, most notably in London, which may shortly enter into the 'not-for-profit' arena. Not all these agencies are providing the same services, however.[2] The HIT, which is the only agency with a potentially national coverage, is not a direct lender but arranges finance on behalf of local authorities from the Dudley Building Society. While the other agencies are lenders, most are still using public, rather than private, funds. The exception is ART Homes, which has secured private wholesale funding for repayment and interest-only loans, and is in the process of negotiating private finance in order to fund equity-release loans. Both ART Homes and HomeImprove are already using public funds to provide equity-release loans. At present, both are also operating primarily on a regional basis with HomeImprove, providing a service to authorities in the North West and ART Homes operating in the West Midlands, although the latter is also providing an equity-release loans service to selective authorities in the HMRAs (see Box 1 above). While the Wessex Reinvestment Trust has encountered some difficulties with its loan products and progress overall has been very slow, some encouragement may be drawn from the pioneering arrangements now beginning to bear fruit between ART Homes and Birmingham City Council, and by the HomeImprove scheme in Rochdale/Oldham.

In Birmingham, the arrangements between the City Council and ART Homes now appear to be working very satisfactorily. The cumulative amount of loan finance made available by ART Homes alone in the 21 months since these formal arrangements were established is set out in Table 6. The table shows the build-up of loan commitments from the beginning of the financial year 2003/04, the first two columns showing the loans profile at the end of the financial year and the second two columns the profile of lending at the end of 2004/05. It may be seen that, over the period as a whole, a total value of over £1.1 million worth of loan finance has either been completed or is committed (i.e. with solicitors), with a further £1.9 million in the pipeline exclusively available to low-income households for private sector improvement and repair works. What the table illustrates most clearly, however, is the effect of a continuing pipeline of work and much of this completed or committed lending (over £900,000 or 82 per cent) has been undertaken during the last financial

Table 6 Loan finance from ART Homes for private sector housing renewal as of 31 March and 31 December 2004: Birmingham City Council

Status of lending	As at 31 March 2004 No. of loans	Amount (£)	As at 31 December 2004 No. of loans	Amount (£)
Loan arrangements completed	31	174,320	82	774,156
Loans committed	4	20,353	26	220,000
Considered in principle	105	991,024	85	1,093,026
Outstanding enquiries	10	65,280	14	135,147
Total	150	1,250,977	197	2,222,507

Source: ART Homes Ltd.

year. Of the total number of loans both completed and in the pipeline (246), 184 or 64 per cent of these loans (with a total value of £2.70 million) have been equity-release loans at an average of around £14,700 per loan and the remainder traditional repayment loans. This serves to illustrate both the significance of a simple equity-release loan (64 per cent of loans accounting for 89 per cent of finance) and its potential popularity.

Meanwhile, in Rochdale, the HomeImprove programme is also expanding. Hitherto, the organisation had been making loans mostly in Rochdale, but has also recently begun lending in Oldham. There are proposals, moreover, to expand the scheme to a number of other neighbouring authorities in the Greater Manchester and Merseyside areas during 2005. HomeImprove is also currently working to expand its range of products to include loans to assist with relocation, not only for those affected by clearance action, but also for overcrowded households and those with problems of disability. Consideration is also being given to loans for private landlords to encourage them to bring their properties up to the decent homes standard. A further development in the HomeImprove scheme is that three of the loans have already been repaid enabling the funds to recycle more quickly than anticipated. Table 7 illustrates progress with regard to lending in Rochdale.

Table 7 HomeImprove lending for private sector housing renewal in Rochdale to 31 December 2004

Status of lending	No. of loans	Amount (£)
Loans approved and committed	49	875,749
Actual spend to date	16 completed, 22 part	353,267
Applications in the pipeline	56	873,073 (estimated)

Source: HomeImprove.

The two remaining categories of local authorities involved in negotiating arrangements over private sector loan finance may be taken together since, in comparison with the previous two categories, these were very much smaller groups. The first group involved those authorities negotiating directly with lenders and this was a very modest group indeed involving just three or four authorities that had managed to achieve successful lending arrangements (see Box 2: Redcar and Cleveland and the Darlington Building Society). The second group involved local authorities that were working together with a variety of community-based organisations to provide additional sources of finance. The most frequently cited partnership arrangement was with credit unions, but other authorities were using Registered Social Landlords (RSLs) as agents in order to disburse loans (using local authority finance), several authorities mentioned charitable sources of finance (presumably for older or disabled clients) and three authorities had entered into specific arrangements with other community-based financial agencies, e.g. Derby City Council with the Derby Loans Group.

Box 2 Housing assistance loan options: Redcar and Cleveland BC

Redcar and Cleveland BC has recently entered into a partnership with Darlington Building Society for the provision of loan finance and revised its private sector housing renewal policy in May 2004 to include the provision of loan assistance. Darlington is a traditional building society and the only provider of mutual financial services to have its head office in the Tees Valley area. Redcar and Cleveland BC falls entirely within the geographical footprint of Darlington’s operating area. Hence, there is a real common interest in the quality of the local housing stock.

The procedure works as follows:

The client is encouraged to seek access to commercial loan finance at the time of enquiry and while awaiting a visit by a Housing Assistance Officer.

If a commercial lender rejects the applicant they are then referred to the Darlington BS for a mortgage.

Following assessment by Darlington BS, successful clients will be offered a loan subject to the following conditions:

- fees payable by Redcar and Cleveland BC (includes valuation, legal expenses and arrangement of the mortgage – currently about £350)

Continued

- the costs incurred by Redcar and Cleveland BC in undertaking the inspections, scheduling the works, etc. will be excluded
- the works should ensure the property meets the decent homes standard; Redcar and Cleveland BC will manage the works in progress
- a contractor on the council's list of preferred designer agents and contractors will undertake the works.

Those clients that constitute a high risk for Darlington BS will be returned to Redcar and Cleveland BC with an indication of the reasons for the rejection of their loan application. These clients are then considered for a loan by Redcar and Cleveland BC.

In some cases, Darlington BS may be willing to offer a mortgage to cover part of the costs of the works and, in those circumstances, a mixed funding package will be available through a combination of the commercial funding plus non-repayable and repayable loans from the council.

To determine whether a repayable, non-repayable or a combination of these loans will be appropriate, an affordability assessment of the 'household available funding' will be made.

The type of loan from Redcar and Cleveland BC (repayable, non-repayable or both) will be subject to a calculation of the monthly repayments for the costs of works in excess of £10,000 over a five-year period. If this exceeds the clients' available income according to the affordability assessment then the client will be offered a non-repayable loan.

The non-repayable loan would be secured as a charge against the property and would not exceed £10,000. The repayable loan would be at a zero rate of interest repayable over five years. All funding provided by Redcar and Cleveland BC has five-year conditions attached. Breach of these conditions would trigger repayment, similar to the renovation grants of old.

There has been some concern among local authorities as to whether they can use RRO powers to register a local land charge on a property in the event that they choose to make a grant or a loan repayable after a specified period, or on the resale or transfer of ownership of a property. According to the findings of our second survey, 16 per cent of authorities were securing land charges with the Land Registry, while a slightly higher proportion (23.5 per cent) were registering local land charges. The

RRO does include a provision (para. 3 [6]), which allows a local authority offering financial assistance to take any form of security in respect of the whole or part of the assistance and which enables a local authority to register a charge with the Land Registry. Land charges are usually listed in date order – the last having first priority, but a further RRO provision (para. 3 [7]) enables a local authority to reduce the priority of its charge below that of a mortgage to prevent a property from becoming unmortgageable. A condition relating to the repayment of the assistance may be registered as a local land charge if an authority is satisfied that it meets one of the definitions in the Local Land Charges Act 1975.

The arrangements highlighted in this section once again demonstrate that most local authorities are responding to the challenge of reducing grant dependency by seeking to introduce loans alongside grants and are exploring ways of attracting more private investment into private sector housing renewal. But progress has been very slow because of: the reluctance of the major commercial lenders to engage, as they regard this activity as high risk; the lack of expertise within local authorities to introduce these kinds of policy changes; and the time it takes to develop alternative approaches, intermediary vehicles and products. Many authorities have responded to these circumstances by setting up their own in-house arrangements with the result that there is not only considerable variety in the terms and conditions of loans available, but also a great deal of ‘wheel reinvention’ taking place. This is evident from the discussion over the appropriateness or otherwise of a local land charge. There is also a marked regional differentiation between those parts of England and Wales served by ‘not-for-profit’ intermediary lending vehicles and those that are not. In an otherwise rather pessimistic set of circumstances, however, the experiences of ART Homes in Birmingham and HomeImprove in Rochdale/Oldham do demonstrate that, if loan systems are established and marketed systematically, it is possible to develop a relatively successful loans regime. While these two schemes are working successfully, however, the levels of activity in both localities need to be dramatically enhanced in order to have a really meaningful impact on private sector housing conditions in the older housing stock. With public sector finance heavily constrained, the implications of this are clear – it is essential to the effectiveness of local policies that private sector finance is secured relatively soon to enable a much more liberal and widespread use of equity-release lending to take place as a cornerstone of private sector housing renewal programmes.

Preventive approaches to private sector housing renewal

Previous research (Groves *et al.*, 1999) has documented the development of schemes designed to encourage maintenance and repair by homeowners since the

1970s. It showed, by the late 1990s, that a small number of local authorities (including, for example, Birmingham, Rochdale, Leicester and Bolton) had developed extensive programmes of home maintenance and repair as an integral part of their private sector housing renewal policies. With the increased discretion available under the RRO it was initially felt that this would provide an invaluable opportunity for local authorities to give greater emphasis to preventive measures than had been the case hitherto. The second CURS survey sought to find out the extent to which local authorities were exploring these opportunities.

Over two-thirds of local authorities (68 per cent) were providing advice and guidance as part of a preventive approach to private sector housing renewal. From additional information provided, it seems that the main approaches to giving advice and guidance were threefold: the largest group of authorities (47 per cent) were doing so by means of information packs, home maintenance guides, leaflets, etc.; direct advice provided by local authority staff, sometimes within a local advice centre or ‘one-stop shop’, was the second method; and advice/guidance provided by means of an HIA or other agency was the third most frequently cited approach. Surprisingly, only a modest number of local authorities mentioned the use of online services or a website. The metropolitan (81 per cent) and English unitary authorities (78 per cent) boasted the highest rates of advice and guidance, and the Welsh unitary authorities (54 per cent) and the London boroughs (47 per cent) the lowest.

Of all the preventive measures mentioned by respondents, the most popular mechanism appeared to be the local handyman service. Seventy-three per cent of local authorities were able to offer this kind of service as part of their private sector renewal programmes. The vast majority of these arrangements were delivered through an HIA, more often than not provided by Anchor Staying Put or Care and Repair. Little information was volunteered about the nature of the work undertaken but, from that provided, it is clear that handyman schemes have varying remits, with some targeting groups in addition to older and disabled people (e.g. single-parent households) and some undertaking functions such as gardening, home-safety checks and minor adaptations as well as minor works of repair and maintenance. Once again the metropolitan (95 per cent) and English unitary authorities (81 per cent) could claim the highest levels of provision, whereas the Welsh unitaries (54 per cent) were not so well provided for.

Many local authorities (43 per cent) were also providing tradesmen’s lists. It is evident, however, that not all authorities are providing the same level of service. The key issue revolves around the definition of ‘approval’, as this may carry a risk of liability in the event that something goes wrong. Accordingly, some authorities were at pains to point out that the list was not ‘an approved’ one, but merely a list of contractors that had undertaken work in the past. Other authorities, such as Bournemouth or Cannock Chase, were providing lists in consultation with the Trading Standards authority or together with the Federation of Master Builders, which does suggest contractors with a higher status. Some of the largest metropolitan authorities, however, were providing contractors' lists with the status of a 'charter' (Bristol) or Qualitymark from the Department of Trade and Industry (Sandwell). These implied that the contractors on the list were approved and also complied with certain standards – that they had a proven track record, good financial references and approved health and safety policies, etc. The Qualitymark scheme in particular carries a dispute-resolution process and an insurance-backed guarantee in the event of problems with the work. Notwithstanding these differences, the metropolitan authorities (81 per cent) were offering an outstanding level of provision as regards tradesmen's lists as compared to all other local bodies.

Other preventive services were being used by a relatively modest proportion of authorities. These included the provision of training in DIY or maintenance skills (8 per cent) and a number of authorities had developed courses in partnership with local colleges in order to provide such skills (e.g. Calderdale, Sandwell and Eastbourne). Tool hire or loan schemes had been developed by 7 per cent of authorities and 5 per cent of authorities were providing area caretakers or street/neighbourhood wardens. Most of the authorities providing neighbourhood wardens or area caretakers were the large metropolitan authorities such as Manchester, Newcastle and Calderdale.

Box 3 The Urban Care approach to private sector housing renewal, Bolton at Home

The Urban Care approach in Bolton was developed as part of a private sector housing renewal project in 1999. The local residents had explained that they wanted a place where they could gain access to support, information, advice and training. Without a facility of this type they feared they could become isolated and they demonstrated a need to have somewhere local they could go to with concerns about their area.

Consultation with local residents resulted in the development of a temporary Urban Care and Neighbourhood Centre – the UCAN centre. The centre was based in two converted terraced houses and opened for business in February 2000.

The centre has played an important role in supporting many needs and priorities that were identified to support the urban regeneration and neighbourhood renewal of the area and its community.

Continued

The Urban Care approach has gone from strength to strength. The original UCAN centre has now moved to new much larger premises and provides an IT suite, an employment information service, a créche and several multi-use rooms for employment and learning support, community activities and offices for staff. The centre provides a kitchen and a friendly central seating area enabling staff and centre users to come together in an informal setting. The centre is run by volunteers and other staff, and is used by many community groups and individuals. It has proved a key element in building capacity within the area.

There are now three UCAN centres in Bolton with more in the pipeline.

The Urban Care approach is founded on being responsive to the needs of the community and its ability to ensure the future sustainability of the area. The aims of Urban Care are to bring fresh life to urban areas and help prevent decline by empowering local residents. Local people now have the opportunity to take positive action in caring for and improving their communities, developing their own skills and making a valuable contribution to the future shape of their neighbourhoods, ensuring more stable and sustainable communities.

As far as innovative activities are concerned, two different types of project identified by the survey are highlighted. These include a number of projects involving close working relationships between health and housing professionals; and several authorities where a variety of preventative measures have been systematically brought together to constitute a ‘policy’ to illustrate the importance of maintenance and repair measures. A number of authorities have developed projects that encourage closer interaction between health and housing professionals, especially at the local level. In some cases, these are similar to projects such as Repairs on Prescription involving establishing a procedure to fast-track referrals from local PCT teams to housing renewal officers (e.g. Warrington, Sandwell). Most are targeting people who are older, disabled or in poor health. Peterborough City Council, for example, has developed a House Doctor Project in the central ward of the city to provide advice, together with training and support, on home/garden maintenance and safety as part of a healthy living partnership. Bradford is providing Housing for Healthier Hearts. Funded by a New Deal for Communities (NDC) project and health partners, this scheme targets chronically ill households providing housing and health advice and implementing preventive measures in the home. Nottingham and Leeds councils are both offering a home safety service to older homeowners to identify risks in the home and to fund adaptations and minor works. The Nottingham scheme also involves a training component, while the Leeds scheme is specifically oriented at preventing trips or falls in the home and is partially funded by PCTs.

A number of the larger metropolitan authorities continue to organise Urban Care programmes and the role of Bolton's UCAN centres in their Urban Care strategy is highlighted in Box 3 above. Leicester City Council has also developed a range of preventive measures as part of its private sector policy, and it highlights the importance of these policy tools for home maintenance and repair, especially towards the end of its Renewal Area programme in order to demonstrate to residents how they can continue to maintain their properties after significant investment has been made in them (Box 4). Derby pursues a similar approach and refurbishes older properties in its Renewal Areas as show homes in order to demonstrate the need for continuing maintenance and to provide DIY workshops. Other authorities seeking to bring their range of preventive measures together and to give them a particular identity through 'branding' include Cannock Chase and New Forest. Cannock has developed the Home Repair Club with an annual newsletter and New Forest has established a home maintenance club.

Box 4 Leicester City Council's Home Maintenance Strategy

The Home Maintenance Strategy seeks to help homeowners, in particular vulnerable households, with a range of housing-related problems. Advice and assistance on all aspects of home maintenance can be provided, with modest financial assistance being available in qualifying cases.

In cases where grant aid is not available, advice can be provided about sources of finance with the potential for referral to known lenders who specialise in small loans.

For many households, the assistance needed could spread across a number of separate issues. However, the Home Maintenance Strategy can cope with this because it is made up of a number of different projects funded from a variety of sources and delivered in conjunction with a range of partners.

This means that, when staff have contact with an individual homeowner, they can refer them on to relevant projects that are all administered from the same office. The result is a very flexible though robust and 'joined-up' service being provided.

Maintenance campaigns raise awareness of the need to keep a property in good order and a home visit can follow when a technically qualified member of staff will carry out a full survey of the property. A schedule of work needed is compiled and sent to the homeowner. Indicative prices are set against each item so the homeowner can evaluate any estimates that they obtain. Advice about employing a builder can be provided together with a list of known builders.

Continued

An in-house ‘handyperson service’ is able to undertake minor repairs. Labour and materials are charged at cost. The handyperson service is often asked to carry out those small jobs that builders are not interested in and would often be carried out on a DIY basis by a more knowledgeable homeowner.

In areas targeted through the Home Maintenance campaigns, DIY courses are held to introduce homeowners to a variety of skills. On completion of the course, delegates get a certificate and a toolbox complete with basic hand tools.

A home maintenance library of fact sheets and ‘How to …’ booklets are available in local offices to assist with DIY.

If a number of homeowners are interested in having similar works carried out then the authority can bring them together to join in an ‘at cost’ scheme or a ‘low-cost’ scheme if some support funding is available. Competitive estimates are obtained from known builders and unit prices are reduced as a result of the ‘bulk buying’ of the group. Council staff oversee the satisfactory completion of the work.

Assistance with safety in the home is available under an accident prevention scheme, which is provided in conjunction with the fire service. Various items that help with home safety can be provided and fitted, together with ten-year smoke alarms.

A number of very successful burglary-reduction schemes have been, and are being, carried out in conjunction with the police. These are generally free of charge and cover different areas according to the source of the funds. Homeowners who fall outside these specific areas can buy locks and other hardware at cost for fitting by themselves or by the council’s handyperson service. Given the large quantity of locks that are bought, these can be passed on at well below shop prices.

A homeowners’ helpline telephone number is advertised to various other service providers, such as social services, health services, etc., who have contact with people in their homes. If they identify that their service user is in need of some help then they can obtain up-to-date and accurate information for their client on a whole range of services by phoning just one number.

When the RRO was introduced it was widely felt that preventive approaches to private sector housing renewal would become more prominent in terms of overall housing strategies. There have been some progressive developments, most notably in the continued expansion of local handyman schemes and in the preventive role performed through HIAs. However, apart from some specific initiatives, the development of a much more proactive approach towards preventive measures has yet to be taken on board by local authorities.

Area-based policies

While slum-clearance programmes formed the raison d'être of housing renewal activity in the late nineteenth century, proactive area-based housing improvement programmes have formed a fundamental part of private sector housing renewal policies since the introduction of General Improvement Areas (GIAs) in 1964. The GIAs, Housing Action Areas (HAAs) and Priority Neighbourhoods (PNs) established under the 1974 Housing Act were replaced by Renewal Areas (RAs) in 1989. While the RRO itself did not introduce a specific new designation for area-based activities, the discretionary powers available allow a local authority either to continue to designate area-based programmes, such as RAs, or to develop new forms of area designation and a few local authorities have done so. A major new area-based programme was introduced alongside the RRO, however, and that was the Housing Market Renewal Area Pathfinder programme. The latter is being monitored as a separate exercise from the RRO, however, (see, for example, Cole and Nevin, 2004), and this section will therefore concentrate on summarising developments in clearance activity and in other area-based private sector renewal initiatives.

Clearance activity since the RRO

Although successive house condition surveys in England and Wales have tended to show a stubborn core of properties that are 'unfit' for a variety of reasons, levels of clearance activity have been very low for some time.[3] The principal reason for this is the relative cost of clearance and compensation to homeowners. Because of these substantial costs of clearance, or indeed the improvement of properties with several defects under the fitness standard, the proportion of properties unfit for more than one reason increased from 38 to 45 per cent over the period 1996 to 2001. The HMRA Pathfinder programme will focus on much of this stock and, not surprisingly, the Pathfinder prospectuses suggest that levels of clearance in these particular areas may accelerate over the foreseeable future. The second CURS survey sought to find out, however, the extent to which clearance was likely to be a phenomenon replicated elsewhere. The outcome was that 12 per cent of authorities (including Pathfinder authorities) thought that there would be an increase in clearance in their areas and a further 8 per cent thought that levels of clearance were likely to remain about the same. Predictably, however, most of those authorities contemplating an increase in clearance rates were either midland (18 per cent) or northern authorities (68 per cent).

Local authorities were also asked about the mechanisms they would use in order to address the issue of clearance. Twenty-eight per cent of authorities stated that they would use conventional compulsory purchase orders (CPOs) and 20.5 per cent said they would seek acquisition by negotiation. Almost all those authorities (86 per cent) envisaging an increase in clearance, however, were using these measures. From the comments received, it appears that, in area-based initiatives, most local authorities pursuing the option of clearance would seek to acquire by negotiation in the first instance but would keep their CPO powers in reserve, or alternatively ‘run the CPO alongside voluntary negotiations’. A second use of CPO powers was in connection with empty property strategies and authorities up and down the country were prepared to use CPOs in these circumstances, especially in order to bring long-term empty properties back into use. It is evident that CPO procedures remain unpopular, however. Several authorities stressed they were used ‘as a last resort’ and at least one authority argued that their use would probably be unacceptable to local politicians. Another commented that there was consumer resistance to clearance and yet another that the recent increase in house prices had reduced the likelihood that clearance would emerge as the most satisfactory course of action.

Given the unpopularity of statutory CPO procedures, a number of authorities were exploring alternative approaches. Eighteeen per cent of authorities as a whole, but 68 per cent of those authorities anticipating an increase in clearance, declared a willingness to use Relocation Grants and these were mostly northern authorities (79 per cent). Hull City Council, Wakefield, Rochdale and Redcar and Cleveland, for example, were all authorities with established relocation grant packages. Calderdale was offering a variant of this, an interest-free loan of up to £15,000. One exception to this apparent northern monopoly was Cardiff, which has developed a variable loan scheme of up to £40,000; the first £20,000 is a means-tested loan and the second £20,000 is an interest-free loan repayable on the sale of the property. Alongside these arrangements for a relocation loan, the City Council has also introduced a Rebuilding Grant on the same principles. The Grant covers the cost of demolition and a contribution towards rebuilding costs.

Another option being explored by a modest number of authorities (7 per cent) was the ‘homeswap’ scheme. This is a scheme that enables households in clearance areas to move relatively quickly to more secure properties in neighbouring areas, thereby facilitating the process of site assembly for clearance. Those exploring this scheme were almost exclusively northern authorities (92 per cent). It has been successfully used in Newcastle as one of a package of measures to expedite the clearance process. Easington claims to have used it successfully in preserving ‘indigenous communities’. Hull appears willing to provide a ‘deed swap’ for a local council property and a number of other authorities are currently contemplating its use.

In order to facilitate the clearance process, 17.5 per cent of authorities overall, but 61 per cent of those anticipating an increase in clearance, were working in partnership with RSLs. These partnership arrangements have taken essentially two different forms. First, Calderdale and The Wirral were using New Tools funding from the Housing Corporation (HC) to trial clearance area programmes using RSLs as agents. In the Calderdale project, an RSL was leading a process of acquisition by negotiation using relocation grants and the HC’s Homebuy scheme while the local authority held its CPO powers in reserve for any final acquisitions. Barnsley and Sandwell also appear to be considering similar arrangements with local RSLs in clearance areas. The second approach involves partnering with RSLs over the acquisition of single empty and unfit properties, and Sedgemoor, South Shropshire and Cheltenham all appeared to have entered into these kinds of arrangements. Several other authorities were contemplating a similar approach.

Innovative activity in respect of clearance programmes seems to be alive and well. Four sets of initiatives were highlighted by the survey. The first of these involved a number of authorities in appointing Property Advisers (Rochdale), or Relocation/Homemover officers (The Wirral), ‘to work closely with residents and assist in finding solutions to allow people to move more quickly’. In both of these authorities these particular appointees would work as part of a team, which would also contain financial and technical expertise. Another authority contemplating similar arrangements was Sandwell, and Stoke was proposing an officer to provide support specifically for older and vulnerable people in clearance areas. Newcastle seems to be the model for these authorities, as it has developed a package of measures including relocation grants (and enhanced relocation grants), equity loan assistance, a local authority shared equity arrangement and a ‘homeswap’ scheme, all of which are aimed at providing rapid rehousing solutions to households in clearance areas.

While these innovative practices appear to be closely associated with northern authorities, the London Borough of Barking and Dagenham is considering clearance for a very different reason. In this part of London, clearance is not necessarily directed at unfit properties but at obsolete or inefficient buildings, usually in mixed-use areas, in order to facilitate land assembly and enable new development to make much more effective use of the land.

A third example of innovative practice is being pursued by Manchester City Council. Manchester has entered into partnership with local RSLs to deliver a programme of intensive neighbourhood management during the redevelopment process. To assist with this responsibility the local authority has provided delegated authority to the RSLs to acquire by agreement in the areas concerned.

The final example of innovative practice is provided by Hyndburn, which is currently researching two forms of community-owned companies for the purposes of clearance programmes. Both are as yet relatively tentative, but the essence of the first initiative is that, rather than sell off the cleared site, the local authority is seeking to form a partnership with a builder and an RSL in order to retain some influence over the nature and design of the development of the site. The local authority would thus supply the land, the builder would bring development capital and marketing skills to the partnership, and the RSL would fulfil a subsequent neighbourhood management role. The second initiative involves the establishment of a neighbourhood trust. The local authority, again in partnership with a local RSL, and using funds from the HMRA, is exploring the feasibility of buying up properties on the open market with a view to passing them on to the RSL for refurbishment and subsequent letting at market rents. The aims of this exercise are not only to upgrade the area but also to try to remove some of the properties at the bottom end of the private rented market and to reinvest any surpluses back into the area.

Residential clearance activity has remained relatively low over recent years and has not generally kept pace with the deterioration of properties into obsolescence and serious levels of unfitness. Despite this trend, there are signs, not only that the amount of clearance activity is likely to increase in the foreseeable future, but also that a number of local authorities are exploring new ways of expediting and facilitating the clearance process for those households affected by it. Nonetheless, clearance remains unpopular with both politicians and consumers and, as house prices continue to rise, it is also increasingly capital intensive. These factors suggest that, even if clearance programmes do increase in the foreseeable future, they are likely to remain relatively modest in scale.

Area-based renovation programmes

Over a third of all authorities (37 per cent) were employing an area-based approach to private sector housing renewal. Of these authorities, ten were involved in the HMRA Pathfinder programme and the remaining 32 per cent of authorities were using other area-based approaches. These latter authorities appeared to be adopting three, slightly different, types of approach.

1 The first group included those authorities that had RA designations under the 1989 Act and were either finishing off their programmes or contemplating new ones. These included a wide range of authorities across all regions of England and Wales, but predictably with a greater concentration in authorities in the Midlands and the North.

2 Those that were actively declaring new RAs, or very similar initiatives, under the RRO. Excluding the HMRA authorities, these authorities included a more modest group than those above and involved large towns rather than the authorities in and around the conurbations. Examples of authorities included Chester, Plymouth, St Helens and Carlisle in England, and Rhonda Cynon Taff, Pembrokeshire and Neath and Port Talbot in Wales.

3 Those employing other initiatives, such as identifying ‘priority areas’ or ‘home investment areas’, or targeting assistance. Authorities implementing these kinds of arrangements included Nottingham, Stockton, Gravesham, Erewash, Northampton and Bassetlaw. In England, a larger group of authorities appeared to be pursuing this type of policy than in the group immediately above, but none of the Welsh authorities were doing so.

While it is impossible to draw an inference from the information provided here as to whether area-based action is becoming more, or less, significant to private sector renewal programmes than under previous legislative regimes, the view of many authorities elsewhere in the CURS survey was that there had been a loss of emphasis on area-based programmes. According to the survey, almost nine times as many authorities (66 per cent) thought that their policies were more client-based than area-based (7.5 per cent). This is understandable given the emphasis of the Government’s guidance to target resources on vulnerable households in non-decent accommodation.

Conclusions

This chapter has reviewed developments in a number of the key areas of private sector housing renewal policy since the introduction of the RRO. The main developments may be summarised as follows.

- Grant aid: one of the first responses of local authorities to the RRO was to use their new discretionary powers to modify their grant policies, often in an imaginative and enterprising way, in order to make them more responsive to local housing needs and circumstances. As loan finance is gradually becoming more widely available, however, some local authorities are considering whether they can deliver a similar or expanded level of service by introducing loans, perhaps as part of a funding package that retains an element of grant aid as an incentive.

- Loans and private finance: most local authorities have been seeking to introduce loans and private sector finance into their policies, but progress with the latter has been very slow. As a consequence, many have decided to develop their own loan products using public funds, and already there is wide variation in products and procedures. The pilot projects in Birmingham and Rochdale, however, are both demonstrating a strong demand for equity-release loans. Now that these mechanisms may be seen to be capable of working, the challenge confronting these and other intermediary agencies is, first, to use the Kickstart projects to develop efficient local procedures; second, to consolidate their expertise in order to expand the current network and, third, to secure a private financial underpinning for their loan portfolios.

- Preventive approaches: at the outset of the RRO process it was felt that its discretionary powers would enable local authorities to develop more coherent preventive programmes. Apart from some specific initiatives, however, this has not yet proved to be an area of major innovation under the RRO.

- Area-based policies: clearly the HMRA programme has been a major initiative that falls within the compass of the RRO and is likely to have a dramatic effect on failing markets in the Midlands and the North. Clearance activity has been very modest in the past and, outside the HMRA programme areas, is expected to remain so in the future. There is also a widely held view among authorities that the client-based approach to private sector renewal, which characterises the RRO, is likely to lead to less emphasis on area-based initiatives.

5 Energy efficiency and the private rented sector

Introduction

This chapter continues the analysis of local authority responses to the new agenda for private sector housing renewal and concentrates on developments in energy efficiency and fuel poverty programmes, and on initiatives designed to engage with the private rented sector in order to improve management and maintenance standards.

Energy efficiency and fuel poverty programmes

The HECA Act of 1995 introduced the first commitment on local authorities to implement domestic energy conservation measures in a systematic way. Since then there have been a series of measures, which have both elaborated and refined local policies for promoting energy efficiency. These have included significant funding arrangements, such as the introduction of Warm Front Defra grants for eligible households in 2000 and the Energy Efficiency Commitment (EEC) involving a requirement for energy providers to achieve savings in carbon emissions. Relative to other areas of private sector home improvement activity both CURS surveys illustrated buoyant energy efficiency programmes. This meant that many local authorities had established partnership arrangements before 2003 and that energy efficiency programmes in the private sector had already developed an impetus of their own prior to the introduction of the RRO.

According to the second CURS survey, almost all local authorities (93 per cent) had entered into partnership arrangements with other agencies to tackle problems of energy efficiency. The most frequently mentioned partners were the Eaga Partnership (the largest of the agencies responsible for delivering Warm Front grants), energy advice centres, energy providers (such as British Gas, NPower, Scottish Power, etc.), HIAs and RSLs, as well as local authority consortia and installers. Many authorities were part of a partnership arrangement involving several such agencies. The Welsh unitary authorities (85 per cent) and the London boroughs (88 per cent) were less likely than the other English authorities to engage in partnership arrangements.

A consistently high proportion of authorities (95 per cent) were working with the Eaga Partnership or Powergen Warm Front for the provision of Warm Front grants in England (HEES grants in Wales). Twenty-nine per cent of authorities stated that they were working directly with the Eaga Partnership, while 24 per cent were working with partners and a further 42 per cent of authorities were providing grants both themselves and working together with partners to deliver Warm Front grants. Collaboration involved various forms of promotion and referral mechanisms either directly or indirectly through energy advice centres or HIAs to the Eaga Partnership.

The findings of the second CURS survey also tended to confirm the experience of Defra, as outlined in its News Release (2004e), that Warm Front grants were not always available to those in need. As a consequence, 44 per cent of authorities provided some form of top-up grants, either to include certain groups who were unable to qualify for Warm Front grants, e.g. those assessed as experiencing fuel poverty despite not qualifying for a Warm Front grant, or to improve the standard by including other provisions. In most of these cases, the mechanism for topping up was via a minor works grant provided directly by the local authority. The metropolitan authorities were most likely to provide top-up grants (52 per cent), while the London boroughs were least likely (24 per cent).

Although, as indicated above, almost all authorities were offering grant aid to those eligible, 19 per cent of authorities were also offering, or intending to offer, loans to improve the energy efficiency of private sector dwellings either directly (12 per cent) or in partnership with other agencies (4 per cent), or through both routes (3 per cent). These loans were from a variety of sources. Some loan schemes have been established specifically for energy efficiency measures and were accessing funds made available by the Energy Savings Trust under HECAction, Energy Efficiency Commitment (EEC) resources from energy providers, or negotiated from other sources by energy advice centres. A second group of authorities were seeking to use loans under the Houseproud scheme, or other funding provided by not-for-profit intermediaries such as ART Homes or the Wessex Reinvestment Trust. Some authorities were intending to make their own loans available while others were intending to seek funds via local credit unions. Metropolitan (38 per cent) and unitary authorities (25 per cent) were more likely to be offering loans than other types of authority in England. None of the Welsh authorities responding was currently offering loans for energy efficiency purposes.

A slightly higher proportion of authorities (24 per cent) claimed to be able to offer loan/grant packages to fund energy efficiency measures either directly (17 per cent) or jointly with another agency. Those authorities offering this kind of assistance were successfully linking together their policies for grant funding under the Warm Front scheme, their small grant provisions under the RRO, as well as other sources of loan funds such as those mentioned above. As with the availability of loan finance, the combination of loan and grant packages was more likely to be available from the metropolitan (43 per cent) and unitary authorities (37 per cent) than from other local bodies.

The majority of authorities (55 per cent) were also offering energy audits to householders as part of their home energy conservation programmes. Twenty-one per cent of authorities were providing this kind of service directly, 18 per cent through partner agencies, such as local energy advice centres (EACs) or HIAs, and 15 per cent of authorities were providing a service of their own as well as through EACs. A modest number of authorities (e.g. the Warm Zone Pathfinders) were carrying out systematic surveys on an authority-wide basis while most others were tending to carry out audits on referral or in co-ordination with other works. Most metropolitan authorities (81 per cent) were providing energy audits compared with only 46 per cent of the Welsh unitary authorities.

Most authorities (84 per cent) also claimed to be providing advice and guidance on energy efficiency to homeowners. In many instances this service was provided through a partnering agency (18 per cent), most frequently a local energy advice agency, or by both the local authority and its partner (34 per cent). The nature of the advisory service that was provided appears to vary enormously. Some local authorities are proactive, organising promotional events, providing leaflets and newsletters, distributing advice packs, organising road shows, etc. Others provide essentially a reactive service, through an advice agency, for example, or in response to telephone enquiries. The authorities most likely to provide an advisory service on energy efficiency matters were metropolitan (90 per cent) and English unitary authorities (87.5); those least likely to do so, the London boroughs (76 per cent) and the Welsh unitaries (69 per cent).

A number of authorities had developed inventive forms of promotion for their energy savings or fuel poverty schemes. These included, for example, Energy Efficient Bingo (Harrogate), Cosy Loans (Ellesmere Port and Neston), Chill-out Insulation (South Northamptonshire), PHEEW grants (East Riding of Yorkshire), Home Energy Loan Plans – HELP (Manchester), Green loans (Wyre Forest), Green Herts (Hertfordshire authorities), Big Green Boilers (Cherwell, Swindon) and a Big Green Energy Bus (East Cambridgeshire)! A number of authorities gave prominence to their ‘one-stop-shop’ approach to advice and guidance (e.g. Warrington’s Energy House 21 and The Light House at Eastleigh).

Local authorities were also using a variety of approaches towards the targeting of energy efficiency measures. Several authorities were using thermal-imaging techniques, for example, to target energy savings measures on a geographical basis, while other authorities were adopting client-based targeting approaches (e.g. the black and minority ethnic community – Woking, disabled people – Solihull). Devon County Council, Canterbury and Mid Devon were targeting particular types of development – 'park homes', bedsits and former Right to Buy properties respectively. The Warm Zone authorities in particular were often adopting an authority-wide approach that aimed to increase grant take-up for energy efficiency measures as widely as possible, while other authorities were targeting specific areas, either as part of their private sector renewal programme or as discrete energy savings initiatives (e.g. Bristol and Chester). There were 'heat streets' initiatives in West London, Knowsley, The Wirral and Bradford, and a number of authorities were seeking to develop particular techniques towards dealing with 'hard-to-heat' or 'hard-to-treat' homes (e.g. Alnwick, Swale, Crewe and Nantwich, Leeds and West Lincolnshire).

A reassuring number of authorities were working closely with health professionals or Primary Care Trusts (PCTs) to fast-track referrals for heating and insulation schemes. These included referrals schemes in Brentwood, Windsor and Maidenhead, and North West Leicestershire; a Repairs on Prescription scheme establishing a procedure to fast-track referrals from local PCT teams to housing renwal officers (e.g. Warrington) as well as similar schemes elsewhere oriented towards asthma sufferers and frail older people in Sandwell; the Warm as Toast initiative in Poole and a similar Warm Homes on Prescription project in North Tyneside. One or two authorities were also offering energy awareness training schemes for health professionals working in the community (South Oxfordshire), while others were providing training opportunities within the community or for consumers.

Box 5 Energy efficiency solutions – Calderdale MBC and the West Yorkshire Home Energy Working Group (WYHEWG)

Calderdale MBC has been very proactive in developing measures to secure energy efficiency within its private sector housing stock. It has been working in partnership with Kirklees Energy Services (KES), a 'not-for-profit' energy advice centre, for some time. It is currently delivering energy efficiency and affordable warmth measures both on an authority-wide and locally targeted basis. Warm Front grants have been central to Calderdale's HECA strategy on an authority-wide level, but, in addition, the Home Energy Conservation Team has developed

Continued overleaf

CHEAP, the Calderdale Home Energy Action Programme, in order to assist 'vulnerable' homeowners, over the age of 60, with energy efficiency measures to achieve affordable warmth where they are not eligible for assistance under Warm Front. CHEAP is delivered through KES. The authority has also secured funds to promote the use of solar power both for water heating and to generate electricity. These two schemes involve technical advice and guidance, established prices for materials, installation via reputable companies and an interest-free loan-funding scheme.

At the same time, Calderdale has developed two targeted, area-based initiatives. One of these is a 'regeneration area' where the authority is seeking to improve the energy efficiency of the properties alongside overall housing standards in as many properties as possible through advice, guidance and referral on a comprehensive basis. The other area is an area of mixed properties that are 'hard to treat' either because they are pre-1919 properties, which are not gas connected, or because they are system-built dwellings. In this area, the authority is seeking to develop a community heating system using council woody waste material to fuel the scheme (biomass).

Working together with several of its neighbouring authorities in the West Yorkshire Home Energy Working Group (Bradford, Kirklees, Leeds and Wakefield), Calderdale has also been successful in developing schemes on a sub-regional basis. These include the following.

- Health Action Calderdale, Kirklees and Wakefield – a £180,000 scheme providing insulation and heat-recovery ventilation measures to households affected by cold-related and respiratory illnesses.
- Energy HELP – a £100,000 revolving loan fund at a 0 per cent interest rate, repayable over four years, to assist people on low incomes to be able to afford high value energy efficiency and renewable energy measures. The funds were secured through a successful HECAction bid to the Energy Savings Trust and are disbursed through KES.
- West Yorkshire Saving Energy – this scheme provides tendered prices, approved contractors and cashbacks funded by Scottish Power for a range of heating and insulation measures.

The West Yorkshire Home Energy Working Group has recently secured funds through the Regional Housing Board for two schemes on a sub-regional basis. The first of these is the West Yorkshire Affordable Warmth Scheme where the

Continued

authorities have secured £600,000 over three years to provide grants to top up Warm Front grants where these are insufficient for the works involved or where a household is deemed to be vulnerable but nonetheless ineligible for a Warm Front grant. The second scheme is for hard-to-treat homes and funding of £500,000 has been secured over the same period.

As outlined in the Appendix, one of the biggest challenges confronting local authorities in terms of house condition, and hence energy efficiency, is with the privately rented sector. A review of an analysis of Warm Front grant recipients undertaken for Defra revealed that, since 2000, only 10 per cent of grant beneficiaries were households in the privately rented sector (Defra, 2004, unpublished). A further study of schemes directed towards the PRS in England and Wales concludes that: ‘The private rented sector is acknowledged to be difficult to tackle with respect to improving energy efficiency and there is little published guidance on how this should be done’ (Hestia Services, 2004). On a more optimistic note, the report goes on to argue that, while ‘many past schemes have had limited success … there are examples of schemes, including those in Bristol, Stoke and Sheffield, that are now relatively successful’. The Warmer Lets scheme operated by Bristol, Bath and North East Somerset and South Gloucester is illustrated in Box 6.

Box 6 The Warmer Lets scheme in Bristol, Bath and North East Somerset and South Gloucestershire

The Warmer Lets scheme was originally funded by HECAction and administered by the Centre for Sustainable Energy (CSE) on behalf of the three authorities in order to offer 50 per cent grants exclusively to private sector landlords towards the costs of installing or upgrading heating systems and controls, and insulation measures in rented properties.

The measures for which grants were available included:

- insulation measures to cavity walls, lofts, rafters, hot water tanks and internal walls and draughtproofing
- heating improvements including condensing boilers, thermostatic radiator valves (TRVs), hot water cylinder thermostats, programmers and storage heaters.

In the first year of the programme, when HECAction supported the scheme, 100 per cent of the funds were paid to contractors and were spent directly on heating or insulation measures (minus the management and marketing fees, which

Continued

came from the Energy Saving Trust). Landlords arranged for the work to be carried out by their preferred contractor and paid their 50 per cent contribution to CSE on completion. Since HECAction has expired, the three local authorities each contribute in order to keep the scheme going. In Bristol, where the scheme has proved particularly successful, the local authority has made a contribution amounting to about £80,000 this financial year (2004/05). A fee of between 10 and 15 per cent has been paid to CSE to continue to administer and promote the scheme.

CSE has prepared specific promotional material and the scheme is promoted by press releases, on the web, through correspondence with landlords and agents, through landlord forums, via installers and plumbing merchants, etc.

The scheme has attracted a wide range of landlords, from those with only a few properties to those with several hundred. While it has been most popular in Bristol, the scheme increased in popularity in Bath and North East Somerset when it was linked with the authority's Property Accreditation Scheme.

In the CURS second survey, a number of authorities also referred to campaigns or initiatives they were undertaking in order to improve energy efficiency in the PRS or to try to tackle fuel poverty among private tenants. Many authorities were offering grants to landlords, but a few were actively promoting energy efficiency measures in the PRS. Among these was Kensington and Chelsea in partnership with Westminster City Council. In particular these two London boroughs have developed a project (together with other partners) specifically concerned with houses in multiple occupation (HMOs). Called the 'flagship HMO' project, it demonstrates how HMOs may be designed and constructed in order to comply with legal and energy efficient construction requirements. The scheme illustrates how 'hard-to-treat' properties, or those in conservation areas, may be designed and let at affordable rents and with nomination rights by the two authorities. Manchester City Council is also seeking to target HMOs by attaching security and energy efficiency measures as conditions of grant aid. Other authorities promoting energy efficient measures through the use of grants to landlords include Croydon, Guildford and York City Councils.

The realisation that energy efficiency programmes per se were not necessarily addressing questions of fuel poverty has persuaded both central Government and a number of local authorities of the need for local strategies to tackle fuel poverty. Fuel poverty strategies were also accorded Beacon Council status a couple of years ago and the following authorities were successful: the London Borough of Camden, Blyth Valley, Luton, the East Riding of Yorkshire and Newark and Sherwood. These authorities have now collaborated to produce a 'toolkit' giving examples of good practice in addressing the issues of energy efficiency and fuel poverty.[1]

This section has demonstrated that almost all authorities are undertaking some form of energy efficiency measures, most in partnership with other agencies such as Scheme Managers or energy advice centres. The scope and scale of the work is also imaginative and wide-ranging. But, while there are a plethora of initiatives being undertaken, it is very difficult to identify the genuinely innovative and effective measures from those that are rather more humdrum. It is also clear that the targeting of energy efficiency measures towards vulnerable households so far has not been as effective as it might have been. In some instances it is also apparent that the discretion given to installers has resulted in the 'easiest' properties being addressed first, rather than the most needy households in the PRS or 'hard-to-treat' properties. Much of this work pre-dates the RRO, however and, while it has attained a momentum of its own under specific legislation and with dedicated funds, it is now important that these measures are more effectively co-ordinated under the RRO to ensure, first, that they are targeted on vulnerable households and, second, that, in the older housing stock in particular, the energy efficiency measures are better co-ordinated with repairs and improvements to the properties themselves, otherwise the impact of the investment in improving energy efficiency will rapidly be eroded by the deterioration in the fabric of the dwelling. With a multiplicity of agencies involved at local level, including non-governmental agencies, such as energy advice centres, and large-scale private sector energy providers – each having very different resources, motivations and agendas – it will be a challenging exercise for local authorities to move from a largely reactive programme to a proactive and targeted one.

The private rented sector (PRS)

The PRS in England and Wales emerged from its long-term decline in the latter 1980s. Since then it has expanded, significantly at first up to the mid-1990s when the sector stabilised at around 2.3 million dwellings, before marginally falling back to 2.27 million by 2000 and then rising modestly to over 2.3 million by 2003 (ODPM, Housing Statistics). The growth in the sector has been fuelled by a number of factors:

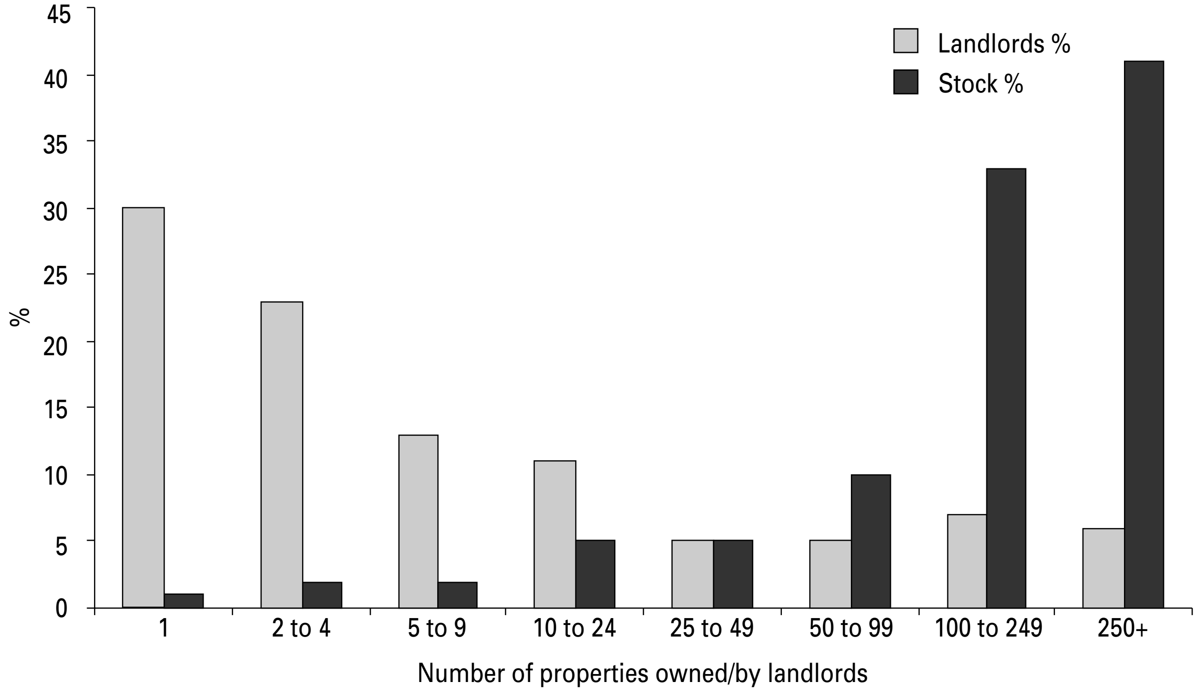
- the growth in full-time students attending higher educational institutions and needing accommodation

- the faltering of pensions and the need for small investors to find alternative medium- and long-term financial arrangements
- the introduction of buy-to-let mortgages[2]
- demographic factors favouring flexibility of residential choice, e.g. lifestyle changes by younger workers, enhanced job insecurity, etc.
- rapidly rising house prices creating problems of affordability, especially for first-time buyers[3]
- the dramatic increase in net migration into the UK since 1997.[4]

While the sector has grown relatively modestly at national level, a number of factors suggest that this modest increase is to some extent concealing some changes in character. As the Council of Mortgage Lenders (CML) figures for buy-to-let mortgages suggest, the sector has begun to attract significant sums of investment for the first time for many years. Much of this may have been for acquisition rather than for improvement, but the EHCS does suggest that the new additions to the private rented stock are of a higher standard than the pre-existing stock.[5] The changing environment of the urban centres of our major provincial cities and the new trend towards 'urban living' is also a visual manifestation of new investment in new building for private renting (Barber, 2002). Moreover, as the economy has remained robust since the mid-1990s, the proportion of private tenancies supported by Housing Benefit has declined. As one would expect also, the number of regulated tenancies has continued to decline and these often include properties in the very poorest condition because they have experienced very little investment over many years. Therefore, the picture of the PRS in the late 1980s and early 1990s of a residual sector of older property shorn up by subsidy is beginning to change.

There is evidence too, at the very least, of an aspiration towards growing levels of professionalism in the management of the sector. Over the last few years there has been a growth in the number of local landlords' associations and, while the survey of private landlords in the EHCS, 2001 (ODPM, 2003g) confirms that there are many landlords owning very few properties (53 per cent owning fewer than five properties), it also shows that 13 per cent of landlords own very substantial portfolios of more than 100 properties. Those 13 per cent of 'professional' landlords now own 74 per cent of the total private rented stock (see Figure 1).

Figure 1 Distribution of landlord ownerships



Source: EHCS, 2001 (ODPM, 2003g).

However, these recent changes have not been sufficient to eradicate the fact that private tenants still experience the worst housing conditions. At the time of the 2001 EHCS, 10 per cent of the PRS stock was unfit, an estimated 49 per cent of PRS properties failed the decent homes standard and, in much of the sector, the standards of management remained very weak. The proportion failing the decent homes standard had marginally improved to 47.5 per cent in the EHCS, 2003 (ODPM, 2005). So, how are local authorities using their new powers under the RRO to address these problems?

According to the second CURS survey, over two-thirds of local authorities (68 per cent) in England and Wales were continuing to use discretionary grants as part of their private sector renewal strategies for dealing with the PRS. All of the Welsh unitary authorities responding to the survey gave discretionary grants, while district authorities in England were the least likely to do so (63 per cent). The maximum amount of grant aid varied but was sometimes quite liberal (up to £20,000). The grant was most frequently used for bringing empty properties back into use, accompanied by nomination rights imposed over a period of time by the local authority or linked to a private sector leasing scheme (PSL). It was also used to raise standards in the PRS, either by improving the fabric of the dwelling to decent homes standard (sometimes just to the fitness standard) by introducing energy efficiency measures, or by improving security or fire safety measures in particular. A third significant reason given was to introduce the rented dwelling into the council's accreditation scheme, so this would also be to improve the properties to comply with other standards, such as energy efficiency and fire safety measures.

A much smaller proportion of authorities were making loans or loan/grant packages available to private landlords (25 per cent). Foremost among these were the London boroughs (47 per cent) and indeed other authorities through the Houseproud service. In contrast, only one of the Welsh unitary authorities (8 per cent) had the capacity to make loans available to landlords. While the loan element of these packages was often quite modest, they were mostly intended for the same purposes as the grants outlined above.

The majority of authorities (81 per cent) had initiated private sector (landlord/tenant) forums, while several authorities were contemplating setting them up. Most forums were addressed either towards landlords or towards landlords and tenants; there were only two examples given of an existing and separate organisation for private tenants (Croydon and Poole), and one of these authorities expressed its concerns about sustaining momentum for the latter. Several authorities claimed long-standing arrangements for their forums, in one case for ten years, but those authorities arguing that their arrangements were 'well established' – or, in one case, 'running successfully' – were outweighed by those authorities having experienced difficulties in sustaining interest. Several forums had been successful in establishing local landlords' associations, however, or in developing co-operative working arrangements across administrative boundaries. A small number of authorities were reconsidering their landlords' forums in the light of impending mandatory licensing arrangements. The English metropolitan authorities were most likely to have landlord forums (90 per cent); while the Welsh authorities were the least likely (85 per cent). Seventy-six per cent of the London boroughs had a forum and 79 per cent of district councils.

A little surprisingly, less than half of authorities (47 per cent) had established voluntary accreditation schemes for PRS properties. A few schemes were well established (Carlisle, Chester, Poole) but many had only recently been established and just under 20 per cent of responding authorities were either currently considering a scheme or had already embarked on arrangements to set one up. Most of the existing schemes were linked to higher educational institutions and the student-rented market but there were one or two interesting variations. The London boroughs are currently considering a London-wide accreditation service; for example, in which only accredited landlords will be eligible for grant aid. Several West Midlands authorities are working closely with the fire service, the Midlands Landlords' Association and the police service to establish a similar scheme and at least one authority is considering an Energy Efficiency Accreditation Pilot (Ashford). Most schemes appeared not to have been running long enough for an evaluation to take place, but one or two authorities had had unsatisfactory experiences. Apart from the London boroughs, authorities with the highest proportion of established schemes were the metropolitan authorities (62 per cent) and those with the least were district councils (41 per cent).

Despite the fact that the efforts of many authorities as far as the PRS is concerned are focused on trying to ensure minimum standards within houses in multiple occupation (HMOs), very few authorities specifically mentioned the use of HMO registration schemes. When asked about their intended use of the new licensing powers in the (then) Housing Bill, however, very few authorities responded. Those that did indicated they were preparing themselves for the introduction of mandatory licensing included Manchester City Council, which is working towards a system of ‘approved managing agents’ to whom both tenants and landlords may be referred. The authority has recently launched its East Manchester landlords’ information service (EMLIS), which is a unique cross-tenure reference verification service ‘to help prevent and tackle anti-social behaviour and promote informed and responsible lettings’. Preston is another authority preparing itself for mandatory licensing and it has initiated liaison and partnership working with the local university. Several authorities also see the introduction of licensing as an important opportunity to consolidate training on a significant scale for private landlords. Authorities already providing training programmes for private landlords include Cannock, the London Borough of Newham and Sheffield, but one or two authorities were considering the introduction of training alongside mandatory licensing (e.g. Birmingham and Manchester).

The survey also explored local authorities’ use of enforcement powers in dealing with the PRS. Seventy-six per cent of authorities indicated that they had adopted the ‘enforcement concordat’ published by the Cabinet Office. Only 38 per cent of the Welsh unitary authorities had done so, however. Almost all authorities (92 per cent) were convinced of the continuing need for statutory enforcement powers, but it was clear that authorities regarded them in different ways. Several authorities expressed the view that, because of the change in culture between local authorities and private landlords, proactive strategies were preferable and that enforcement powers were rarely needed. Some of the larger metropolitan authorities with major HMO inspection programmes, however, remained convinced of the need for active enforcement measures. Although 71 per cent of authorities claimed that they retained the option of using ‘action in default’ powers, it was apparent that very few actually used them. One of the London boroughs pointed out that taking such action has intensive resource implications and, hence, is only sparingly used where the outcome would have a 'significant health and safety impact'. Interestingly, another London borough (Islington) has set up a Works in Default consortium with appointed contractors, as it regards this as a more efficient vehicle for ensuring the works are carried out to the satisfaction of the authority. A handful of authorities indicated their willingness to proceed with prosecutions in the event of non-compliance and a similarly modest number to use compulsory purchase powers (CPOs), especially with regard to long-term empty properties.

Box 7 Private rented sector project, Newcastle City Council

The Newcastle Private Rented Project was established in 1997 to tackle voids, anti-social behaviour and poor housing management in the private rented sector in the Inner West area of Newcastle. At that time there were approximately 10 per cent of private rented properties boarded up and a high level of turnover of tenancy. Services of the Project include reference checking of potential tenants, a tenancy sign-up service, advice and support on all aspects of private tenancies, individual casework around disrepair and anti-social behaviour, Housing Benefit queries, training for landlords on a wide range of issues, good-practice guidelines for landlords and tenants, advertising properties and property inspections. The Project works closely with the City's Environmental Health team including work around strategically tackling long-term void properties, identifying and taking action against poor management and day-to-day disrepair cases. This has resulted in a reduction in voids of all tenures, fewer referrals to Environmental Health, a comprehensive database of landlords and properties, a reduction in anti-social behaviour, better managed and maintained properties, better informed landlords and tenants, and a strategic approach to delivering neighbourhood management. Most obviously, boarded-up properties have reduced by 90 per cent and house prices have risen by higher than the City's average.

The Project is planning to extend citywide. Although staff will be employed by the City Council, an independent Steering Group will administer the Project. It will continue to provide a combination of advice to the whole private sector and neighbourhood planning, tailoring the work to particular issues in neighbourhoods. In addition, the Project is currently providing 'awareness training' for housing management staff across the city about issues in the private sector. It is hoped that this training will ensure that services to the private rented sector are improved and that both residents and organisations are better informed.

Continued

The work of the Project contributes towards the Government's agenda of sustainable communities where there is real choice of good-quality housing and a healthy and well-informed private rented sector. The Project has been cited as exercising good practice in the Communities Plan and recently won the award for Best Strategy for tackling empty properties on low-demand estates from the Empty Homes Agency. Funds for the Project come from a variety of sources including the Newcastle/Gateshead Housing Market Renewal Area Pathfinder, Home Housing Association, Enterprise 5 Housing Association, Newcastle City Council and Newcastle New Deal for Communities.

As far as innovations to policy in connection with the PRS were concerned, 31 per cent of authorities thought they were introducing some new ideas and approaches. These were more likely to be among the metropolitan authorities (43 per cent) or unitary authorities in England (41 per cent) and Wales (38 per cent). Two policy approaches that seemed relatively popular, were the adoption of private sector leasing arrangements (PSLs) and rent deposit guarantee or bond schemes. The former were for the most part mentioned by authorities in southern England and the Midlands, and are perhaps more closely associated with areas of high demand, while the latter were geographically dispersed.

There were also some interesting variants on bringing empty homes back into use. Derby City Council has emulated Wigan's approach in seeking to establish a similar Housing Need Challenge Fund in which it is encouraging landlords, RSLs and others to bid for 'preferred bidder' status and a potential £500,000 to spend on empty homes. Ashfield has established what it describes as an 'opportunities register' – a register of individuals and/or companies willing to purchase from the authority properties that have been compulsorily purchased; and the London Borough of Newham transfers empty properties that have been compulsorily purchased over to Passmore Urban Renewal, one of the Housing Corporation's regeneration agency pilots, 'to achieve a permanent change in the quality of management'.

A number of other innovative approaches towards the PRS were mentioned in the survey. These included work with anti-social behaviour orders (ASBOs), a rare suggestion for improving the Housing Benefits service and some new ideas for engaging with private landlords. Four authorities (Calderdale, Easington, Poole and Portsmouth) were seeking to address the problems of anti-social behaviour by private tenants through joint working with other agencies including the fire service and the police, and through the appointment of officers with responsibility for ASBOs. Despite its importance to the lower end of the PRS market, there was very little mention by respondents of the Housing Benefits (HB) system, but two authorities reported advisory schemes of one sort or another. The Wirral has a Housing Benefits Steering Committee comprising representatives from private landlords as well as the local authority. The aim of the Steering Committee is to help landlords understand the intricacies of the HB system and to ensure that information is disseminated to other private landlords via the Landlords' Forum. The Borough of Poole also offers a Housing Benefit advice service. New ideas for engaging with private landlords were forthcoming from several areas. Basingstoke and Dean has established a local landlords' focus group to ascertain more about the operation of the private rental market and to decide 'on the best means to develop the PRS' within the borough. The London boroughs also organise what they describe as London Landlords' Day. This is a high-profile event, organised by the London private sector partnership steering group, which provides an opportunity for greater interaction between local authorities and private landlords and at the same time offers an exhibition, a product range by contractors and a seminar for the landlords. A similar event – a landlords' EXPO – is organised by Bristol together with a number of neighbouring authorities in the region.

The results of the survey suggest that most local authorities have continued to use many of the mechanisms established prior to the changes introduced by the RRO for engaging with the PRS. These include discretionary grant aid, landlord/tenant forums, accreditation schemes and enforcement powers. While some innovative activity is taking place, the imminent changes introduced by the Housing Act 2004 are far-reaching as far as the PRS is concerned. They include the substitution of the fitness standard by the Housing, Health and Safety Rating System and the replacement of much of the regulatory framework for dealing with HMOs by new mandatory (and discretionary) licensing schemes. Although many authorities confirmed that dealing with HMOs is a primary concern of their policies for private sector housing renewal, these legislative changes are likely to have a significant impact on the way they are currently dealing with the problem and few authorities appeared to be anticipating these developments. At the very least, however, the legislative changes will give local authorities an opportunity to reassess their current policies for engaging with private landlords as well as to seek to improve management and maintenance standards in HMOs and perhaps also their approaches towards the PRS as a whole.

Conclusions

From the results of the two CURS surveys it can be concluded that energy efficiency and fuel poverty programmes currently constitute the most active areas of private sector housing renewal programmes. Almost all authorities indicated that they were actively involved in energy efficiency partnerships, and the scope and scale of these partnerships is both imaginative and wide-ranging. As far as the future direction of these programmes is concerned it appears that there is a need for a refocusing of policy in three important ways.

1 A more effective targeting of resources on vulnerable households: hitherto, it seems that local authorities and their partners have often tended to use their resources to maximise the impact of activity rather than to focus it on particular households. Moving from a reactive to a proactive approach such as this will be a challenging exercise for local authorities.

2 A much more concerted effort to tackle problems in the private rented sector: this is the sector that contains the oldest properties, is the least well managed and includes a disproportionate number of vulnerable households. It has been the sector least amenable to collaboration in the past and will require more imagination and enhanced resources in order to secure more effective engagement in the future.

3 Greater co-ordination between energy efficiency/fuel poverty programmes and those concerned with improvement and repair works under the RRO: this is essential if public resources through Defra and ODPM are to be effectively used to create an improved and sustainable housing environment.

These requirements clearly overlap with those relevant to the PRS, which has been the second main focus of this chapter. The conclusions regarding the PRS indicate that the character of the sector is changing as it expands, but local authorities, for the most part, seem to have been continuing to use mechanisms available to them under previous legislative regimes rather than seeking innovative methods to establish more effective communication with private landlords. The series of measures contained within the Housing Act of 2004 that relate to the PRS are likely to make some positive impact on that, as it will, at the very least, require local authorities to review critically their approaches towards the sector.

6 Private sector housing renewal: resources and constraints

Introduction

As outlined in the Appendix, the latest English House Condition Survey (ODPM, 2005) is a reminder that the private sector now accounts for over 80 per cent of the housing stock in England. Moreover, the focus of government attention is on the ‘non-decent’ housing stock and 78 per cent of that stock is now located in the private sector. Indeed, the highest volume of non-decent accommodation is in the owner-occupied sector (4.2 million properties), while the highest proportion is in the PRS (47 per cent). The total cost of bringing these properties up to the decent homes standard was estimated in the 2001 EHCS at £41 billion. When one introduces vulnerable households into the equation, there are 2.8 million vulnerable households in the sector of which 1.06 million are living in non-decent homes. The Government’s aim is to increase the proportion of vulnerable households living in decent homes to 70 per cent by the end of the current decade (2010) from a baseline of 57 per cent in 2001. This is the formidable task confronting local authorities and this chapter will examine the staffing resources and constraints facing those authorities in seeking to achieve this goal.

Staffing resources

Table 8 gives a breakdown of staffing numbers directly employed by local authorities on private sector housing renewal activity. It demonstrates that over half the authorities in England (54 per cent) estimated that they had five full-time members of staff or less engaged in this area of work. Indeed, 26 per cent of authorities have less than three persons undertaking this kind of work. As might be expected, the majority (71 per cent) of those authorities with five staff or less were district authorities. At the other end of the spectrum, only 3 per cent of authorities in England had more than 50 staff engaged in this work and these were mostly the large metropolitan authorities.

Table 8 Staff directly employed on private sector housing renewal by type of authority (percentages)

Type of authority	5 or less	6–20	Staffing 21–50	51–100	101–200	Total number of responses
District councils	71	28	1	–	–	145
Unitary councils	16	48	29	6	–	31
Metropolitan authorities	5	35	35	15	10	20
London boroughs	29	35	35	–	–	17
All English authorities	54	32	11	2	1	213
Welsh unitary authorities	8	54	39	–	–	13

Source: second survey (Groves and Sankey, 2004).

In Wales, authorities appeared to be slightly better resourced, with over half employing between six and 20 full-time staff and a further 39 per cent employing over 21 staff.

Many authorities now work in partnership with other agencies or have delegated at least some of their responsibilities for private sector housing renewal to other bodies. Hence, local authorities were also requested to estimate the number of staff indirectly employed, but also making a contribution to the same area of work. Table 9 sets out the responses; it shows a similar picture to Table 8 in that 67 per cent of authorities in England recorded five full-time personnel or less. Thirty-two per cent of authorities in England engaged less than three persons. Most of these authorities (78 per cent) were district councils. Only four authorities, three of which were large metropolitan authorities, claimed to have the support of more than 21 full-time staff from partner agencies or other bodies. Very similar figures were available for Welsh authorities; 71 per cent had access to five full-time staff or less, and a further 29 per cent had the support of between six and 20 staff.

Table 9 Staff indirectly employed on private sector housing renewal by type of authority (percentages)

Type of authority	5 or less	6–20	Staffing 21–50	51–100	101–200	Total number of responses
District councils	78	22	–	–	–	103
Unitary councils	48	48	5	–	–	21
Metropolitan authorities	29	53	6	6	6	17
London boroughs	67	33	–	–	–	12
All English authorities	67	30	1	1	1	153
Welsh unitary authorities	71	29	–	–	–	7

Source: second survey (Groves and Sankey, 2004).

It would have been remarkable if local authorities had not responded to the survey by saying that they needed more staff and greater funds, but it was evident from responses that local authorities felt they were under a great deal of pressure in this area. Sixty-four per cent of authorities identified staffing levels or the availability of staff time as a problem in trying to develop housing renewal programmes at a level commensurate with the nature and scale of the problem. Key concerns expressed were, first, over the nature of the change in policy. The move towards a greater use of loan finance had necessitated a radical change in the way that local authorities delivered private sector housing renewal programmes and many authorities found, not only that the task of developing a new policy along these lines was a challenging experience, but also that the modification of procedures and practice has involved a significant investment of staff resources over the last two years. Second, several authorities were clearly of the opinion that their 'establishment' was wholly inadequate to deal with the scale of the task in hand. A third concern of many small teams was the perennial problem of moving from a reactive position in responding to complaints, enquiries or crises, to a position in which an authority could create the space to begin to think more proactively and to develop policies accordingly. Some authorities, for example the London boroughs or those in areas where the costs of accommodation are particularly high, were evidently experiencing problems of recruitment or difficulty in securing appropriately qualified staff. A further challenge was in prioritising different areas of work. Several authorities were experiencing an increase in demand for mandatory grant work (DFGs), for works in connection with energy efficiency or in activity concerned with the development and implementation of empty property strategies. Coping with these increases in consumer demand while developing new areas of policy was also posing a challenge to these authorities. The overall picture was not wholly negative, however, as several authorities were reviewing their 'establishments' and many were seeking to expand staffing levels, if only modestly at this stage.

Constraints facing local authorities in seeking to implement their programmes under the RRO

According to the second survey (Groves and Sankey, 2004), the two most significant problems mentioned by local authorities were a lack of staff or time to devote to private sector programmes; and a lack of loan products and special purpose lending vehicles (SPVs). Both of these concerns were recorded by 64 per cent of responding authorities. The issue of staff resources has been discussed above. As far as loan products and SPVs are concerned, while the RRO does not require local authorities to introduce loan products, ODPM has encouraged them to do so and many authorities felt that this had been particularly challenging. Local authorities observed that there was a lack of appropriate loan products on the market and that it was difficult to develop private sector renewal policies on this foundation when these products did not exist. Many authorities had evidently tried to engage with lenders but had not been able to develop anything tangible from their discussions. Other authorities said they had limited staff to engage in the development of new ideas and approaches such as this or that they had limited technical expertise in this area. A few authorities felt that there was a reluctance by consumers to consider loans and at least one authority questioned the appropriateness of encouraging further debt among already indebted and vulnerable households. Many authorities argued that a great deal of time and energy had been expended unnecessarily, however, in trying to develop appropriate loan products and SPVs when the Government should have made a standardised loan product available nationally at the start of the programme.

Local authorities were concerned too by a lack of finance (60 per cent of responding authorities). The majority of authorities' concerns could be encapsulated into three main trends: first, declining budgetary allocations for private sector renewal activity; second, an increasing demand for mandatory Disabled Facilities Grants (DFGs); and, third, a very limited resource base relative to the scale of the problem locally. A number of debt-free authorities argued that the high capital intensity of residential improvement work invariably resulted in a reluctance by their authorities to undertake borrowing to fund such programmes. Most authorities still appeared to view their capital allocations as the full extent of their funding, rather than as a form of 'gearing' in order to generate further finance. This is perhaps understandable given the difficulties of generating private funds. But a modest number of authorities were acknowledging the changed financial regime, that limited public finances were forcing councils to be more innovative in their approach, and were resolved just to 'get on with it'. Nonetheless, the tenor of remarks that embarking on a major change in policy with declining financial resources was far from ideal was strongly made.

This conservative position on finance was replicated over the need for a 'culture change' in order to respond to the challenges of the RRO. Over half of the responding authorities (53 per cent) recognised the need for a 'culture change', but when these responses were analysed closely it became apparent that most authorities thought that it was the perception of the public that needed to change – that a grant dependency culture existed among consumers, was deeply entrenched and would take some time to change. Five times as many respondents felt that it was the grant dependency culture of consumers that needed to change rather than the attitudes of local government staff, although a small number of authorities also recognised that both groups had to change their views if the RRO was to work. It is evident from responses to the survey, however, that there remains some scepticism among local authority staff about the changes in policy envisaged by the RRO primarily because of the difficulties associated with attempts to generate private finance in place of public funds. Several respondents also felt that their council members simply didn't understand the changing nature of government policy.

Twenty-one per cent of authorities felt that there had generally been a lack of guidance from the Government regarding the implementation of the RRO. The detailed observations from authorities varied widely, however. One or two authorities felt that there had been 'ample guidance'; others were of the opinion that guidance had been available but 'it had been rather slow at times', that it was 'limited' or 'very much open to interpretation', or 'we don't need more guidance!' Providing guidance is obviously a very challenging exercise! There was one area of consensus, however, where both Welsh and English authorities were wholly in agreement and that was over guidance in providing loan finance. Most authorities claiming that there had been a lack of guidance were referring specifically to the absence of advice about how to set up loan finance and both ODPM and the Welsh Assembly Government were roundly criticised for not providing more guidance on financial rules, sample agreements and standardised loan products.

There were, in addition, several interesting observations made by authorities in respect of other constraints that they face in implementing the RRO. The first of these concerned the current number of policy changes affecting private sector housing – changes from the fitness standard to decent homes and the Housing, Health and Safety Rating System; the policy changes introduced by the RRO, including the shift towards loan finance as opposed to grants; and the changes in the (then) Housing Bill affecting HMOs and the introduction of mandatory licensing. These involved significant changes in policy across a very substantial area of practice and were very difficult for smaller authorities to accommodate over a short timescale. Another authority was concerned about the consistency between differing areas of policy, which were the responsibility of differing government departments insofar as they impinged on the implementation of the RRO. The example quoted referred to guidance by the Department of Health, which recommended that all adaptations of under £1,000 should be free of charge, while at the same time ODPM is encouraging local authorities to move from grants to loans. A third issue raised by several authorities was a concern over the availability of contractors to undertake the works required. In these particular authorities, they reported a serious shortage of skilled labour available to carry out residential improvement works. Some authorities were also concerned at the reluctance of homeowners to invest in their properties even where the work self-evidently needed to be done. No matter how good their policies and intentions, if homeowners remained unwilling to do the work, then very few authorities were likely to take enforcement action.

Conclusions

As private ownership has steadily grown, so too has the problem of housing conditions in the private sector. Since the approval of the RRO, moreover, the Government has made it clear that its policy is to support the needs of vulnerable households living in non-decent homes in the private, as well as the public, sector. For many local authorities, however, and especially for those who may have already transferred their public sector stock, this has been a shift in policy that they have so far seemed reluctant to embrace. Hence, while the estimates of staffing levels provided in this chapter must be regarded as indicative rather than authoritative, there appears to be a strong contrast between the scale of the problem of private sector housing conditions and local authorities' commitment in terms of staffing resources to tackle it. Compared with staffing resources in the public sector stock, for example, or with the development teams of RSLs (neither of which are wholly comparable), it is evident that many authorities are inadequately staffed in order to achieve their private sector housing renewal targets.

Local authorities have argued, in the meantime, that their main constraints in implementing the RRO have been a shortage of resources both in terms of staff and finance. Nonetheless, many authorities were supportive in principle of the RRO and have recognised that the absence of private sector finance and products has been a major handicap to the effectiveness of the Government's private sector housing renewal policy. There was much criticism of ODPM and the Welsh Assembly Government, as a consequence, that they were not doing more to encourage private lenders into the fold.

7 Conclusions and ways forward for private sector housing renewal

The most striking finding of this research is the contrast between the expectations of Government in terms of the policy reforms that have been introduced in private sector housing renewal over recent years, commencing with the introduction of the RRO in 2002 and culminating in the Housing Act 2004, and the capacity of local authorities to deliver this programme. Chapter 2 outlined the range of policy measures in some detail and concluded, not only that they were more diverse, but also that the expectations of Government were now more ambitious than they had been in the past. In contrast, Chapter 6 revealed that, despite the fact that over 80 per cent of the housing stock in England is now privately owned, more than half of all authorities in the country employed no more than five full-time persons on private sector housing renewal activity. Just over a quarter of authorities (26 per cent) employed less than three full-time staff. Even when additional staff engaged indirectly are taken into consideration, the emerging picture is one in which this area of housing activity is inadequately staffed and many authorities simply do not employ enough staff to enable them to meet their responsibilities under the RRO and the Housing Act 2004. Clearly, the shift in emphasis of central government policies towards a privatised housing stock over the last 25 years has not been accompanied by a commensurate shift in manpower and resources within local housing authorities. Many professional housing staff within local housing authorities are well aware of this and almost two-thirds of all authorities responding to the second CURS survey identified staffing levels or the availability of staff time as a problem in developing and executing their programmes under the RRO.

Why should this be so? The answer lies partly in the rhetoric of successive government ministers that the primary responsibility for the maintenance and repair of private homes rests with the owners; partly with government policies that have continued to erode the role of local authorities in the housing sphere in favour of ‘enabling strategies’; and firmly with the continued diminution of public resources made available for private sector housing renewal programmes since the late 1980s. The result is that the political priority now accorded to these programmes in many local authorities (reflecting the modest levels of public resources) is at a very low level.

In some ways, the nature of the reforms under the RRO does not help to raise the political priority of private sector housing with local authorities. It has been pointed out in Chapter 4 that, with the exception of resources for energy efficiency and the HMRA Pathfinder programme, the RRO has not generally been accompanied by any significant increase in public sector resources. Indeed, on the contrary, one of the principal aims accompanying the RRO has been to develop partnership arrangements with private lenders in order to attract much more significant levels of private finance into the renewal process. Although some progress has been made towards this, it has proved particularly difficult to achieve; the availability of loan products remains restricted and the scale of private funds secured so far has been disappointing. The end result is that many local authorities have no alternative but to base their programmes solely on the amount of public subsidy they receive, which in many cases is very modest.

Neither have the Government's PSA targets for private sector housing renewal proved to be a major incentive hitherto for local authorities to galvanise themselves into action. While overall government targets are clear, the implications of the targets for the programme of assisted repairs and improvements at local authority level remain obscure, not least because the impact of the recently introduced Housing, Health and Safety Rating System on the potential number of non-decent homes is uncertain. It also remains to be seen whether the scale of the problem at a local level will be recognised in the differential allocation of public resources through the Regional Housing Boards.

Despite these reservations, the report found that the initial response of local authorities to the RRO was generally favourable and the vast majority of local authorities have now both prepared and published their private sector housing policies. Perhaps in view of the factors mentioned above, local authorities appear to have adopted an evolutionary rather than a 'big-bang' route towards the development of their policies. Most authorities have taken on board the Government's agenda of targeting vulnerable households in non-decent homes (although there remains some variation in the definition of 'vulnerability') and many authorities are keeping their policies under review. The fact that it is still 'early days' in the introduction of policies under the RRO was reflected by the fact that, at the time of the second CURS survey, less than half of all authorities had actually made an estimate of the number of vulnerable households living in non-decent accommodation in their areas.

In terms of key policy developments, the analysis shows that local authorities initially responded to the RRO by introducing a number of different types of grant aid, which were designed more effectively to address specific local problems in the housing market. Table 5 in Chapter 4 confirms that grants remain the key form of assistance in the period immediately following the introduction of the RRO. While activity has dipped as local authorities have been reconsidering their policies under the RRO, the initial indication of an emerging loans programme may also be seen from Table 5. Most authorities indicated that they wanted to introduce loans into their policies, but this has proved more difficult than originally anticipated. As a consequence, some authorities have turned towards a small number of 'not-for-profit' intermediaries such as the Home Improvement Trust, ART Homes or HomeImprove in Rochdale, while others have established their own in-house arrangements for providing loans and loan/grant packages. While it is perhaps a little early to gauge the effectiveness of local authority schemes, the recent experience of ART Homes and the HomeImprove scheme both suggest that, if loan systems are carefully established and properly integrated with grant aid, then these schemes can operate successfully in providing low-cost solutions to low-income homeowners. Both schemes have developed equity-release loan products, at present funded from public sources, and during the last financial year both have developed a healthy lending profile. As yet, however, mutually acceptable terms and conditions for unlocking the significant sums of private finance necessary to scale up the private sector programme using equity-release products have not been fully resolved and are likely to require government assistance. In the meantime, there is an inordinate amount of skill replication taking place within local authorities as they strive to acquire the financial skills necessary to deliver innovative loan products of their own and to match the expectations of the Financial Services Authority (FSA) as far as regulated bodies are concerned. This has been time-consuming and is an inefficient use of scarce local authority resources.

Meanwhile, the most productive area of private sector renewal activity is in the area of energy efficiency and almost all authorities are engaging in partnerships to improve the thermal efficiency of the private sector housing stock. Central to these local strategies is the provision of the Warm Front scheme (HEES grants in Wales), available nationally to assist households in receipt of certain benefits. Alongside these grants, 44 per cent of local authorities were providing some form of top-up grants either to extend the availability of grant aid to other 'vulnerable' groups or to improve the range of provision. Defra has recently announced an increase in resources for Warm Front and an expansion of the range of measures offered. In view of the availability of Warm Front grants, loan finance to assist with home energy conservation measures appeared to be a less pressing consideration for local authorities and only 19 per cent were either making, or intending to make, loans available to improve the energy efficiency of dwellings. There is now a marked contrast in the levels of activity taking place between the installation of energy conservation measures and the maintenance and repair of the pre-1919 private sector housing stock. It is difficult not to conclude that the differential financial regimes, the grant-based approach of Defra as contrasted with the loan-based orientation of the RRO, is one of the major causes. Despite the fact that there has been a great deal of activity and home energy conservation measures in the private sector often have a momentum of their own, our research confirms research undertaken by the Public Accounts Committee (2004), which suggests that these measures have often not been effectively targeted towards vulnerable groups or properties that are ‘hard to treat’. The challenge confronting local authorities under the RRO, therefore, is, not only to secure a more effective targeting of resources on vulnerable groups in non-decent homes, but also to ensure that home improvement and repair works are co-ordinated with energy efficiency/fuel poverty measures. Given the differential resource levels currently available for these respective measures, this will not be an easy task.

Having highlighted in the report that there are major problems of house condition in the PRS as well as a disproportionate concentration of vulnerable households, the policy responses by most local authorities under the RRO towards the PRS were disappointing. Most were continuing to use conventional approaches in dealing with problems in the PRS. These mechanisms included grant aid to landlords, landlord/tenant forums, accreditation schemes and statutory enforcement powers. Despite the major problems of management and maintenance in the sector, however, few local authorities had been able to develop more proactive approaches, such as those adopted by the authority highlighted in Box 7 in Chapter 5. Major legislative changes have recently been included in the Housing Act 2004, which will alter both the way in which standards are assessed and enforcement measures, particularly in relation to HMOs, and at the time of the second CURS survey few authorities appeared to be anticipating these changes. Nonetheless, a number of innovative measures were taking place and there was evidence that attitudes to the sector were also changing. Hence, there remains some likelihood that the introduction of mandatory licensing and the forthcoming control measures in the Housing Act 2004 could encourage many local authorities to reassess their policies towards the PRS.

One area of policy initially deemed likely to benefit from the introduction of the RRO was that of preventive action. While two-thirds of authorities were actively providing advice and guidance and there was also an increase in the availability of ‘handyman’ services and an extension of HIAs, the development of proactive measures towards a coherent programme of assistance towards the maintenance and repair of the owner-occupied stock was a relatively isolated phenomenon.

In contrast, much more attention is being given, especially by local authorities in the Midlands and the North, to the problem of facilitating and expediting clearance processes in the private sector. Twelve per cent of authorities anticipated an increase in clearance activity in their areas and, given the unpopularity of statutory clearance procedures, there were a number of innovative approaches designed to overcome the uncertainty and delays often associated with such programmes. Many of these authorities are involved in the HMRA Pathfinder programme, but it is hoped that some of the more successful experiences from these initiatives will be widely disseminated and adopted by other authorities. Excluding the HMRA authorities, over a third of other authorities were pursuing other area-based approaches towards the renewal of their private sector stock, but there was a widely held view, given the nature of government policies, that area-based activity was losing ground to client-based programmes.

While it remains evident that most authorities are supportive in principle of the reforms introduced by the RRO, the 'Achilles heel' of the programme lies in the level of resources available. It was always an intrinsic part of the RRO that private funds would be drawn in to supplement the modest levels of public sector resources. These assumptions have not for the most part materialised. Most authorities have been unable to reach agreement with private lenders to secure additional private funds through an appropriate range of low-cost loan products. Without private financial mechanisms in which they have confidence, many local authorities have remained cautious or have sought to develop lending arrangements of their own. Some have remained highly sceptical of the whole process of securing private sector finance. Unfortunately, without additional resources, private sector housing renewal programmes are likely to remain a marginal political priority for local authorities. In order to increase staffing levels within their own authorities, local councillors need to be convinced of the availability of sustained additional capital finance in order to increase the scale of their activity, from which they can derive an increase in revenue funding to support additional staff. If local authorities had entered into partnership arrangements or devolved their private sector renewal activities onto another organisation, it is difficult to see that circumstances would be any different. The HIA or RSL will need to see a sustained programme of funded activity in order to increase staffing levels within their agency. While local staffing levels and the scale of local activity remain dependent on the current level of public funds available, they are likely to be wholly inadequate to the task of mounting a major national campaign to improve housing conditions in the private sector.

Ways forward for private sector housing renewal in England

The evidence of this research programme has confirmed that private sector housing renewal remains the 'Cinderella' of the housing service. While the policy reforms and the new agenda instituted by the Government have been far-reaching and ambitious, the declining availability of funds over many years has meant that private sector housing renewal programmes often have a very low priority at local level, with the result that the manpower and skills to implement such a policy are frequently lacking. There now appears to be a significant gap between the expectations of Government and the capacity of local authorities to deliver the service. In order to move forward from this situation there is an onus on Government to demonstrate that the implementation of private sector housing renewal programmes has some clear political priority. At present, the programme commands neither the political conviction nor the resource base to persuade local authorities that they should respond more actively in the future than they have in the past. The Housing Act 2004 or the completion of the 2005 EHCS might be seized on to give the opportunity to raise the political profile of private sector programmes by organising a national conference, reassessing targets for private sector housing renewal, organising a national training programme or mounting a national campaign that increases the challenge to local authorities to improve housing conditions in the sector and to raise expectations of programme delivery.

Nothing increases the political priority of a programme better than enhanced public resources, but the key to securing an enhanced programme of repairs and improvements in the private sector is to mobilise private finance and ensure that there is a range of low-cost loan products, including equity-release funds, available to assist low-income consumers throughout the country. After the experience of the protracted negotiations with lenders over recent years and the fact that none has yet come forward with wholesale finance for equity-release loans oriented towards this market, it has become apparent that this is not a commercially attractive proposition. If the release of private funds for home repairs and improvements for vulnerable, low-income homeowners is to take place on any scale, then lenders need to have confidence that their risks will be shared and central Government must be willing to adopt a much more proactive interventionist role in this process than hitherto. There are a variety of options.

- Some form of government guarantee or underwriting of an element of these funds: the difficulty here is that, in order to comply with EU legislation, these guarantees must ensure that the financial risks are genuinely shared between the Government and the private sector

- A shared public–private sector housing fund such as is currently being considered by the Government for equity-share loans to support homeownership initiatives

- Long-term financial underpinning of a local fund for private sector housing renewal by local authorities or, indeed, the use of prudential borrowing powers: since both of these constitute a significant innovation in funding, at least in the housing field, both are likely to require some form of government encouragement or reassurance.

At present there seems to be something of an impasse over this issue, although the Government is engaged in consultation with the European Commission over the legality of guarantees. Once they are resolved, however, the aim must be to persuade local authorities and/or their partners that the enhanced fee income to be generated from the increased level of funds available should provide the impetus that local politicians need to give greater prominence to local programmes.

In the meantime, the Government should proceed with its evaluation of existing loan and equity-release packages. The aim of the evaluation should be to distil good practice with a view to supporting the expansion of these products, and possibly other projects, as the major conduits for private finance to local authorities for the purpose of private sector housing renewal. By the end of the decade, the broader aim of such an initiative would be to ensure that the whole country is serviced by a series of intermediary agencies on a regional basis and that there is a range of products in place that comply with the requirements of the FSA. In view of the delays in securing private finance, many local authorities have set up their own lending arrangements and, although many may wish to continue with these, they are unlikely to be able to benefit from the economies of scale of the 'not-for-profit' projects, nor will they be able to draw in the private finance necessary to scale up local programmes. Government support for these 'not-for-profit' agencies would probably encourage some authorities to transfer their financial arrangements, while the enforcement of a rigorous financial regime would also ensure that only authorities providing an equivalent service to FSA standards would continue to provide their own loan finance.

There is also a problem over the delivery of local private sector housing renewal programmes. The adoption of an 'enabling' role for local authorities appears often to have confused responsibilities and has resulted in a diminished local capacity actually to deliver housing renewal programmes. Some authorities have delegated the responsibility to RSLs or HIAs, while in other authorities there is now a plethora of agencies all engaged in the task of delivering repairs and improvements, which has obscured the central direction of local authorities. If private sector renewal programmes are to be scaled up and local authorities choose to work through partner agencies in delivering such programmes, then they should ensure that appropriate procedures are in place, that the different agencies are aware of their roles and responsibilities, and that there is a genuine capacity to deliver private sector programmes in an efficient and effective way. It is acknowledged that the immediate lack of manpower and skills locally is likely to mean that many local authorities do not have the capacity to do this themselves. Hence, there is a need for the larger authorities (and indeed the HMRA Pathfinders) to provide a lead regarding various local delivery options and for further government advice to local authorities on how they should tackle these issues. The advice might consider ways in which local authorities could collaborate in order to overcome skills shortages or perhaps consider a range of other delivery mechanisms that might provide a more effective local service. These might include, for example, links between ‘not-for-profit’ financial agencies and RSL group structures, as in the case of ART Homes and Mercian HA or HomeImprove and the Regenda group. This collaboration could also develop a much broader use of equity-release and shared-equity arrangements to create a range of options for dealing with areas that involve not only clearance and rebuilding but also private sector home improvement activity. A second option might include collaboration with arm’s length management organisations (ALMOs) where the latter appear to be the most appropriate vehicle locally to deliver home improvements and repairs in the private sector as well as in the public sector stock. Another possibility would be for local authorities to work with urban regeneration or urban renewal companies, such as the Passmore Urban Renewal Company operating in partnership with the London Borough of Newham. A further option is for local authorities to encourage existing HIAs to take on a broader home improvement remit. In rural areas, local authorities might be more ambitious and collaborate with their neighbours to develop a genuinely regional-based delivery agency, funded and operated by staff from within the contributing authorities. These and other possibilities could be more thoroughly explored in a potential further research exercise.

While the Sustainable Communities Plan outlined a programme of new housebuilding in the South of England and a major programme of Housing Market Renewal in the Midlands and the North, it missed the opportunity to reinforce preventive private sector renewal strategies as an important and strategic dimension of government policy, especially in the southern parts of the country where private markets are robust but there is a need to adopt sustainable approaches to the condition of the housing stock. The development of preventive policies has not so far emerged as a strong element of RRO programmes. It remains a more significant policy in cities such as Birmingham and Leicester as a ‘protection’ for previous investment in the stock rather than as a coherent and proactive stock maintenance programme. For many authorities without a remedial role, however, there is a strong case for much higher profile programmes, which not only provide advice and guidance to homeowners but also target inter-war estates, for example, or assist with small financial incentives to encourage timely maintenance and repair, the provision of an accredited builders’ list, a surveying and inspection service, training programmes and so on. Unfortunately, a programme of this kind runs contrary to current government advice about focusing assistance on vulnerable households in non-decent homes.

A further area of policy that appeared to be slow to develop under the RRO and, yet, if local private sector targets are to be met is likely to be very significant in future, is the relationship with the PRS. The Housing Act 2004 has introduced some major elements of reform as far as the sector is concerned and this may well be one of the reasons why policies have not developed more quickly. This report has highlighted both the challenge presented by the sector (30 per cent of vulnerable households in non-decent accommodation in 10 per cent of the stock) and the difficulties posed in seeking to address problems in the past. The new powers under the Housing Act 2004 now mean that local authorities need to readdress their policies regarding the PRS and it is suggested that, in order to implement their new responsibilities under the Act, they need to develop the following capacities.

- A much more effective engagement with representatives of the sector than hitherto: regular consultative panels with key professional landlords, managing agents and market professionals could substantially improve the market intelligence of local authorities regarding developments in the sector and assist with the introduction of major new policies such as HMO licensing.

- The provision of advice, guidance and, where necessary, the use of the new enforcement powers to encourage and sustain good standards of management and maintenance in the PRS.

- A willingness to work more closely with local landlords and landlords' associations to encourage a general improvement in the professional competence of local landlords.

- The facility to use the opportunity of the Housing Act to introduce training for landlords/agents either directly or through local/national landlords' associations.

As with other aspects of the policy, these proposals presuppose that the new provisions in the Housing Act 2004 will persuade more and more local authorities of the need for a more active role in improving housing management and standards in the PRS.

One aspect of private sector renewal programmes that does appear to be working reasonably well is that concerned with improving the energy efficiency of the older dwelling stock. While the challenge for local authorities with regard to this programme is to ensure that energy efficiency measures are more effectively targeted in future on vulnerable households in non-decent homes, it would seem appropriate for several reasons to build on this programme in order to trigger a much more active programme of repair and improvement. First, energy efficiency programmes are often better established in many authorities than their private sector renewal counterparts. Second, the findings of EHCS (ODPM, 2003a) confirm that the largest proportion of properties failing the decent homes standard do so on the grounds of thermal comfort and dwellings that fail on more than one criterion tend to fail for reasons that include insufficient thermal comfort. Hence, by identifying properties having poor energy efficiency ratings, there is a very high probability that they will have other problems of repair and maintenance associated with them. Third, the energy efficiency measures for vulnerable households in such accommodation are invariably grant-aided through the provision of Warm Front grants and this could be used as an incentive to encourage other works to be carried out. Finally, the investments made to improve the energy efficiency and heating of a dwelling are much more likely to remain effective if other essential repairs to the property are carried out reasonably promptly thereafter. Certainly, in authorities where these programmes are not undertaken in a co-ordinated way, there should be a concerted effort to bring them together.

It is recognised that the task confronting local authorities as far as private sector housing renewal is concerned is a formidable one. Current levels of staffing and financial resources are inadequate to sustain effective private sector home improvement programmes. In circumstances where over 80 per cent of the nation's housing stock is already privately owned and new government initiatives concentrate more and more on the expansion of affordable homeownership as a future solution to the housing needs of the nation, this is an area of policy that urgently needs greater political support for the future.

Notes

Chapter 2

1 Equity-release loans for home improvement purposes were proposed in a Green Paper entitled *Home Improvement – A New Approach* (Cmnd 9513) in 1985 but were not subsequently introduced into legislation in the Local Government and Housing Act 1989.

2 'The primary responsibility for maintaining and improving private housing rests with owners' (Cmnd 9513, para. 9, p. 2).

3 'Vulnerable households' are defined for the purposes of the PSA 7 target as: 'those who are in receipt of one or more of the principal income related or disability benefits'.

4 DETR (2000, p. 48).

5 DETR (2000, p. 45).

6 The 'Ready Reckoner' can be consulted at the following website: http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/pdf/odpm_house_pdf_027346.pdf.

7 See, for example, Annex A, 'Government policies and programmes contributing to the eradication of fuel poverty', *Fuel Poverty in England: The Government's Plan of Action* (Defra, 2004c).

8 The five authorities were: Sandwell BC, Stockton, LB of Newham, Hull and Northumberland.

9 Information supplied directly by Defra.

10 Ofgem is the regulator for Britain's gas and electricity industries.

11 Estimate by the Deputy Director of Foundations, York Conference, 2 July 2004.

12 These measures are more fully defined in *A Decent Home: The Definition and Guidance for Implementation* (ODPM, 2004a).

13 See the Appendix.

Chapter 3

1 Manchester has subsequently revised its Home Improvement and Relocation Policy in April 2004 to include assistance through loans as well as grant aid.

2 Guidance on the use of the 'Ready Reckoner' may be found on the ODPM website at the following address: (http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_027346.hcsp).

Chapter 4

1 These do constitute static target figures emerging from the EHCS, 2001, however, and need to be viewed with some caution.

2 Further information on the financial services available from most of these agencies may be obtained from a CURS Briefing Note (2004) entitled *Developments in Private Finance for Private Sector Housing Renewal*.

3 The latest official figures available (for 1996/97 and 1997/98) show levels of clearance in England at ca 1,000 dwellings or less (ODPM, Housing Statistics).

Chapter 5

1 The document is called *Tackling Fuel Poverty: A Beacon Council Toolkit for Local Authorities* and is available from the Beacon Councils and National Energy Action (NEA).

2 According to the Council of Mortgage Lenders (CML), over 480,000 buy-to-let mortgages worth more than £45 billion have made since 1998.

3 First-time buyers have fallen from over 50 per cent of purchasers in 1995 to under 30 per cent in 2003 (CML).

4 Net inward migration to the UK increased from ca 50,000 persons in 1997 to over 150,000 in 2001, before falling back to 130,000 by 2002 (Office of National Statistics).

5 See, for example, EHCS, 2001, para. 6.20, p. 90 (ODPM, 2003a).

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Appendix: The challenge facing local authority private sector housing renewal programmes in England

Introduction

Successive house condition surveys have demonstrated a steady improvement in overall housing conditions in England since the mid-1960s. In recent years, however, it has been the public sector housing stock that has tended to be the focus of major policy debates concerning 'failing' estates and the incidence of crime and anti-social behaviour. As a consequence, it is sometimes overlooked that the major problem of house condition lies in the private sector. While recent governments have tended to stress the responsibility of homeowners for the maintenance and repair of their own properties, the current Government has acknowledged a role in supporting 'vulnerable households living in non-decent accommodation'[1] in the private sector. This Appendix seeks to outline the scale of the problem of poor housing conditions in the private sector and to link this with a profile of 'vulnerable' households living in 'non-decent' homes in the sector.[2] The headline findings of the EHCS, 2003 are also appended.

The scale of the problem of non-decent homes in the private sector

According to the 2001 English House Condition Survey (ODPM, 2003a), there was a total of 21.1 million dwellings in England. After government policies that had promoted the private sector for two decades, over 80 per cent of this stock (16.9 million dwellings) was privately owned. The majority (87.1 per cent) of these dwellings were owner-occupied, while private landlords owned the remaining 12.9 per cent.

The EHCS estimated that as many as 5.4 million houses (32 per cent) in the private sector did not comply with the decent homes standard. This amounted to 77 per cent of all properties failing the decent homes standard. The main reasons for this were:

- 4.3 million dwellings (25 per cent of the private sector stock) failed the decent homes standard on the grounds of insufficient thermal comfort

- 1.5 million dwellings (9 per cent of the private stock) were classified as non-decent because they were in disrepair

- 0.6 million dwellings (4 per cent) failed the fitness standard

- 0.3 million dwellings (2 per cent) were in need of modernisation.

There was very little overlap between these four categories rendering properties non-decent. Only 16 per cent of properties failed on more than one of these criteria. What the figures do tend to emphasise, however, is the importance of the energy efficiency agenda in ensuring that private sector homes comply with the decent homes standard.

As far as the distribution of non-decent homes between tenures is concerned, 29 per cent of all owner-occupied property and nearly half of the private rented sector (49 per cent) did not meet the decent homes standard. The total estimated cost to make good these defects was £41 billion.

Identifying vulnerable households[3]

'Vulnerable' households are those classified as having little capacity to change their own housing circumstances, either because they have insufficient income or because they suffer from an illness or disability. The numbers of vulnerable households may be estimated by identifying those in receipt of 'qualifying' benefits.[4] ODPM estimated that, in 2001, there were 2.7 million vulnerable households living in the private sector and that 43 per cent of these (1.2 million households) were living in non-decent homes. Of the 1.2 million vulnerable households in non-decent homes, 810,000 (67.5 per cent) were owner-occupiers and 350,000 (29 per cent) were tenants.

As one would expect, 'vulnerability' was linked with the following factors:

- economic opportunity and the ability to work

- the age of the household

- ethnicity.

As far as economic opportunity was concerned:

- 23 per cent of vulnerable households were not active in the employment market
- 9 per cent were unemployed
- only 20 per cent were in full-time employment
- 17 per cent were lone-parent households.

One of the major consequences of these circumstances was that 63 per cent of vulnerable households were among the poorest fifth of households in the private sector.

Older and disabled people were also likely to be disproportionately represented among vulnerable households.

- 37 per cent of vulnerable households were retired
- 45 per cent included someone in the household of over 60 years
- 24 per cent included someone over the age of 75 years
- 21 per cent were single-person households over the age of 60 years
- 46 per cent of households included someone who suffered from a long-term illness or disability.

Finally, a disproportionate number of households (13 per cent) were from minority ethnic backgrounds.

Vulnerable households living in non-decent homes

A little surprisingly perhaps, approximately half a million households (39 per cent of the total of vulnerable households in the private sector) owned their properties outright. A further 30 per cent (approximately 380,000 households) owned with a mortgage, while a further 400,000 (32 per cent of the total) were in the private rented sector.

The average value of the property owned by vulnerable households in non-decent accommodation in 2001 was approximately £80,000 compared with an average value at the time of £121,000.[5] As one might expect, the distribution of vulnerable households in non-decent homes was skewed towards the lower end of the market. Hence, 37 per cent of vulnerable households were living in properties worth less than £50,000. But 40 per cent of such households were living in properties with a value of between £50,000 and £100,000, and a further 23 per cent might be regarded as the group that was 'equity rich and cash poor' and these were living in properties worth over £100,000 at the time.

There was a strong correlation between vulnerable households in non-decent accommodation and the oldest housing stock. Approximately 550,000 households (43 per cent of total vulnerable households in non-decent homes) were living in pre-1919 accommodation and a further 23 per cent of vulnerable households were living in property built before 1944. When seen in terms of the type of property inhabited by vulnerable households, almost half (45 per cent) were living in terraced accommodation and a further 26 per cent in semi-detached houses. The distribution of vulnerable households in non-decent accommodation also highlighted converted private sector flats as being particularly problematic, since the incidence of vulnerable households living in this type of accommodation (6 per cent) was twice the proportion of this kind of stock.

Vulnerable households in non-decent accommodation were over-represented in the North of England, under-represented in the South East and just about average in the rest of the country, although there were wide sub-regional variations. Again, as one might expect, there was a concentration of vulnerable households in the cities and other urban locations (38 per cent), but almost half of these households were located in suburban areas (46 per cent). Vulnerable households in non-decent accommodation in rural areas are under-represented at 16 per cent. The major problems of concentration, however, were in the most deprived wards. Twenty-three per cent of vulnerable households living in non-decent accommodation were to be found in the most deprived 10 per cent of wards according to the Index of Multiple Deprivation (IMD) and a further 19 per cent were living in the next decile of deprived wards. In all, 55 per cent of vulnerable households in non-decent accommodation were living in the 30 per cent most deprived wards.

Key findings of developments in the private sector from the EHCS, 2003[6]

The number of private sector homes in England grew from 16.97 million in 2001 to 17.41 million in 2003. The proportion of properties in the private sector increased from 80.0 per cent to 81.0 per cent over the same period. Of these properties, 87.3 per cent were owner-occupied and the remaining 12.7 per cent were privately rented.

The number of non-decent homes in the stock as a whole fell from 7.1 to 6.7 million (from 33 to 31 per cent of the total stock). Those in the private sector fell from 5.4 to 5.26 million. The latter figure accounted for 78.5 per cent of the total of all non-decent homes and 30.2 per cent of homes in the private sector as a whole. The proportion of non-decent homes in the private sector accounted for by the privately rented sector (PRS) remained disproportionately high at 19.9 per cent.

The number of vulnerable households in non-decent homes in the private sector fell from 1.15 million (42.7 per cent) to 1.06 million (37.2 per cent) over the period 2001–03. Within this overall figure, the PRS accounted for 31.7 per cent of vulnerable households in non-decent accommodation in the sector, exactly the same proportion as in 2001. The proportion of properties in the sector was 12.7 per cent.

The fall in the proportion of vulnerable households in non-decent homes from 42.7 to 37.2 per cent was very much in line with projected government targets for this figure to fall to 35 per cent by 2006. The survey report comments, however, that while:

> Significant progress has been made in reducing the number of private sector vulnerable households living in homes with poor thermal comfort … this has not been matched by similar progress regarding the other components of decent homes and this has led to the proportion of their non-decent homes failing on any of the other criteria increasing from 43 per cent to 48 per cent.
> (ODPM, 2005, p. 4)

Notes

1 For the purposes of measuring performance under PSA 7, vulnerable households are defined as ‘those who are in receipt of one or more of the principal income related or disability benefits’.

2 Much of the information on vulnerable households in this chapter was provided by ODPM at a seminar organised by CURS, University of Birmingham on 19 January 2004.

3 The information in the following two sections came from a presentation by ODPM to a seminar for local authority officers as part of the dissemination work for this project. The findings were previously unpublished.

4 Households who are in receipt of the following benefits: Income Support; Income-based Jobseeker's Allowance; Housing Benefit; Working Families' Tax Credit; Disabled Person's Tax Credit; Disability Living Allowance, Care Component; Disability Living Allowance, Mobility Component; Industrial Injuries Disablement Benefit; War Disablement Pension; and Attendance Allowance.

5 According to the Land Registry, the average price of a house sold and bought in England and Wales for the quarter ending September 2004 was £187,971.

6 ODPM will continue to update much of the information in this Appendix in the annual reporting of the EHCS. Indeed, the following paragraphs are taken from the March 2005 update of the 2003 headline figures: (http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_035623.pdf)