

## Implementing new powers for private sector housing renewal

The Regulatory Reform (England and Wales) (Housing Assistance) Order 2002 (the RRO) has radically changed the way in which government seeks to encourage private sector home improvement in England and Wales. The RRO swept away much of the prescriptive nature of previous legislation, instituting a general power on local authorities to provide “assistance” “in any form” “to any person”, to improve, repair, adapt or rebuild residential premises. This study, by Rick Groves and Sian Sankey at the University of Birmingham, was commissioned jointly by the JRF, ODPM and the Welsh Assembly Government. The work examined the experiences of local authorities seeking to implement these new powers. Key messages to emerge are that:

- The initial response of local housing authorities to the RRO was generally favourable. However, there is currently a major contrast between the expectations of the policy reforms of central government and the capacity of local authorities to deliver these programmes.
- In England, 80 per cent of the housing stock is in private ownership yet over half (54 per cent) of all local housing authorities employed fewer than five full-time members of staff on private sector housing renewal activity and 26 per cent of authorities had less than three people undertaking such work.
- The initial policy changes made by local housing authorities were characterised by the introduction of a variety of new types of grant aid which more effectively address local housing problems.
- Engaging with private lenders to attract private finance and develop a portfolio of affordable loan products has been extremely difficult to achieve. Unless private finance can be more effectively levered in to private sector renewal programmes it is difficult to see how local housing authorities can meet their obligations under the RRO and the Housing Act 2004.
- 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-orientated programmes based on the needs of household types, except perhaps in the Market Renewal Pathfinder (HMRA) programme.
- 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 Defra.



## Background

The RRO (which became operational on 18 July 2003) and related reforms (including provisions in the Housing Act 2004) introduced a radical new approach to private sector housing renewal. These reforms promoted:

- the extension of an ‘enabling’ approach by local housing authorities to the private sector;
- 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 Sector Agreement (PSA) 7, the concentration of attention on vulnerable households living in ‘non-decent’ homes.

More recent reforms incorporated in the Housing Act 2004 have included: 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. This study examines how local authorities are implementing these new powers.

## Progress in implementing private sector policies under the RRO

Although most local authorities welcomed the overall change in national policy they were for the most part cautious in introducing change to their own practices. The most obvious initial changes were in the introduction of a range of grants, which gave more flexibility to their local policies. The introduction of loan finance has been problematic, with many authorities 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 predated the RRO. Almost all authorities were engaged in partnerships with the aim of improving domestic energy-efficiency. This area of policy benefited greatly from the Warm Front grants regime managed by Defra.

In other areas of policy, such as the private rented sector and in developing more proactive ‘preventive’ approaches (such as guidance, handyperson services and DIY training) to private sector renewal, developments were disappointing. At the time of the study’s survey, 30 per cent of vulnerable households in ‘non-decent’ homes were living in privately rented accommodation. However, very few local authorities were adopting innovative approaches to engaging 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. Local authorities may well have been holding back with their policy changes in anticipation of the major changes which are yet to come into effect.

The Housing Market Renewal Pathfinder programme areas apart, there was evidence from the surveys that area-based approaches were giving way to more client-based programmes, with programmes targeted on particular types of household or developments. Examples here include targeting older people with energy efficiency or health measures. 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 also evidence of some innovative practice in clearance programmes, however. Examples include Newcastle’s Homeswap; partnership working with Registered Social Landlords in Manchester; and the appointment of property advisers (Rochdale) or Homemover officers (the Wirral), in order to “work with residents to assist in finding solutions to allow people to move more quickly”.

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 less than three staff. When staff employed indirectly were taken into consideration this made very little difference to the overall picture.

Hence, the most significant conclusions to be drawn from the study are that private sector housing renewal has a very low political priority locally and that many housing authorities in the country are not adequately staffed to carry out their obligations under the RRO and the Housing Act 2004.

The final provisions of the overall agenda, including the Housing, Health and Safety Rating System (HHSRS) and the mandatory and discretionary licensing powers relating to houses in multiple occupation (HMOs), have only very recently been introduced by the Housing Act 2004 and have not yet come into effect. As a consequence, this research 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.

## Implications for the future

The researchers suggest the following:

- 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 firmer commitment to private sector housing renewal.

- Whilst 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 a range of low-cost loan products available which is underpinned by grant-aid in the most needy circumstances. It appears that, for these arrangements to take place, central government assistance is necessary so as to share the risks with private lenders.
- More encouragement and assistance are needed to support the promising 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 more effective private sector home improvement programmes. 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.
- The Sustainable Communities Plan missed the opportunity to recognise 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 between the private rented sector and both local and central government 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.

All of the above depend on more central government support and the attraction of much higher levels of financial and staff resources to the programme.

## About the project

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

- two questionnaire surveys of all local housing authorities in England and Wales, undertaken in February 2003 and April 2004, which provided the main source of data on progress with the development of RRO policies;
- a review of a random sample of approximately fifty 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.

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## For further information

Further information about the study may be obtained from Rick Groves or Sian Sankey from the Centre for Urban and Regional Studies, School of Public Policy, University of Birmingham.

The full report, **Implementing new powers for private sector housing renewal** by Rick Groves and Sian Sankey, is published by the Joseph Rowntree Foundation as part of the Housing Market Renewal series (ISBN 1 85935 427 0, price £16.95).

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