

August 2001

Comments on the consultation paper

Private Sector Housing Renewal: Reform of the Housing Grants, Construction and Regeneration Act 1996, Local Government and Housing Act 1989 and Housing Act 1985

Introduction

1. The Joseph Rowntree Foundation has a long-standing interest in policies to tackle poor housing conditions and to facilitate independent living for people with disabilities. The Foundation has sponsored programmes of research and policy innovation in both these areas.

2. The Foundation broadly welcomes the proposed reforms because of the increased freedom which they provide to local authorities to respond to differing local problems; to use public resources more effectively; to draw in more private finance; and to target help on those most in need. However, we are concerned at the lack of a national strategic framework and performance targets relating to private sector housing conditions; at the low levels of public investment in private sector housing renewal in many areas arising from reductions in subsidy and other charges; and at the lack of guidance and support available to local authorities to enable them to utilise their new freedoms effectively. Providing local freedoms to tackle condition problems more flexibly does not absolve government from the responsibility of ensuring that adequate resources are available to tackle the demonstrably major challenge of renewing our older housing stock.

The reforms

3. The Foundation's recent report, *Crumbling Castles* ([Foundations Ref 370](#)), drew together the findings of a four-year programme of research on private sector housing renewal. The programme concluded that:

- current renewal policies, especially the systems of grants to owners, are too inflexible to respond to the variety of local needs. A broader enabling framework, within which authorities could develop their own forms of assistance to owners, is needed;
- policies do not do enough to stimulate investment in repair and maintenance by homeowners themselves, especially older people, drawing on the equity within their homes;
- there are many practical measures which local authorities in partnership with commercial lenders and intermediaries can undertake to stimulate borrowing for repair and maintenance, but where legislation or other constraints prevent them from doing

so;

- other bodies such as RSLs or home improvement agencies have a major role to play in targeting public resources on the most vulnerable groups, but need a sound basis for the funding of their activities;
- the introduction of local flexibility over forms of assistance to owners does not obviate the need for a national strategy, backed up by targets, for dealing with poor condition private sector housing. The government needs to ensure that an adequate level of public expenditure is devoted to achieving this strategy, backed up if necessary by financial support to those areas facing the most severe problems.

4. The Foundation thus supports the proposed reforms. In terms of the questions set out in the proposal:

1i. bring authorities' powers to give grants, loans and other forms of financial assistance for home improvement together with the same legal framework

Relatively little repair and maintenance work in the poorer quality stock is funded by loans, yet there is considerable scope for borrowing, especially in medium or higher value areas. Research has identified circumstances in which commercial lenders are unwilling to provide loans for repair work (for example where the amounts required are uneconomic), or where potential borrowers are deterred by high loan set-up costs. A few local authorities and some specially-constructed bodies (such as the Aston Reinvestment Trust in Birmingham) have attempted to overcome these problems, but have found the task difficult or even impossible because of obstacles in legislation. Removing these would enable local authorities to promote loans or devise packages combining grant and loan and hence to attract in more private finance for housing renewal.

1ii. Enable authorities to help disabled people to meet their contribution towards the cost of adaptations

Research undertaken for the Foundation has identified a range of circumstances in which the needs of disabled people may go unmet as a result of weaknesses or unfairness in the test of resources for disabled facilities grants. The Foundation therefore welcomes the power to enable local authorities to help disabled people to meet their contributions towards the cost of adaptations by means of non-means-tested loan, an additional grant, or a preferential top-up loan. This will not only benefit disabled people in need but could also in some circumstances save public money or provide greater value for money. *However we have one major concern.* The Consultation paper is silent on how this new power will affect the responsibilities of welfare authorities

to provide assistance with adaptations under the Chronically Sick and Disabled Persons' Act 1970. We assume this obligation will remain. But unless the position is made clear, there is a danger that some welfare authorities may *reduce* their budgets for adaptations as a result of this proposal. It is essential that guidance to welfare authorities and housing authorities should make the position clear.

1iii. Enable authorities to help people with the cost of buying another property where this is a better option than improving or adapting their home

There are an increasing number of situations in which the demolition of substandard, obsolete, or surplus property is a desirable objective. Compulsory purchase powers are sometimes difficult, time-consuming and expensive to implement and better results could be achieved by voluntary purchase. But some owners may be unwilling to sell because they have negative equity or because they are unable to buy a property which meets their needs with the resources available to them from the sale. In such cases, a power to provide help with the cost of buying another property would be valuable. Guidance would be needed to specify the scale of the help to be available and the circumstances under which it should be provided.

Another circumstance when the power could be used would be to help a disabled person to move where adaptation of their existing property was not feasible. The Foundation's work on housing for disabled children revealed many circumstances where this power would be invaluable. However, guidance will be needed on the assessment of households' needs so that they do not move from one unsuitable property to another.

1iv. Extend the power to cover people in all housing tenures

The Foundation welcomes the intention to apply the new power to provide financial assistance across all tenures and to include landlords, which will remove obstacles to effective action in mixed tenure areas, and facilitate a more level playing field across tenures in relation to disabled facilities grant. A further step forward would be for the government to provide subsidy for all adaptations on the same basis as disabled facilities grants to owner-occupiers.

1v. Require authorities to follow a published policy and have regard to guidance

Basic principles of fairness would suggest that local authorities should use their new freedoms in ways which are fair and transparent. We have noted several

areas in which guidance is needed and there will be many others. Going beyond this, it is essential that local authorities are held accountable under Best Value principles for the quality and effectiveness of their policies to deal with poor condition private sector housing, in order to ensure that statutory responsibilities are met and that they make progress towards dealing with condition problems.

2. Does the existing legislation place a burden on local authorities, or on other organisations or individuals? If so, in what ways?

The existing legislation places an unnecessary burden on local authorities and others in a number of ways. The highly prescriptive nature of the powers available prevents authorities from undertaking a strategic approach to housing renewal, or forces them to waste time and resources in circumventing them or in seeking permission from the Secretary of State for any special course of action. The legislation on loans makes it difficult for authorities to provide loans at preferential or interest-free rates, or to subsidise loan set-up costs.

3. What are the benefits of the proposals?

The benefits of the proposals are broadly as set out in Chapter 10 of the consultation paper. The first two points, providing more local discretion to meet local needs, and making more effective use of resources, are especially important.

4. What are the disadvantages?

There is a risk that some local authorities may lack the will or the resources to make active use of their new freedoms and may fail to develop an effective strategic approach to private sector housing renewal. But this risk is outweighed by the potential benefits and can in any event be minimised by clear guidance and scrutiny by government and the housing inspectorate. It could be possible to provide a back-up power to transfer the power to provide financial assistance with renewal to another organisation, along with measures to implement the power, in the event of serious default.

5. What potential does the existing legislation provide which it would be necessary to retain?

We cannot think of any additional examples.

6. Would the reforms prevent anyone from exercising an existing right or freedom?

We agree that as mandatory DFGs are not affected there are no existing rights or freedoms

which are affected by the reforms.

7. *What costs or savings may arise as a result of the reforms, and to whom?*

The reforms are not intended to produce cost savings, and we argue below that more public expenditure is needed to tackle poor housing conditions. However the reforms offer the potential to make better use of existing resources by drawing in private funding. Higher costs would fall on owners who would previously have been offered a grant and who are now offered an alternative option - but against this more people would benefit from the same level of resources.

Our concerns about government policy

8. Whilst the Foundation generally supports the proposed reforms, we remain concerned about some aspects of government policy towards private sector renewal. The provision of a decent home for all is a central element of government housing policy. Some legal responsibilities remain to protect occupants from poor conditions. Furthermore, poor housing conditions undermine health and community care policies, and contribute to urban and rural deprivation and social exclusion. A national framework is needed to ensure that local authority policies, in aggregate, are dealing with these problems. This should include robust national data on stock condition and projections of future problems, and most importantly, a reasoned case setting out the overall need for public spending on housing renovation in the private sector. This would set out, for example, the government's view on the circumstances under which demolitions were appropriate, the level of demolition, and the required level of resources to be made available. It would also consider the need for subsidy to assist local authorities to achieve specific national objectives.

9. Our judgement is that, although it remains important in the longer term to persuade homeowners to take full responsibility for repair and maintenance, there are major short-term and medium-term problems which will require significantly higher levels of public spending than at present. These include the increasing proportion of older people who are homeowners, many of whom are mainly or significantly dependent on the state pension and/or income support - which include little or no help with repair costs or the costs of adapting their homes as they grow older and frailer; right-to-buy purchasers on low incomes (who overlap with the previous group); people who experience relationship breakdown; and people on insecure incomes because of the nature of their employment. The government should have a view on how much overall it anticipates should be invested in repair and maintenance and how this will be secured.

10. There will also be a need for government monitoring of the distribution of expenditure. Although putting private sector housing renewal on an equal footing with other forms of capital

expenditure provides welcome short-term freedom for local authorities, in some areas other spending pressures may be so strong as to restrict spending on renewal below what is needed. The government needs to ensure that systems are in place to allocate capital resources to the areas where need is greatest. Given the increasing importance of market failure and obsolescence in the north and the midlands, this may mean significant switching of resources to these areas from those where values are high enough to sustain or support investment. In addition to capital resources, measures are also required to ensure that revenue funding is available to meet the costs of implementing policies and providing advice and support to owners.

11. We would repeat the need for some national level action to support local authorities in the development of more flexible policies for private sector renovation. Some economies of scale and effort could be secured in, for example, negotiating loan arrangements with lenders or establishing new financial intermediaries if government played a role in setting these arrangements up. This role could include involvement in negotiations with national representative bodies; providing set-up support or help with running costs or funding pilot projects; and publication of detailed good practice guidance.

12. Finally, the reforms to mechanisms for providing assistance with repairs, improvements and adaptations are only part of the story. There are three components to poor housing condition problems in the private sector:

- a) helping poor homeowners with repairs
- b) dealing with areas of market failure
- c) dealing with poor conditions in private rented accommodation

13. The reforms in the Consultation Paper relate mainly to (a). But as work in the North West and West Midlands has recently shown, a wider range of initiatives is needed to make an impact in areas where the market for private housing is failing. We need both reforms and fine-tuning of existing mechanisms and a range of new tools. These include:

- taking further the government's proposal to license all private lettings in areas of low demand;
- making the process of voluntary or compulsory acquisition, demolition and site assembly more effective;
- finding ways of compensating those with negative equity in dwellings which are obsolete;
- involving RSLs in private sector renovation in ways which are financially sustainable and realistic;
- ensuring that regional and sub-regional planning processes take into account their impacts on older housing markets.

Conclusions

14. In overall terms the Foundation welcomes the Consultation paper on Reform of Private Sector Housing Renewal Policy and the freedoms which it will provide to local authorities. Our concerns are to ensure that local authorities receive the support and guidance necessary to develop effective policies; that adequate public resources are made available to tackle private sector house condition problems; and that other related policies (some of which might be more interventionist) are developed to provide the tools to tackle these problems. Poor housing conditions in the private sector affect the health and well-being of many people, and measures to tackle them should be central to the government's housing, health and regeneration policies.