



AGENDA
ITEM NO.

Originator:
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REPORT OF: Helen Freeman - Chief Environmental Health Officer
REPORT TO: Neighbourhoods and Housing Departmental Management Team
DATE: 06 April 2004

SUBJECT: PROGRESS REPORT ON THE IMPLEMENTATION OF THE
REGULATORY REFORM (HOUSING ASSISTANCE) ORDER
2002 - PRIVATE SECTOR RENEWAL POLICY

Electoral Wards Affected:

City-Wide

Specific Implications For:

Ethnic Minorities

Women

Disabled people

Executive Decision

Eligible for Call In

Not eligible for Call in

(details contained in the report)

1.00 PURPOSE OF THE REPORT

1.01 The Council adopted a revised private sector renewal policy, set out in a report approved by Executive Board on 09 July 2003, which introduced proposals for wide-ranging and, in some cases, radical new ways of supporting private sector housing investment and regeneration. In many respects, the proposals needed further development prior to implementation and a recommendation was that a review of progress in April 2004 would be undertaken.

1.02 This report provides that update.

2.00 BACKGROUND

2.01 The policy adopted in July 2003 incorporated the following key principles :

- To improve the condition and quality of private sector housing.
- To reduce the %age of non-decent homes occupied by vulnerable people within the private sector.
- To reduce the number of unfit houses, or those that will fail the new Housing Health and Safety Rating System, as proposed in the Housing Bill.
- To support comprehensive regeneration programmes in priority areas.
- To support initiatives to deal with obsolete and long-term empty housing.
- To support the needs of areas with low community confidence.
- To support new regulatory proposals for the private rented sector (including the current Housing Bill proposals).

- To encourage and support all private owners in taking responsibility for their own property.

2.02 In order to meet these aspirations, the following development work was identified in the July 2003 report :

- Development of a range of loan schemes to replace or complement direct, non-repayable grants.
- Development of debt counselling arrangements.
- Development of comprehensive advice and information to promote available support and encourage responsible home ownership.
- Further development of Accreditation Grants/loans for private rented properties as part of a comprehensive strategy for private rented sector housing.
- Further market research and consultation to ensure policies are developed which are appropriate to people's needs and priorities.

Details of progress to-date on these issues are set out in this report.

3.00 NATIONAL AND REGIONAL CONTEXT

3.01 Research commissioned in 2003 by the ODPM, and undertaken by the University of Birmingham and Joseph Rowntree Foundation, has evaluated the impact of the Regulatory Reform Order (RRO) and sought to identify innovation and good practice in Local Authorities under the new provisions.

3.02 In the initial report on findings, published in November 2003, the conclusions were that :

- two-thirds of Local Authorities had consulted widely on future policy development;
- 92% of Local Authorities were planning to introduce policies with at least some differences from their current position;
- commonly identified priorities amongst Local Authorities included older people, other vulnerable groups, such as those on low income or in financial difficulties, and the need to focus on areas of priority (42%);
- a general decline in the use of traditional grants, with a greater focus on other regeneration activity such as clearance, group repair and renewal areas;
- plans to develop initiatives such as small repair services, maintenance services and other delivery vehicles;
- an increase in the use of 'voluntary' accreditation in the private rented sector; and
- development of loan finance (78% of all Local Authorities).

All these aspects of policy development are incorporated in the comprehensive strategy adopted in Leeds, and the Authority's work on private rented sector activity around landlord accreditation has been specifically identified as an example of good practice by the research.

3.03 The progress of the Housing Bill, now anticipated towards the end of 2004, will introduce new responsibilities and obligations on all Local Authorities, including regulatory responsibilities for the private rented sector, the introduction of the Housing Health and Safety Rating System and the home sellers pack. These significant developments will need

to be incorporated within current regeneration policies in such a way as to be mutually complementary.

4.00 THE REGIONAL CONTEXT

4.01 Since July 2003, significant changes have occurred and rapid progress has been made in establishing Regional Housing Boards and sub-regional partnerships. In the Yorkshire and Humberside region, the Regional Housing Board has now been established and published a regional housing strategy and has responsibility for allocating funds for regeneration projects through the new commissioning arrangements. So far, funding has been allocated to support low demand and 'transformational' projects, either exclusive to individual Authorities or where work is planned across Local Authority operational boundaries.

4.02 In order to meet the challenge of these developments, sub-regional arrangements have been introduced. In West Yorkshire, a partnership of the 5 Local Authorities has been established, with political representation on a West Yorkshire Housing Board, which acts as a forum for determining future priorities and evaluation of projects seeking Regional Housing Board support.

4.03 Building on the Neighbourhood Renewal Strategy of the Local Strategic Partnership in Leeds (Leeds Initiative), of which private sector regeneration policies form one part, Leeds has been successful in both rounds of commissioning and has now secured direct funding or will benefit from regional funding to support :

- affordable housing in the 'Golden Triangle', in partnership with North Yorkshire;
- acquisition and demolition costs as part of comprehensive regeneration plans for Beeston/Holbeck and Harehills regeneration areas; and
- development of Property Appreciation Loans (PALs) within South and West Yorkshire using a third party organisation to administer loans on behalf of all 9 Authorities.

5.00 LOCAL CONTEXT AND DEVELOPMENTS

1.01 The policy, approved at the Council's Executive Board on 09 July 2003, included a range of assistance based on specified levels of intervention and the principle that the extent of intervention would be up to a point where home owners were able to help themselves in addressing their housing problems. These intervention levels are detailed for clarity in the attached APPENDIX A. A summary of the assistance to be made available is noted in the table below :

POLICY / ASSISTANCE	CONDITION / EFFECT
INTERVENTION LEVEL 1	
Advice and information 4 Available now	All enquirers will be offered advice and information, including sign-posting to assist them in resolving their property repair and maintenance problems and in helping them achieve the decency standard.
Private Renting and Tenancy Advice 4 Available now	Available to landlords and tenants through Housing Advice and the Leeds Landlord Accreditation Scheme

<p>Energy Efficiency Advice</p> <p>✓ Available now</p>	<p>All enquirers for Home Improvement Assistance are offered advice through the Leeds Bradford and Hull Energy Efficiency Advice Centre (LBH EEAC). Access to a range of assistance is available including grants through Fuel savers (Warmfront and Warmfront +).</p>
INTERVENTION LEVEL 2	
<p>Home Inspection Service</p> <p>4 Available now</p> <p><i>Vulnerable households</i></p>	<p>To provide a home inspection service for 'safety net' cases to highlight works required to meet the fitness standard, the new health and safety rating scheme and / or the decency standard. Charges may be made where the inspection subsequently leads to a loan or grant.</p>
<p>Essential Works Loans / Grants</p> <p>✗ Not available until loans process in place</p> <p><i>Vulnerable households</i></p>	<p>To provide assistance to help support 'safety net' cases, living in unfit housing or housing which fails the new health and safety rating scheme, as part of the city wide programme to obtain a loan or grant</p>
<p>Independent Financial Advice (IFA)</p> <p>✗ Not available until agreement completed with LCCU</p> <p><i>Vulnerable households</i></p>	<p>To provide access to IFA for 'safety net' cases to access loans for improvement works to address unfitness, or failure of the new health and safety rating scheme. Charges may be made where the advice subsequently leads to a loan or grant.</p>
<p>Debt Counselling</p> <p>✗ Not available until agreement completed with LCCU</p> <p><i>Vulnerable households</i></p>	<p>To facilitate access to debt counselling through a third party to enable 'safety net' cases living in unfit housing or housing which fails the new health and safety rating scheme (to enable them to obtain a loan).</p>
<p>Home Maintenance Service</p> <p>4 Limited availability through pilot scheme only</p> <p><i>Client based programme</i></p>	<p>To provide a home maintenance service with Care and Repair (Leeds) Ltd or other partners supported by a small grants scheme.</p>
<p>Home Assistance Loans/ Grants</p> <p>✓ Limited grants available now</p> <p>✗ Loans not available until loans process in place</p>	<p>To provide advice and assistance to help support elderly vulnerable people living in non-decent housing, as part of the client-based programme, to obtain a loan or grant .</p>

<p><i>Client based programme</i></p>	
<p>Relocation Loans / Grant</p> <p>✗ Not available until loans process in place and administration / legal procedures agreed</p> <p><i>Vulnerable households Priority area based programme</i></p>	<p>To provide a relocation loan / grant to :</p> <p>a) support disabled persons to move to a more suitable home to meet their needs, where this is the best option;</p> <p>b) support the acquisition of properties for improvement or redevelopment. Details still to be finalised.</p>
<p>Group Repair Schemes</p> <p>4 Available now</p> <p><i>Priority area based programme</i></p>	<p>Standardised external works to blocks of properties in defined priority areas, to achieve uniformity and improved visual amenity as part of a comprehensive property improvement and regeneration scheme. Owners will be required to contribute not more than 25% of the cost subject to a test of resources.</p>
<p>Environmental Improvements and Face Lift Schemes</p> <p>4 Available now</p> <p><i>Priority area based programme</i></p>	<p>Undertake environmental works with partners to street frontages, binyards or public areas to secure community confidence as part of a comprehensive regeneration scheme. Private owners will not be expected to contribute to the cost of this type of works.</p>
<p>Accreditation Loans / Grants for the private rented sector</p> <p>4 Grants available now</p> <p>✗ Loans not available until loans process in place and administration / legal procedures agreed</p> <p><i>Priority area based programme</i></p>	<p>To be available <u>only to</u> accredited landlords in limited priority regeneration areas as part of a comprehensive improvements scheme to improve properties to the decency standard.</p>
<p>Empty Property Loan</p> <p>✗ Not available until loans process in place and administration / legal procedures agreed</p> <p><i>Priority area based programme</i></p>	<p>To provide an empty property loan to help bring back into use longstanding empty properties which are blighting the local neighbourhood. Details still to be finalised.</p>
<p>Disabled Facilities Grant</p> <p>4 Available now</p> <p>✗ Loans for discretionary works not available until loans process in place</p> <p><i>Client based programme</i></p>	<p>Mandatory DFGs for registered disabled applicants supported by a referral from Social Services in support of necessary works of adaptations. Plus discretionary loan/grant for works over £25,000 subject to individual schemes considered on their merits.</p>
<p>Obsolete Housing Funds</p> <p>✓ Available now through specific local area</p>	<p>Acquisition and demolition by negotiation or under CPO powers with appropriate funding available to meet capital value and compensation costs for home owners affected by the schemes.</p>

schemes	
<i>Priority area based programme</i>	
Former Right to Buy Assistance 4 Limited availability (where owners can arrange their own funding) X Loans for works not available until loans process in place	Assistance to support improvements to the structure and exterior of former right-to-buy properties, as part of comprehensive area improvements being undertaken by the Council on its own properties. Using Council contractors, equity release and loan facilities where owners are unable to secure their own funding.
<i>Priority area based programme</i>	

5.02 Loan Development

One of the key elements of the policy is the need to have in place a range of flexible loan / finance support packages which owners can access to undertake renovation works. This work is still being developed with a number of partners including the Leeds City Credit Union (LCCU), ART Homes (part of the Aston Reinvestment Trust) and the Home Improvement Trust (HIT). There is, of course, no difficulty for owners with reasonable incomes or sufficient equity in their property in obtaining commercial loans, given that they are provided with suitable advice and guidance. The problem arises with owners on low incomes with limited or no savings or equity, as there are currently few options open to them.

5.03 Leeds City Credit Union

Officers have been working with Leeds City Credit Union (LCCU) to develop a package of assistance to support Private Sector Renewal and these proposals are in the final stages of development in agreeing a process to provide assistance to vulnerable home owners. This includes the principles of a staged intervention and the use of equity (if any) in the property to enable improvement to the decency standard. A flow chart of the process is attached at APPENDIX B . This process provides 3 stages of support, dependent upon need :

- Firstly a repayable loan at a set rate of interest.
- Secondly a Property Appreciation Loan (PAL) repayable on the sale of the property.
- Thirdly a grant should the person receiving the assistance still be unable to finance the work identified, such that the non-repayable grant provides the gap-funding between the amount able to be raised under personal loan arrangements and the cost of necessary work.

In this approach, the person receiving assistance does so in stages and only passes to the next stage if the full cost of the work required cannot be met from the initial source alone. An example of how this will work is shown below; the figures used are purely for illustration purposes.

Assume a couple with 2 children, in receipt of working tax credits, living in a £60,000 home but with only £10,000 free equity (mortgage free) and needing to raise £6,000 for essential works :

Personal Circumstances	Repayable loan based	Property appreciation	Grant	Total Funds
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	on ability to pay Stage I	loan based on Max 30% free equity Stage II	(Gap funding Stage III)	Raised
Occupation Couple with 2 children Income Working Tax Credits Property value £60,000 Equity £10,000	£10 per week which generates a loan of £2,000	£3,300	£700	£6,000

Loan/grant eligibility will be subject to applicants undertaking a test of resources. This test establishes the household income and expenditure. A proportion of any excess income is then required to be used to finance the Stage I loan. People in receipt of income support, guaranteed pension credits and income based job seekers allowance will be passported through this provision as, by definition, they will have no excess income.

The second element, a Property Appreciation Loan (PAL), requires no repayments until the property is sold and is based on the lender taking a share in the free equity in the property up to a maximum of 30% (in the above example, £3,300 or 5.5% of the value of (£60,000)). If the property was subsequently sold in 5 years time and the price had risen to £80,000, £4,400 would be the amount repayable, being 5.5% of the increased value. There would be an option at any time for the owner to repay the loan based on standard rates with rolled-up interest (in effect if this was less than the equity share value at time of sale that would be the payment). This will ensure the Council would not be seen to be profiting if there were substantial increases in property values within an area.

The third and final element is a non-repayable grant to ensure that all low income home owners can improve their home to meet firstly the fitness standard as a minimum requirement and then the decency standard should they wish to do so.

Assessment Officers, who undertake the test of resources within the existing grant system, have worked with a development officer from Leeds City Credit Union to develop the new test of resources. This is fairer than the old system as it takes into account the out-goings of the home owner as well as their income. LCCU expertise in providing affordable loans has been invaluable in undertaking this work and LCCU are prepared to administer loans on this basis.

As part of the process, LCCU have agreed to provide :

- debt counselling service to support loan take up;
- professional financial advice service to support loan take up;
- professional valuation service as part of secured loan and equity set up.

Before the arrangements can be put in place, the Council will need to enter into a formal agreement with LCCU regarding the provision of a loan fund and the level of administration fees for providing the service. There would also need to be agreement on the arrangements to continue the development process to provide services to other groups not covered by the current proposals and investigate the possibility of using private finance through the use of subordinate loans .

1.00 **ART Homes and the South and West Yorkshire Housing Officers Group**

Following the introduction of the Regulatory Reform (Housing Assistance) Order 2002 (RRO), officers from South and West Yorkshire have been meeting regularly to discuss private sector housing policies and share best practice. One of the key areas of work has been around loan development to support low income home owners. Following contact with the Aston Re-investment Trust who provide services to support Birmingham City Council through a subsidiary, ART Homes, a joint bid for funding to set up a similar service in South and West Yorkshire was submitted and approved by the Regional Housing Board (RHB) in late 2003.

Initial funding of £1.2 million as a single pot across the 9 authorities has been approved for 2004/5. This will be sufficient to fund :

- initial set-up and development costs;
- administration and support costs;
- a modest initial loan fund.

Subject to the successful operation of the scheme, it is envisaged that further funding will be made available for 2005/06 and beyond. The RHB are unlikely to be able to provide sufficient funding to meet the anticipated demand and Authorities will need to provide matched funding streams. Taking into account the set up costs and an average loan of £7,000, this equates to 130 loans across the region or just over 14 loans per Authority.

Art Homes performance and the contractual RHB fund is to be administered by Sheffield City Council, and the details of the contracting arrangements between ART Homes, Sheffield City Council and the other participating authorities is being finalised. Art Homes will initially provide the following service for a Property Appreciation Loan (PAL) only, but will also be undertaking development work on other loan packages :

- Development of process and required staff training
- Confirmation of client loan capability
- Telephone and written advice to Local Authorities
- Valuations of property
- Calculation of loan amount
- Provision of loan legal agreement and associated documentation
- Telephone and written advice to client
- Provision and payment of loan direct to contractor on completion of work
- Management of total loan fund

It is envisaged that PALs will be available for launch in the next few months.

The provision of ART Homes, "PALs by post", is complementary to the procedure developed with LCCU and allows access to extra RHB funding. It does not, however, include the facility for service users to access debt counselling, professional financial advice or a mixture of repayments loan and PAL arrangement, as with the LCCU example above.

5.05 **Home Improvement Trust (HIT)**

The Home Improvement Trust are a not-for-profit organisation who provide access to affordable funding for elderly home owners (over 60) and those with disabilities. Their service includes access to an independent financial advisor, centralised legal and valuation

services and a help line for users. They operate nationally, usually with local home improvement agencies, providing financial assistance through a number of commercial repayment and equity release products supported by the lending institutions. They are happy to work with local authorities but do require a 'signing up fee' of £10,000. This option of support for local elderly residents has not yet been progressed further by officers, as most vulnerable households will be supported by the LCCU and ART Homes options. HIT can be pursued further when these initial options are in place in order to widen the range of loan products available.

5.06 **Assistance currently available**

The following assistance is currently available :

- Home Maintenance pack for all home owners requiring housing assistance. 104 packs have been distributed and we are currently in negotiation with the Federation of Master Builders regarding sponsorship of the pack.
- Referrals to the Leeds Bradford and Hull Energy Efficiency Advice Centre (LBH EEAC) - 294 enquiries have been referred.
- DFGs - available city wide to meet mandatory entitlement with individual schemes where works exceed the maximum grant considered for additional financial support on their individual merits.
- Group Repair Schemes are available in Burley Lodge and Beeston Hill Renewal Areas.
- Environmental improvements and face-lift schemes are available and underway in both Burley Lodge and Beeston Renewal Areas.
- Grant assistance for owner/occupiers to support asbestos decontamination and renovation in the Aviarys.
- Grant assistance for landlords in the Beeston area in support of the Beeston Accreditation Scheme.
- Home inspection service for vulnerable home owners who do not wish to consider a loan or equity support.
- Essential works grants under the transitional arrangements (until loan procedures are in place). Each grant is considered on individual merits.
- Home Assistance Grants available to support special initiatives ('Prevention of Falls in the Home' scheme) (until loan procedures are in place).
- Former Right-to-Buy owners assistance with structural defects - a small pilot with 2 home owners whose houses are within a major scheme is currently underway.

5.07 **Care and Repair Home Maintenance Pilot**

Care and Repair (Leeds) Ltd have undertaken a pilot home maintenance scheme, supported by the Council, which has been jointly funded and was made available to owner-occupiers over 60. The service provided :

- a home visit to discuss any urgent repair and maintenance problems;
- an offer to pay for identified and agreed works up to £500 (where the applicant was on a means-tested benefit);
- provision of information on home maintenance work to help avert future repair problems;
- a check on welfare benefits and entitlements, and advice on services available from Care and Repair (Leeds) Ltd. and other non-statutory agencies in the city.

An interim report has been produced by Care and Repair (Leeds) Ltd., which confirms that to-date there have been 66 referrals, of which 54 have been eligible to receive financial help. Feedback for clients has been very positive and in several instances they have been happy to pay a contribution over the £500 allowed to complete essential works. Care and Repair (Leeds) Ltd. have recommended that the scheme be continued and that consideration be given to increasing the maximum cost to £1,000 per householder. Detailed

recommendations are to be submitted, following the completion of the scheme, for consideration by officers.

5.08 Financial and Transitional Arrangements

The implementation of change from the old Private Sector Renewal Policy to the new Policy, which promotes Housing Assistance, has still not yet been fully completed because of the time lag from enquiry to completion of the old renovation grants. At 04 June 2003, there was a potential commitment of £2.4 million in the system as shown in the table below.

Position at 04 June 2003

Grant Type	Average Cost	Enquiries prior to approval	Estimated cost
Renovation Grants	£9,655	234	£2,259,270
Home Repair Assistance	£2,076	20	£41,520
HMO Grants	£11,387	9	£102,483
Totals		263	£2,403,273

This commitment has reduced over the last ten months as schemes have been completed and paid, such that :

Position at 02 March 2004

Grant Type	Average Cost	Enquiries prior to approval	Estimated cost
Renovation Grants	£10,775	37	£398,675
Home Repair Assistance	£2,404	1	£2,404
HMO Grants	£12,180	7	£85,260
Totals	-	45	£486,339

In addition to the £0.5 million potential of old schemes still in early stages of the procedures, there remains a commitment of approximately £2 million expenditure in respect of schemes which have received approval but have not yet reached 'works completed' stage at which time a claim for payment is made.

Thus, the Authority has to make provision for approximately £2.5 million in total from the Capital Programme in 2004/05 to meet its obligations to individual grant applicants under the former grant regime.

N.B. This is in addition to provision for mandatory DFGs of £2.06 million.

6.00 CAPITAL PROGRAMME 2004/05 AND IMPLICATIONS FOR RENEWAL POLICY

6.01 The Housing General Fund Capital Programme, approved at Executive Board on 13 February 2004, makes provision for financial support for private sector housing investment in line with the policy principles previously approved by Executive Board and as described in this report. Details of the programme are at APPENDIX C (xx).

6.02 As a consequence of financial constraint in a difficult budget setting climate and having regard to existing and ongoing commitments, as detailed above, the programme for 2004/05 allows for limited development of new programmes, although this opportunity will be greater in 2005/06 and beyond.

The programme has sought to support ongoing regeneration priorities but also makes provision of £400K for funding loans once these arrangements have been agreed and adopted. Subject to progress with the development and launch of loans and the level of demand which results from their promotion, the mid-year progress review will seek to make any necessary adjustments in managing expenditure.

7.00 RECOMMENDATIONS

- i) To note the progress made in developing new initiatives and procedures as set out in the previously approved Private Sector Renewal Policy under the Regulatory Reform Order (Housing Assistance) 2002;
- ii) to agree that the proposals set out in this report should continue to be developed and implemented in accordance with approved policy; and
- iii) to refer the report to Scrutiny Board (Neighbourhoods and Housing) for information and future overview developments as appropriate.

DATE REPORT PREPARED : 29 March 2004

Intervention levels for Housing Assistance

Intervention level 1 that assistance be available to **all** homeowners across the city on request or as a result of proactive promotional work.

A basic information, advice and ‘sign posting’ service regarding repair, maintenance and improvement, approved builders and support agencies, and accessing finance.

Intervention level 2 Further advice and assistance, including financial assistance where appropriate, be available for vulnerable households, specified client groups and for homeowners in specified priority areas.

Professional advice and support services to priority ‘safety net’ cases and approved priority area-based or client-based programmes, to include property surveys and advice on funding options.

“Safety net cases” being defined as vulnerable households in receipt of the following state benefits and living in housing which is unfit or falls below an acceptable standard under the new Housing Health and Safety Rating Scheme (Decency Standard) :

- Income Support
- Housing Benefit
- Council Tax benefit
- Income based job seekers allowance
- Attendance Allowance
- Disability Living Allowance
- Industrial injuries / Disablement benefit
- War disablement pension
- Pension Credit Guarantee
- Work Tax Credits (based on Annual income of £14,300 or less)

Detailed financial advice and / or financial assistance outside specified priority areas or client-based programmes to be available to applicants qualifying as ‘safety net’ cases only. The level of financial assistance being considered under the following hierarchy :

- **The householders own resources and savings**
- **Commercial loans or faith loans based on the ability to pay or**
- **Through funding supported by equity in the property.**
- **As a last resort non-repayable Grants.**