

Report to Housing Scrutiny Standing Panel

Date of meeting: 27 July 2006

Subject: Private Sector Housing Strategy

**Officer contact for further information: S Stranders
(ex 4197)/ L Swan (ex 4177)**

Committee Secretary: Adrian Hendry (ex 4246)



Recommendations/Decision Required:

- (1) The Panel recommend to Cabinet that the attached draft Private Sector Housing Strategy should be adopted as Council policy, subject to submission of Appendix A (Housing Assistance Policy);**
- (2) The Panel agrees to accept a further report setting out a detailed Housing Assistance Policy which will regulate the manner in which financial assistance is given to private sector households;**
- (3) The Panel recommends to Cabinet to increase the establishment by 1.5 FTE in order to deliver this Strategy at cost of £61,971;**
- (4) The Panel recommends to Cabinet that the capital allocation for DFG's be kept at £500k per annum; and**
- (5) The Panel recommends to Cabinet that a DDF allocation of £20,000 be made to engage a specialist consultant to support the delivery of this strategy.**

Purpose of Report

1. The purpose of this report is to seek the approval of the Panel in principle to the draft revised Private Sector Housing Strategy. The draft Strategy will lead to substantial changes in the enforcement of private sector housing standards and the arrangements for giving financial assistance to promote the repair and improvement of sub-standard private sector housing.

Background

2. Like all local authorities, Epping Forest District Council has a responsibility to enforce statutory standards to ensure satisfactory conditions in the private housing sector, and also to offer financial assistance to promote renovation. The Council also has a duty to provide mandatory Disabled Facilities Grants.

3. Until the Regulatory Reform Order 2002, the Government set very clear rules, which governed the way that local authorities could give financial help. With effect from July 2003, the Order set aside these rules and gave local authorities much greater freedom to offer financial assistance in ways that reflect local needs, circumstances and resources. To do this, however, a local authority has to prepare a Private Sector Housing Strategy and Renewal Policy (PSHS), which looks at evidence of local circumstances and links local priorities with national, regional and other local strategies.

4. Like many local authorities, Epping Forest prepared an interim PSHS which was broadly similar to the previous national framework. In 2005, a general House Condition Survey was carried out which provided a substantial amount of information on the condition of local private sector housing stock. In addition, an additional survey of empty homes was carried out. With the benefit of up to date local information, and in the light of the significant changes introduced by the Housing Act 2004, the pressure to tackle decent homes and

national trend towards introducing private sector finance, a fundamental review of the Strategy had become necessary.

Format of the Strategy

5. The Strategy follows Government guidance and has five main parts:

- **Introduction** (the background and broad aims);
- **Links with Other Strategies** (the framework of national, regional and other local strategies into which the PSHS has to fit);
- **The Local Context** (profile of Epping Forest, the local housing market and the findings of the general House Condition Survey);
- **Current Policies and Working Arrangements** (a review of current policies, practices and resources contrasted with practice in other local authorities);
- **A New Direction** (the priorities for the new Strategy and changes to inspection and enforcement policy, new arrangements for working with the privately rented sector and new policies for offering financial assistance).

6. The Strategy has six Appendices. Appendices A and B are not included with the copy draft. Appendix A will be the Council's Housing Assistance Policy. This Policy is a detailed statement of what financial assistance will be available and the conditions that will apply to all people applying and receiving such assistance. A draft will be submitted for approval once the Panel has given its views on the substantial changes to housing assistance set out in the draft PSHS. Appendix B relates to consultation, which will be undertaken when the Panel has considered the draft Strategy. Views will be sought from key stakeholders including RSL partners, voluntary agencies and representatives of the private rented sector as well as other Council Departments, the County Council and the PCT. Any significant issues emerging from the consultation will be brought to the attention of the Panel.

7. Appendix C – in addition to explaining the new Housing Health and Safety Rating System (HHSRS), which has replaced the Housing Fitness Standard, it sets out how the Council will exercise its extensive discretionary powers when enforcing the HHSRS, which will form part of Council policy.

8. Appendices D, E and F give details on the Government's Decent Homes Standard, the former Housing Fitness Standard and the new definition for houses in multiple occupation.

Priorities for the New Strategy

9. Priorities from national policy are major drivers for the new Strategy. The Regulatory Reform Order itself prompts change but of particular importance is the Government emphasis on equity release. The Government view is that the prime responsibility for the repair and improvement of private sector homes rests with their owners. Prevailing house prices are high, especially in areas such as Epping Forest and while the owners of sub-standard homes typically tend to have low incomes, many will also have substantial equity in their property.

10. In practice, many low income households would experience considerable difficulties in obtaining any commercial loan and rates would be expensive. There have been recent developments in particular with the progress of Government backed, not for profit specialist lenders. Examples are the Home Improvement Trust and ART Homes, both of which offer specialist loans aimed at releasing equity in properties.

11. Many local authorities now offer a mixture of grants and loans. A Government survey in 2005 showed that 55% of responding authorities were now doing this and the numbers are increasing. The move to loans/equity release is generally coupled with an increased role for home improvement agencies.

12. The Housing Act 2004 has introduced major change with the HHSRS, mandatory licensing of high risk multi occupied dwellings, the option of selective licensing of rented property in areas of problem housing and the power to make Empty Dwelling Management Orders.

13. The HHSRS represents a very significant change in approach from the Housing Fitness Standard and will represent a major challenge. The HHSRS is a prescribed method of assessment rather than a standard and covers a range of 29 potential hazards in a home (these include hazards such as asbestos, carbon monoxide, noise, fire and hot surfaces not covered in the Housing Fitness Standard). It deals with deficiencies due to inherent poor design as well as disrepair and also has a broad definition of health, which includes mental health and stress.

14. If a property is found to have a significant hazard, the hazard is assessed using the HHSRS methodology. Serious hazards are termed Category 1, less significant hazards Category 2. The Council now has a duty to take the most appropriate course of action in respect of Category 1 hazards (irrespective of the tenure) and a discretion to take such action in respect of Category 2 hazards. As mentioned, Appendix C sets out the decision process to be applied when discretion is to be exercised.

Several consistent themes emerge from the regional and local strategies:-

- Maximising the supply of affordable housing;
- Maintaining and improving stock condition;
- Meeting the needs of vulnerable groups;
- Promoting affordable warmth;
- Promoting independent living for vulnerable groups;
- Developing an appropriate and reliable equity release product.

15. The clear message from looking at the local housing context was that, whilst local household incomes are generally above average, both house and rental prices are very high. There is considerable demand for publicly rented housing and the lack of affordable housing is a major concern. This is an issue for the PSHS as more effective engagement with the privately rented sector (for example through Landlords Forums, accreditation and assisting with bringing empty properties back into use) can help greatly in promoting access to the sector for local residents.

16. A number of messages came from the House Condition Survey. In general terms, the private sector housing stock in Epping Forest compares well with the national position. The number of homes falling below the Decent Homes Standard is about three quarters of the national average, although the rate of unfitness at 4.3% was slightly above the 2001 national figure of 4.2%.

17. However, there is a Government target for vulnerable households to be achieved by October 2007 – that 65% of such households live in decent homes. The survey found the Epping Forest figure to be 58.1%, which means there is a shortfall of 590 homes for the 2007 target. There is a further target of 70% by 2011 and the shortfall for this is 1,020 homes.

18. The survey estimated the cost just to remedy the failing items in non decent homes at £51 million, an average cost per dwelling of £4,800. The estimated cost of work to meet the 2007 target is £2.8 million.

19. An important issue is the overlap between the former Housing Fitness Standard and the new HHSRS. The House Condition Survey found the rate of 'unfitness' to be 4.3% and the presence of Category 1 hazards 7.8%, meaning that the Council will have a duty to take mandatory action in a greater number of dwellings than previously. In addition, as the HHSRS has replaced the Fitness Standard as one of the criteria used in assessing whether a dwelling meets the Decent Homes Standard, an increased number of dwellings are considered to be non-decent since the introduction of the HHSRS.

Current Policies and Working Arrangements

20. The Residential Control Unit (which includes C.A.R.E) forms part of the Environmental Health Group of Environmental Services and has a limited establishment. There are 1.5 full-time equivalent Environmental Health Officers, one of whom is on a temporary contract, and

1 Technical Officer, 1 Private Sector Policy and C.A.R.E. Manager, 1 part-time Grants Officer and 1 full-time Housing Assistant. In C.A.R.E. there is one Technical Officer and 2 full-time equivalent Case Workers.

21. As well dealing with general housing complaints and enforcing statutory housing standards in single occupation dwellings and houses in multiple occupation, the Residential Control Unit also undertakes:

- Inspection and licensing of park home sites (46 in the District);
- Advice, assistance and enforcement in harassment and illegal eviction cases;
- Dealing with anti social behaviour complaints;
- Filthy and verminous premises;
- Inspection of dwellings for entry clearance/immigration.

22. Because of the volume of work, the Residential Unit has only dealt with reactive work (responding to complaints) rather than combining this with proactive, planned inspections. An area that has suffered in particular is the inspection of the many residential park home sites.

23. With financial assistance, the grants regime under the interim PSHS effective from July 2003 largely reflected the former statutory framework except the maximum amounts were reduced. Over 90% of the work passes through C.A.R.E., which charges a fee of 10% for Disabled Facilities Grants (DFGs) and Renovation Grants and 5% for Home Repairs Assistance. The table below shows the spend pattern since 2001/02:

Assistance Type		2001/02 £K	2002/03 £K	2003/04 £K	2004/05 £K	2005/06 £K
DFGs	Mandatory	158	190	197	245	380
	Discretionary				6	15
Home Repairs Assistance		102	104	74	62	78
Renovation Grants		76	92	86	71	16
Total		336	386	357	384	489

24. A consistent theme has been the progressive rise of expenditure on DFGs. Findings from the House Condition Survey show that this rise is likely to continue. The cap on the 60% Government subsidy for Disabled Facility Grants was set at £144k in 2005/06 and this has been reduced to £126k for 2006/07. The reducing number of Home Repairs Assistance and Renovation Grants cases reflects the fact that the progressive rise of DFG cases has impacted upon the limited staff and financial resources available.

25. Informal work with landlords has developed recently with private sector leasing. The Fresh START in partnership with East Thames Housing Group has worked well and the Council has just agreed to a doubling of this from 10 to 20 homes per year. In addition, Epping Forest in partnership with 4 other authorities in the London Commuter Belt Sub Region has been successful with a bid to secure funding to renovate 100 empty homes over the next few years (potentially 20 in Epping Forest). Officers are now working on arrangements to put this into practice.

26. However, the Council has no arrangements in place for a Landlords Forum nor is there any accreditation scheme in place where advice and assistance is given to both landlords and tenants and properties are inspected by agreement to check they meet proper standards. Accreditation is generally linked with Deposit Guarantee Schemes such as Epping Forest Housing Aid where a voluntary agency works in partnership with the Council.

A New Direction

27. The Strategy involves policy change in two broad areas:

- (i) Enforcement of private sector statutory housing standards; and
- (ii) Financial assistance:-

- In the medium term the introduction of equity release mechanisms;
- In the short term the adjustments to the existing Home Repairs Assistance and Renovation Grants and the introduction of new forms of assistance to promote thermal comfort, to encourage empty homes being brought back into use and the creation of new homes by the conversion of underused space.

28. At present the Council is not delivering a private sector enforcement service that meets current statutory obligations. The additional responsibilities under the Housing Act 2004 will make the situation more difficult.

29. The new Strategy recognises the impact of the Housing Act 2004 and sets out how the Council will deal with the HHSRS, mandatory licensing and additional voluntary powers such as selective licensing. As stated, Appendix C in particular sets out the rules to be used when exercising discretion with the HHSRS.

30. In particular, the Strategy states that a greater proportion of formal intervention will be used in future, reflecting in particular the new HHSRS. The inspection regime will be altered to include more proactive work, including planned inspections of park home sites in addition to houses in multiple occupation.

31. Private sector work does not just revolve around enforcement, and the Strategy sets out several areas where the Council intends to work with the privately rented sector. These include setting up a Landlords Forum, moves to link accreditation with the Rent Deposit Scheme and a commitment to building on private sector leasing.

32. The Strategy makes very substantial changes to the way the Council will offer financial assistance. The House Condition Survey shows clearly that there is a major difference between the potential costs of works required just to make homes decent and the capital funding likely to be available, even allowing for the additional capital grants for 2006/07 and 2007/08 described later. It is not possible to make any significant impact on the work that needs to be done by relying on existing capital resources, and introducing private sector capital could make a very substantial difference.

33. The most fundamental change, therefore, is the medium term move away from giving grants to facilitating equity release. This will involve negotiations with a specialist not for profit financial provider and then organising the new system. Because of the set-up and running costs, this will be best organised in conjunction other local authority partners (as suggested in the London Commuter Belt Sub Regional Housing Strategy). The earliest realistic start date is September 2007.

34. Equity release will not fully replace the offering of grants. Obviously mandatory DFGs will continue to be available irrespective of equity release. Equity release will not replace the need to offer Small Works Assistance in appropriate cases. However, it is intended that equity release will become the main avenue through which the Council intervenes to help private sector property owners to repair and improve sub-standard properties.

35. The move to facilitating equity release will take some time. For the interim period, the Strategy sets out some changes to existing discretionary grants and also introduces three new discretionary grants with immediate effect. The changes are intended to reflect the priorities identified by the Strategy in particular the need to address the shortfall in the numbers of vulnerable household in decent homes and to give some help with lack of affordable housing. Additional spending on grants will be possible over this financial year and the next because of the additional capital grant from GO-East referred to in paragraph 46 below.

36. Mandatory Disabled Facilities Grants (DFGs) are governed by legislation and will remain unchanged under the proposals outlined in this Report. They are however subject to a review by the Department of Communities and Local Government, the DCLG (formerly the ODPM), which is expected to report later this year. The proposals in this Report are to replace the existing Home Repairs Assistance and Renovation Grants with **Small Works**

Assistance and **Decent Homes Assistance** respectively, and to continue to give discretionary DFGs but with tighter eligibility criteria. In addition three new forms of discretionary assistance will be given, **Thermal Comfort Assistance**, **Empty Property Grants** and **Conversion Grants**. These are outlined in more detail below.

37. The eligibility criteria for **Small Works Assistance** reflect the new HHSRS (there must now be a significant statutory hazard and/or a defect which is likely to damage the fabric of the building unless repaired). Those eligible to apply now include other vulnerable households such as the chronically sick and disabled and families with dependent children as well as just those over 60 years. Applicants can be on low income (there will be test of resources) as well as just those in receipt of benefit. The maximum eligible is £5,000.

38. To qualify for **Decent Homes Assistance** there must be a significant hazard at the property or disrepair that amounts to a breach of the Decent Homes Standard, and the property must be within Council Tax bands A – E. Eligible works are works to ensure the property meets the Decent Homes Standard. Those eligible to apply are the same as for Home Repairs Assistance. The maximum eligible expense will be £15,000.

39. A notable change with Decent Homes Assistance is that the time period for the Certificate of Owner Occupation is increased to 20 years. This means that any disposal of the dwelling within that time will trigger repayment of the grant. In practice, this is likely to mean that a significant proportion of grants made will be 'recycled' back into the capital fund.

40. The proposal is that the eligibility criteria for **Discretionary DFGs** are tightened to make such grants available only in exceptional circumstances (the great majority of all cases fall within the mandatory DFG rules). In addition, the option for relocation grants up to £10,000 is introduced where persons are eligible for a mandatory DFG but the works are not feasible at their existing property, or can only be carried out at disproportionate cost.

41. **Thermal Comfort Assistance** is intended to help address the significant problems with thermal comfort in both privately rented dwellings and in owner occupied dwellings with vulnerable households. It will be available where inefficient heating or inadequate heating cause a property to fail the Decent Homes Standard. Both landlords of privately rented property and owner occupiers on low incomes will be eligible to apply. (Owner occupiers in receipt of benefit will be expected to apply for Warm Front grants.)

42. The maximum eligible expense will be £3,000 or £750 per letting for houses in multiple occupation (landlords will receive 50% grant). Where a landlord applies and inspection shows that there is a statutory excess cold hazard at the property under the HHSRS, then the offer of a grant will be coupled with enforcement action. If the landlord fails to carry out the work within a stipulated time, the offer of a grant will be withdrawn and enforcement action taken.

43. **Empty Property Grants** are being introduced as part of the overall Empty Homes Strategy. They are intended to encourage the bringing back into use some of the estimated 490 long term vacant private sector properties. They will be available to landlords and to those who inherit properties on low incomes where the property has been vacant for at least one year. The maximum eligible expense is £10,000 (landlords receive 50%). Landlords will give a Certificate of Availability for Letting for 5 years. The Council can apply nomination rights if appropriate.

44. **Conversion Grants** are being introduced to encourage the owners of properties with redundant space (for example over shop premises) to convert the space to housing accommodation (of a type normally available at typical market rent, not luxury or commercial accommodation). The maximum eligible expense is £10,000 per unit (£30,000 per scheme or building). Landlords receive 50% and will give a Certificate of Availability for Letting for 5 years. The Council can apply nomination rights if appropriate.

Capital Spend

45. In view of the increased demand for DFGs, the 2005/2006 capital allocation of £300k for mandatory DFGs was increased to £500k for 2006/2007. The allocation for 2007/2008 will in some measure be dependent on the outcome of the DCLG review of DFGs referred to

above in paragraph 36 above. Until the outcome is known it is recommended that the capital allocation be kept at £500k per annum. Similarly, the capital allocation for discretionary grants was increased from £200k in 2005/2006 to £250k for 2006/07.

46. In addition to this GO-East have confirmed that a capital grant of £447k targeted at improving non-decent private sector properties will be made available for 2006/07, with a further £223k for 2007/08. Any of these additional funds not spent can be rolled forward into future years provided there is a plan in place showing how they are to be spent. It is the availability of the additional funding that will allow the additional grant types to be made available.

47. In the light of this additional funding, it is intended that the spend for 2006/07 will be as follows:

Assistance Type	Allocation 2006/07 £000's	Allocation 2007/08 £000's
Disabled Facilities Grants	500	500
Discretionary Disabled Facilities Grants	30	620 to be allocated in accordance with the spending profile determined in 2006/07
Small Works Assistance	100	
Decent Homes Assistance	220	
Thermal Comfort Grants	50	
Empty Property Grants	50	
Conversion Grants	50	
Total	1000	

48. It is anticipated that the spend over the next two years will total £2,120k. By the time the additional funding ceases (end of 2007/08) the new mechanism for equity release should be in place and it would be intended that these interim grant arrangements would be reviewed to reflect that.

General Conclusion

49. The proposed Private Sector Housing Strategy will lead to significant change in the way private sector housing services are delivered in Epping Forest. The House Condition Survey 2005 showed that, whilst housing conditions in Epping Forest in many respects compare well with other parts of the country, there are issues that require action, in particular the shortfall in the Government target for the number of vulnerable private sector households in decent homes. It is also very clear that lack of access to affordable housing is a major concern.

50. The House Condition Survey demonstrated that the potential costs in dealing with sub-standard housing are significantly greater than capital likely to be available. The additional capital grants made available for 2006/07 and 2007/08 will allow significant progress to be made. However, the additional funding is time limited and a move in the medium away from grants to arrangements to facilitate equity release is the only realistic way to make any significant impact on unsatisfactory housing.

51. The existing staffing arrangements have not been adequate to deal with all statutory responsibilities before the Housing Act 2004, and the Act substantially increases the responsibilities on the Council especially with the introduction of the Housing Health and Safety Rating System and other changes outlined in this strategy. The Strategy proposes a move towards more formal, structured enforcement of private sector statutory standards.

52. Similarly, the rise in recent years of mandatory DFG cases has reduced the time

available for dealing with discretionary grants. The proposed new discretionary grants and the move to equity release will both add to staff workload.

53. If the new Strategy is to be delivered effectively and the Council is to meet its statutory responsibilities, it will be essential for staffing resources to be increased. It is proposed that the existing temporary part-time (0.5 FTE) Environmental Health Practitioner post is made permanent and that the establishment be further increased to include an additional full-time Environmental Health Practitioner.

54. Currently we do not have the resources and skills in-house to enter into negotiations with a specialist not for profit financial provider or develop the complex procedures to deliver these new grants, therefore it is proposed to engage a specialist consultant to support the delivery of this strategy for which a DDF of £20,000 will be required.

55. It is recognised that as well as achieving decent homes for vulnerable private sector households, the implementation of the Strategy may allow the Council to make a significant contribution to the provision of affordable homes by bringing houses back into occupation in the district without the requirement for new build.

Options for action:

Members may wish to adopt the proposed Strategy as drafted or to may wish to remove, add, alter or amend its provisions.

Consultation undertaken:

Nil to date but will be undertaken after receiving Members' views.

Resource/Budget implications: The issue is complex. The proposed capital spend and funding source has been set out in the report.

Budget provision: Staffing salary cost £61,971.
DDF Consultancy fee £20,000.
Additional capital allocation for DGF's £200,000

Personnel: 1.5 FTE, Environmental Health Practitioner.

Land: Nil.

Community Plan/BVPP reference: None

Relevant Statutory powers: Housing Acts, Regulatory Reform Order 2002.

Background papers: House Condition Survey 2005, Vacant Property Survey 2005 and reports to Housing Scrutiny Panel.

Environmental/Human Rights Act/Crime and Disorder Implications: N/A.

Key Decision reference (if required):