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Item 17

Private Sector Housing Renewal: Financial Assistance Policy Review

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WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?
They will enable the Council to direct its housing capital programme towards economically vulnerable households who are unable or least able to meet the costs of remediating statutory housing health & safety hazards in their homes.

Summary and Recommendation:
This report summarises the current financial assistance policy for private sector housing renewal and describes the financial constraints in which it now operates.
It also requests the Council on recommendation of the Executive to resolve their acceptance of the recommendations made by the Strategic Housing Panel on 27 May 2010 and described in paragraphs 7.1 to 7.7 below.

1. Introduction 1: Why a financial assistance policy?

1.1 The Council's most recent private sector stock condition survey reported in 2007 and found:
- 32.8% of all dwellings failed the Decent Homes Standard (DHS) (though just over two thirds met the DHS);
- economically vulnerable households account for just over 33% of all those occupying non-decent homes;
- elderly households comprised 42% of all those living in non-decent homes;
- almost 12% of all dwellings contained at least one Category 1 Hazard under the Housing Health & Safety Rating System (HHSRS) introduced by the Housing Act, 2004 (Category 1 Hazards are described in Appendix 1).
- almost 16% of all homes were not in reasonable repair (but not exhibiting Category 1 Hazards);
- around 18.5% of all households lived in fuel poverty (this is likely to be an underestimate).

1.2 In the market generally, home owners wishing to invest in improvement, repair or maintenance normally use financial products available from the commercial sector. But economically vulnerable households find this prohibitive and the private sector stock condition survey found that their investment has not been made. The survey estimated a requirement of £57M to remedy non-decency.

2. Introduction 2: The Council's powers: the present policy: who are assisted?

2.1 Home renewal assistance is a statutory power. The present financial assistance policy was developed in accordance with the provisions of Article 3 of the Regulatory Reform (Housing Assistance) (England & Wales) Order, 2002, commonly referred to as the RRO.

2.2 Article 3 provides the Council with flexible scope to devise policies to meet local housing needs and to contribute to other social and economic objectives, for example, healthy lives and encouraging a supply of decent homes to support economic development.

2.3 The present policy was approved by Council in December 2008 for implementation from April 2009 (with the exception of first time buyers, for whom it became effective in January 2009). The Council also decided to review the policy in light of one year's experience.

2.4 The dwellings in question must fail to comply with the Decent Homes Standard at the point of application. Four priority household bands were selected in equal rank:

- economically vulnerable households (in receipt of at least one of a range of 13 income-related benefits)
- elderly households (state retirement age)
- families with dependent children
- first-time buyers of homes that have been empty for at least 6 months.

2.5 The Council's financial contribution towards the cost of works varies as follows:

economically vulnerable households	100%
elderly households	75%
Families with dependent children	50%
First time buyers of homes empty for at least 6 months	75%

2.6 In all cases the financial assistance package is divided as 50% grant and 50% interest free loan. The loan element is registered as a charge on the property and is repaid when the home is sold.

2.7 The maximum cash levels of assistance are varied according to household type and the size of property (measured as the number of bedrooms).

3. Legal & financial implications & funding sources

3.1 Any reconsideration of the policy must take account of the recent diminution of external funding. This is shown in the following table referring to the Council's recent external funding from the Regional Housing Capital Pot, distributed by the Government Office for the Northwest (GoNW).

Table 1: Copeland's allocation from the Regional Housing Capital Pot

Year	2008/09	2009/10	2010/11
Copeland's allocation	£1,175,000	£842,000	£554,000

3.2 Copeland's allocation has been reduced by 53% since 2008/09 due only to a revised distribution formula adopted by GoNW. It is unrelated to any reductions in public expenditure. The allocation is to support the Council's housing capital programme priorities. Our highest priority is to Disabled Facilities Grants (DFGs) which are mandatory and inescapable under the Housing Grants, Construction & Regeneration Act, 1996.

3.3 We receive a separate specific annual allocation from GoNW for DFGs. The allocation was £208,000 in 2008/09 rising to £210,000 for each of 2009/10 and 2010/11, which is far too little to fulfil our commitment. As a consequence we contribute funding each year towards DFGs from our allocation under the Regional Housing Capital Pot referred to in Table 1 above. In June 2010 we bid for £675,000 for DFGs for 2011/12 but in recent years have not been notified of the allocation until the March or April following the bid.

3.4 The 2009/10 DFG budget, grants paid in the year and committed funding carried forward into 2010/11 are shown in Table 2 below.

Table 2: Disabled Facilities Grants

2009/10 Budget	2009/10 Payments	Commitments carried forward to 2010/11
£882,799	£598,323	£300,129

Note: "commitments carried forward" refer to <u>previously approved</u> grant expenditure on building works and services which will be completed and fall due for payment on or after 1 April each year. It is important to understand that the building works contract is between the householder and the contractor. The Council is the grant administrator and the accountable body for grants expenditure only. Payments plus commitments made on DFGs in 2009/10 totalled £898, 452.

3.5 Before restructuring of the Housing Service in 2008/09 the Council carried forward uncommitted capital funding from 2007/08 but, once the new team was in place, it fast began to deliver our priority services. The external funding described above was supplemented by the Council's own resources, the Preserved Right to Buy Sales (post-stock transfer). This is a finite resource expected to become exhausted in 2011/12.

3.6 In order to sustain the home renewal element of the Housing Capital Programme the Council decided on 2 March 2010 to introduce funding from the Residual Right to Buy Reserve for 2011/12 and 2012/13.
The total funding for 2010/11 is shown next, being the sum of both Disabled Facilities Grants and Home Renewal.

Table 3: Housing Capital Programme Budget 2010/11

Budget 2010/11 (New)	Plus £632,898 Carried forward from 2009/10 (cumulative)	Already committed before 1 April 2010	Available to Commit 2010/11
£1,410,000	£2,042,898	£603,129	£1,439,769

3.7 Given that a prudent estimate of £900,000 will be required for statutory DFGs, there is an estimated balance of £539,769 available for private sector housing renewal in 2010/11. This sum is too little to fund the present policy. Table 4 below shows how the housing renewal budget for 2009/10 was spent and committed last year. The £539,769 available in 2010/11 is £212,786 less than was spent and committed in 2009/10.

Table 4: Private Sector Housing Renewal 2009/10

2009/10 Budget	2009/10 Paid	Already committed at 1 April 2010 (previously approved grant expenditure that will fall due for payment after 1 April)
£787,716	£559,555	£193,000

3.8 Until recent years DCLG notified authorities of their next year's Regional Housing Pot and Disabled Facilities Grants allocations by 31 December. The announcements were made before authorities finalised their housing capital programmes for the coming year. But for 2009/10 the notification was not received until March 2009 and, for 2010/11, in April 2010.

3.9 Following a corporate decision taken on 6 November 2009 no more new home renewal applications were accepted in 2009/10 because of a risk of entering into commitments that could not be funded in that year or 2010/11. All residents who applied for financial assistance before that date received letters informing them that a policy review had begun and advising that their applications would be held pending completion of the review. People who applied after that date were also informed of the review and advised that no commitments would be made until the review was completed.

3.10 In April 2010 we received notification of our Regional Housing Pot allocation of £554,000 for 2010/11. This information enabled the policy review report to be presented to the Strategic Housing Panel on 27 May, including the recommendations in paragraphs 7.1 to 7.7 below. It was also a priority to inform applicants what they could expect in the interim before the Executive received this report.

3.11 In July 2010 customers were therefore notified by letter that applications received before 6 November 2009 from economically vulnerable households living in the most hazardous conditions would be approved.

3.12 Monitoring Officer comments:- Any Policy should be reasoned and with justifications. This appears to be the case here.

4. Issues & options for consideration in 2010/11

4.1 There are currently 114 home renewal applications being held amounting to an estimated value of £1,000,000. All these properties have been inspected, schedules of works have been completed and customers have returned estimates of works and services. Given the reduction in our allocation under the Regional Housing Capital Pot and the sustained demand for statutory DFGs we have no alternative but to determine the relative priorities between home renewal applications. We must also consider immediate amendments to the financial assistance policy.

4.2 The take up of financial assistance from first time buyers has been the lowest of the four groups in the policy referred to in paragraph 2.4. It is harder for first time buyers to enter the market now because lenders are lending less (and a lower percentage of valuations) than before the housing market recession. It is proving more prohibitive for first time buyers to meet the cost of removing Housing Health & Safety Rating Scheme hazards and bringing an empty property up to the Decent Homes Standard. In 2009/10 first time buyers took up only 4% of our financial commitment to housing renewal.

4.3 Yet the policy was adopted not least to help people bring long term (i.e. more than six months) empty homes back into use. One of the recommendations of the 2009 Audit Commission housing re-inspection was to adopt an empty homes strategy.

5 Issues & options for future consideration

5.1 In 2009 the Audit Commission published “Building Better Lives,” a report in which they drew attention to the long term strategic value of renewing existing housing stock. It is a fact that most of the homes people will occupy for generations to come have already been built in the last century.

5.2 The Audit Commission website introduces this report by stating that 94% of authorities have prioritised new build housing but fewer than a third prioritised targets relating to their existing stock. They write: “This is despite the financial savings, environmental improvements and social benefits”

5.3 For future budget builds and the forthcoming Copeland Housing Strategy consideration needs to be given to all possible capital funding sources. We also need to consider the use of the fee income from the financial assistance policy (8% per transaction) and how best to use the value of capital receipts when the loan element of financial assistance is repaid.

5.4 The intention is to take a long term view of sustaining a private sector housing renewal policy within a comprehensive future Housing Strategy. The purpose will be to deliver housing investment through the most difficult of times for the local economy, in 2011/12 and beyond.

6 Management, Monitoring and Evaluation

6.1 Given the cash limited Housing Capital Programme, 2010/11, shown in Table 3, it is prudent to reserve £900,000 for Disabled Facilities Grants, which are a statutory duty. This leaves an estimated £539,769 available for the financial assistance policy of home renewal, which is a power. Expenditure and commitments will be monitored monthly and reported to each meeting of the Strategic Housing Panel in addition to the quarterly reporting cycle to the Executive.

6.2 Table 5: Housing Capital Programme Monitoring 2010/2011

Qtr1	Disabled Facilities Spend	Home Renewal Spend
1 April - 30 June 2010	£165,115	£92,038

7. Recommendations with immediate effect

7.1 Home Renewal applications received on or before 6 November 2009 be ranked initially in date order and prioritised on economic vulnerability (except for first time buyers). No applications received after 6 November will be approved. No older households or families with dependent children to be assisted unless they meet the definition of economic vulnerability, being in receipt of at least one of a range of income-related benefits, currently 13 as shown next:

Income Support: Income Based Job Seekers Allowance: Housing Benefit: Council Tax Benefit: Working Families Tax Credit: Pension Credit: Disabled Persons Tax Credit: Disability Living Allowance: Child Tax Credit: Industrial Injuries Disablement Pension: War Disablement Pension: Attendance Allowance: Working Tax Credit.

7.2 Each application will also be assessed on the number of Category 1 hazards in the Housing Health & Safety Rating System. Those with the most number of Category 1 hazards will have additional priority to ensure that risks to health, safety and welfare are reduced as much as possible.

7.3 Policy for first time buyers to be unchanged except that they will be assessed in date order and then on the number of Category 1 hazards.

7.4 In all cases of economic vulnerability the Council's contribution will be 100% of the eligible costs of remediating Category 1 hazards. The Council's assistance will be in the form of an interest-free loan. The loan element to be registered as a charge on the property and repaid when the home is sold. The capital receipt of the loan repayment, when received, will be available for future housing capital works. Members are, however, asked to note that it is impossible to predict when funds will be returned or the extent to which inflation will reduce their value in real terms.

7.5 All applications received after 6 November 2009 will not be processed until building works and services have been completed on prior applications. Even then, applications received after that date will depend on the availability of funds.

7.6 The maximum cash levels of assistance relating to the size of the property for economically vulnerable households and first time buyers to remain the same as determined in 2008, the year in which the policy was designed.

7.7 Given the uncertainty of external funding in 2011/12 and beyond this policy is for 2010/11 only. It will be reviewed in 2011/12 in light of the Council's next annual allocation under the Regional Housing Capital Pot and the specific capital allocation for Disabled Facilities Grants. In recent years these have not been announced until March or April, and our allocation under the Regional Housing Capital Pot is expected to be significantly reduced.

8 What measurable outcomes will arise from this report?

Despite a substantial reduction in external funding it will enable the Council to deliver financial assistance for home renewal to economically vulnerable households and enable them to remove Category 1 hazards under the Housing Health & Safety Rating System from their homes in 2010/11.

List of Appendices: Appendix 1: Category 1 Hazards under the HHSRS

Background Documents: Regulatory Reform (Housing Assistance) (England & Wales) Order 2002: Housing Grants, Construction & Regeneration Act, 1996.

Appendix 1

The Housing Health & Safety Rating System (HHSRS) was introduced by the Housing Act, 2004. The Council's financial assistance policy for private sector housing renewal is targeted at remedying Category 1 hazards (the most serious) under the HHSRS.

Category 1 Hazards under the HHSRS

Instead of focusing only on deficiencies in building standards and services the system also relates these to the health and safety consequences for occupants. The classic Category 1 Hazards are as follows:

- Damp and Mould Growth (including rising damp, rainwater penetration and condensation). This group covers threat to health, physical and mental, arising from: increased prevalence of house dust mites, mould; fungal growth resulting from dampness and/or high humidity; poor energy efficiency, ventilation, poor clothes drying facilities.

- Excess cold. This covers threats to health arising from poor indoor temperatures and includes low thermal insulation, dampness, poor heating, ventilation and draughts.

- Personal hygiene, sanitation & drainage. This covers the threat of infection and other health consequences associated with personal hygiene. It includes poor personal washing and clothes washing facilities, sanitation and drainage facilities: inadequate provision or siting of, or disrepair to, baths, wash hand basins and WCs; lack of sink for each household and also inadequate foul and surface water drainage.

- Electrical hazards and exposure to electricity, including shocks and burns. This covers disrepair or obsolescence of electrical installation; inadequate socket outlets; lack of earthing and the presence of water. It also includes lightning strikes.

- Building structure hazards including structural collapse and falling elements because of inadequate fixing, disrepair or adverse weather conditions causing structural instability. Open jointed brickwork, loose cladding, coping stones, roof coverings, insecure rainwater goods and windows, doors and frames, defective floors, ceilings and walls.