

<b>Committee/Meeting:</b> Cabinet	<b>Date:</b> 31/07/13	<b>Classification:</b> Unrestricted	<b>Report No:</b> CAB 11/134
<b>Report of:</b> Development and Renewal  <b>Originating officer</b> Martin Ling		<b>Title:</b> Private Sector Renewal Policy  <b>Wards Affected:</b> All	

<b>Lead Member</b>	Cllr Rabina Khan – Cabinet Member for Housing
<b>Community Plan Theme</b>	A Great Place to Live
<b>Strategic Priority</b>	Improving and maintaining the quality of housing and the local neighbourhood

## **1.0 SUMMARY**

- 1.1 The Council has a duty under Part 1, Chapter 1, Section 3 of the Housing Act 2004 to review housing conditions in their district.
- 1.2 Where housing conditions are found to require improvement, assistance can be provided under the terms of Article 3 of the Regulatory Reform (Housing Assistance) Order 2002; Under these terms a local authority is also required to have adopted a Private Sector Renewal Policy. The Policy should set out how the Council is able to assist in improving the living conditions for residents who live in private sector housing within the Borough.
- 1.3 The proposed options to create the Private Sector Renewal Policy 2013 -2015 incorporate the information gained from the Private Sector Stock Condition Survey 2011 and current budget information.
- 1.4 This Report outlines options for updating the Council's Private Sector Housing and Renewal Policy. The last policy, then described as a framework was produced in December 2004 to meet the requirements of the Regulatory Reform (Housing Assistance) Order 2002 that provided a new framework for private sector housing renewal.
- 1.5 A public consultation on a draft Private Sector Renewal Policy upon which the main options set out below are based was launched on the 9<sup>th</sup> May 2013 and concluded on the 20<sup>th</sup> June 2013. A summary of the responses to the consultation are set out at 7.0 below.

### **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

- I. Approve the Private Sector Renewal Policy attached at Appendix 1

## **2.0 REASONS FOR THE DECISIONS**

- 2.1 The Council has a duty under Part 1, Chapter 1, Section 3 of the Housing Act 2004 to review housing conditions in their district. Where housing conditions are found to require improvement, assistance can be provided under the terms of Article 3 of the Regulatory Reform (Housing Assistance) Order 2002.

The private sector stock condition demonstrates that housing conditions are found to require improvement and the Council has a ring-fenced budget available to spend on improvements in the private sector

## **3.0 ALTERNATIVE OPTIONS**

- 3.1 The Council could choose to adopt a modified Private Sector Renewal Policy which may require further impact assessment, but the versions in the appendices are recommended for reasons set out in the body of the report.

## **4.0 BACKGROUND**

- 4.1 The Council is required to have a Private Sector Housing Renewal Policy. Since the last Policy was published there have been significant changes in central government policy that makes it more challenging to create a policy that meets the needs of local residents. This is largely down to the unavailability of funding to assist those in the private sector.
- 4.2 According to the Council's private sector stock condition survey, the private rented housing sector is now the largest housing sector in the Borough and it is growing rapidly. The cost of owner-occupation and private renting is very high in the Borough. The table below details the tenure breakdown for the borough.

Comparison of Housing stock by tenure, April 2011

<b>Tenure</b>	<b>2003</b>	<b>%</b>	<b>2011</b>	<b>%</b>
Owner occupied	27,308	31	25,339	23
Council owned	24,200	28	12,500	12
Registered social landlord	17,828	20	26,484	24
Private rented sector	17,513	20	41,870	39
Shared ownership	500	1	2,000	2
<b>Total</b>	<b>87,349</b>	<b>100</b>	<b>108,193</b>	<b>100</b>

**Source: Private Sector Stock Condition Survey 2011**

- 4.3 The median household income of Borough residents is £29,500. The average rent of a three bedroom private rented home is £2,083pcm which is 80% of the median family income. The average cost of a home is £364,500 which is over 12 times the salary of the median salary.

- 4.4 Central government policies and funding opportunities that are relevant to private sector housing do little to assist our residents, who are in the most housing need, to access this housing. All funding streams from central Government now offer very small capital grants and rely on funding through increased rental income and promote affordable rents at 80% of market rent.
- 4.5 Government grant assistance for thermal insulation and energy efficiency are constantly changing and will be promoted to all residents through the Tower Hamlets Energy Co-op.
- 4.6 Only the delivery of Mandatory Disabled Facilities Grants and the removal of Category 1 hazards are statutory requirements for the Council, however, the Private Sector Housing Renewal Policy seeks to support vulnerable residents to remain living safely and securely in their own homes and to enable low income residents to improve, insulate and adapt homes to meet their needs.

## **5.0 BUDGET**

- 5.1 The only funding from Central Government is for Mandatory Disabled Facilities Grants. This funding has remained at £730,000 p.a. since 2008-09. The Council has historically topped up this funding with its own capital resources from within the Local Priorities Programme, but in both 2012-13 and 2013-14 has instead allocated £250,000 of the Borough's Personal Social Services Capital Grant allocation to bring the total budget up to £980,000. No funding commitment has been made beyond the current financial year.
- 5.2 The Council has not made a budget commitment for discretionary grants since 2010-11. The GLA made some types of discretionary grant assistance available through the Mayor of London's Regional Housing Pot Targeted Funding Streams. This funding stream ended in 2011. However, not all of this funding was spent and there is now a total of approximately £1,965,000 available for discretionary grants and empty property work for the 2013-14 financial year onwards.
- 5.3 Cabinet in February 2013 approved an initial allocation of £250,000 to fund private sector improvement grants, including Empty Property Grants, in 2013-14, meaning that there is some £1,715,000 of available uncommitted resources that can only be spent on private sector renewal works and associated staffing costs.

## **6.0 CONSULTATION**

- 6.1 A public consultation on a draft Private Sector Renewal Policy upon which the main options set out below are based was launched on the 9<sup>th</sup> May 2013 and concluded on the 20<sup>th</sup> June 2013.
- 6.2 The draft Private Sector Renewal Policy and survey questionnaire were posted on the Council website and an article promoting the consultation was published in East End Life. In addition the draft policy was sent to the East London National Landlords Association and all Registered Providers in the borough.

- 6.3 Reflecting the relatively uncontroversial nature of the consultation, only three responses were received. All respondents were in broad agreement with the scheme although two disagreed with the payments of grant to landlords as they felt it was a landlord duty to maintain properties without public subsidy. The third suggested that when properties are damaged and rent not paid or cost associated in removing bad non paying and damaging tenants, landlords should be considered for financial assistance.

## **7.0 OPTIONS**

The options available to the Council are set out in the following table but the main policy areas which the Cabinet could approve in order to meet the objectives are set out below:

- 7.1 Mandatory Disabled Facilities Grants (DFGs). The 2012/13 DFG programme was overcommitted and over £1.53m of DFG monies have been allocated. This means that some £530,000 of works have been carried forward to the 2013/14 budget and therefore less funding is available this year.
- 7.2 Discretionary DFGs of up to £25,000 could be made available from the limited budget but both Registered Providers (RPs) and owner occupiers could explore other options. This is not recommended.
- 7.3 Houseproud – the equity release loan scheme was discontinued in 2011. Officers have been unable to establish suitable equity release products that could be promoted to residents.
- 7.4 Home Repair Assistance – these grants have been successful and could be used to remove Category 1 hazards from the homes of the most vulnerable residents in the private sector. The grant limit of £6,000 is normally adequate.
- 7.5 Landlord Grants – Landlords' Improvement Grants (LIG) will only normally be available to landlords who let property to tenants referred to them by the Council. The grants will be available to remove minor hazards from the property. The grants will be limited to a maximum of £6000 and a contribution of up to 50% could be sought from landlords.
- 7.6 Empty Property Grants – there is a strong case to be made for offering these grants if the landlord is prepared to let the properties to clients referred from the Housing Options Service at rents no higher than the Local Housing Allowance for a set period of time – usually 5 years. This could be a cost effective source of accommodation in the Borough and allow the Council to discharge its homelessness duty within the private sector. The intention will also be to make grant also conditional on the use of local contractors if appropriate.
- 7.7 The table below sets out the current assistance available to private sector residents and then suggests how this will change in the proposed Private Sector Renewal Policy 2013 – 2015 and gives reasons for these changes.

<b>Private Sector Housing Renewal and Empty Property Framework</b>	<b>Proposed changes</b>	<b>Context and reasoning</b>	<b>Funding and spend</b>
<b>Mandatory Disabled Facilities Grants (DFGs)</b> up to a maximum of £30,000.	<p>These grants are governed by the Housing Grants, Construction and Regeneration Act 1996 (as amended)</p> <p>There is currently no proposed changes. However future legislation may introduce amendments to the scheme.</p>	<p>There is limited ability to change these mandatory grants which are available on a means tested basis to owner occupiers, private sector tenants and private sector landlords including Registered Providers (RPs). The majority of the £980,000 budget (70%) was spent on RP applications. Officers propose to work with RPs so that they agree to contribute towards the cost of these grants from April 2014.</p>	<p>£730,000 allocation from central Government with £250,000 top up from Personal Social Services capital grant. Total spend on DFGs for 2012-13 was approximately £1,000,000, including resources brought forward to finance commitments from 2011-12.</p>
<b>Discretionary Disabled Facilities Grants</b> up to £25,000 to 'top up' mandatory DFGs where adaptation costs are above the £30K maximum, where providing multiple adaptations or an extension or where the works are not mandatory, such as for the provision of a mobility scooter store.	Unable to offer Discretionary DFGs.	Without any funding the Council is unable to offer these grants. Owner occupiers could look at releasing equity in their homes and RPs would have to use their own resources. Many of these grants would be for extensions which may increase the capital value of the property.	<b>No new funding available</b>
'Houseproud' – an equity release loan scheme with a grant incentive of up to £6000.	Unable to continue to support the 'Houseproud' Scheme.	These grants were withdrawn in 2011 due to changes in Equity Loan regulations required by the	<b>No new funding available.</b>

		FSA and a lack of funding. The only take up of this assistance was by up to 25 'right to buy'. leaseholders a year over the last 10 years to pay for their major works bills. A new package of options is now available to these leaseholders.	
<p><b>Home Repair Assistance</b> of up to £6,000 to cover the following types of work</p> <ul style="list-style-type: none"> <li>• Minor repairs and improvements</li> <li>• Energy efficiency and thermal insulation</li> <li>• Minor Adaptations</li> <li>• Specialist reports to ascertain the extent of works required to remedy a defect</li> <li>• Works to facilitate a speedier hospital discharge.</li> </ul>	<p>Home Repair Assistance Grants of up to £6,000 should only be available to vulnerable owner-occupiers who are either disabled or over 60 years of age and on a qualifying benefit to remove Category 1 hazards from their homes</p> <p>Energy efficiency and thermal comfort works will be available through the new Government Incentives of the Green Deal and ECO.</p>	<p>The Council does not have the resources to support unsustainable home ownership. Private Sector tenants are able to ask the Council's Environmental Health Service to take enforcement action against their landlord to improve the quality of their homes, owner occupiers are reliant on their own funds to carry out urgent repairs. However many vulnerable owners do not have sufficient funds to fall back on when faced with urgent repairs.</p>	<p><b>No new funding available.</b></p> <p>However £1.97M has been saved from targeted Funding Stream grants from the GLA up until 2011. Some of this money can be used to fund these small grants and the officer post to administer them for the next 2 years</p> <p>The Tower Hamlets Energy Co-op will help residents access funding initiatives to assist with energy efficiency measures.</p>
<p><b>Landlord Improvement Grants</b></p>	<p>Unable to offer Landlord Improvement Grants</p> <p>Or</p> <p>Offer grants of up to £6000 with</p>	<p>These grants were withdrawn in 2006 due to lack of funding. The Council could give a limited amount of grant from remaining budgets.</p>	<p><b>No new funding available.</b></p>

	matched funding conditions for landlords who agree to let properties to tenants referred to them by the Council.		
<b>Empty Property Grants</b>	Unable to offer Empty Property Grants  Or  Offer up 50 Empty Property Grants to landlords who allow the Council to use the new homes as affordable housing at rents below the Local Housing Allowance.	These grants are currently not available until the Policy is renewed. Empty properties are expensive to return to use and current funding streams have substantially lower capital grants and rely on market rents to fund the works. These homes could not be made available to our local residents.	<b>No suitable new funding</b>  Some of the £1.97m budget identified can also be spent on Empty Property work. This money can only be used for empty property work and it will support the salaries of 2.4 FTE officers until October 2013 then 1.6 FTE officers until the role changes focus.

## 8.0 **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 8.1 In light of the significant reduction of capital funding available to the Authority, this report asks the Mayor's Advisory Board to consider the resources available to support the Private Sector Renewal Policy 2013-15 and seeks approval for various grant regimes as outlined in the 'Options' section of the report.
- 8.2 The draft Private Sector Renewal Policy (attached as Appendix 1) covers a range of grant types, including Disabled Facilities Grants, Home Repair Grants, Landlords' Improvement Grants and Empty Property Grants. These grants are funded from different funding sources, and in February 2013, Council adopted the following capital estimates for the 2013-14 financial year:
- 8.3 Disabled Facilities Grant - a capital estimate of £980,000, the expenditure being financed through the Disabled Facilities Grant allocation of £730,000 received from the DCLG supplemented by the utilisation of £250,000 of the Personal Social Services capital grant allocation received from the Department of Health.
- 8.4 Private Sector Improvement Grants, including Empty Property Grants – an initial capital estimate of £250,000 in respect of 2013-14, to be financed from

ring-fenced resources received from the Mayor of London's Regional Housing Pot.

8.5 The report sets out possible levels of assistance that will enable the Council to continue to offer a Private Sector grants process over the next three years. Although alternative funding regimes will continue to be sought, there is currently very little scope for additional resources to be secured for these grants. The Council itself has extremely limited uncommitted capital resources and although an element of the Local Priorities Programme used to be allocated to support this grant regime, any future initiatives would need to be considered in relation to other conflicting priorities within the capital programme.

8.6 However, the Council does currently hold uncommitted specific resources of approximately £1,715,000\* that are available to finance the proposals within the report. These funds were received from the Mayor of London's Regional Housing Pot specifically to allow discretionary grant assistance, mainly in respect of empty properties. It is anticipated that this level of funding will finance the grant regime for approximately three years, however expenditure and commitments must continue to be closely monitored to ensure that resources are not exceeded.

\* £1,965,000 of resources were carried forward into 2013-14. Funding of £1,715,000 remains available after the Private Sector Improvement Grant allocation of £250,000 outlined in paragraph 4.1.2 has been taken into account.

8.7 It should be noted that as well as the actual grant payments themselves, an element of the East London Partnership funding supports the administration of the programme, and finances the employment of Empty Property Officers. These revenue costs must be taken into account as a call on the available grant when monitoring commitments to ensure that resources are not exceeded.

8.8 The Disabled Facilities Grant funding element within the capital programme will continue to be considered on an annual basis, and will still be dependent upon grant resources made available by the DCLG, and if appropriate, the Department of Health.

## **9.0 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

9.1 The Council is required by section 3 of the Housing Act 2004 to keep the housing conditions in Tower Hamlets under review so as to identify whether it may need to take action pursuant to specified housing-related powers. The specified powers include –

- Provisions of Part 1 of the Housing Act 2004 (appropriate enforcement action in relation to category 1 housing hazards);
- Article 3 of the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 (“the Housing Reform Order”).

9.2 Article 3 of the Housing Reform Order empowers the Council to provide direct and indirect assistance to any person for the purpose of improving living conditions in Tower Hamlets and to enable the person to achieve one of the following –

- Acquire living accommodation.
- Adapt or improve living accommodation (whether by alteration, conversion, enlargement, installation of anything or injection of any substance or otherwise).
- Repair living accommodation.
- Demolish buildings comprising or including living accommodation.
- Construct buildings that comprise or include replacement living accommodation where buildings comprising or including living accommodation have been demolished.

9.3 The Housing Reform Order specifies constraints on the exercise of the Article 3 power. Article 4 provides that the Council may not exercise the Article 3 power unless it has adopted a policy for the provision of assistance under Article 3, given public notice of the policy and made the policy available to the public (by inspection and by post, on payment of a reasonable charge). Any exercise by the Council of power under Article 3 must be in accordance with its adopted policy.

9.4 The proposed Private Sector Housing Renewal Policy includes assistance of the kind permitted by Article 3 of the Housing Reform Order. Adoption of the policy is an executive function, by virtue of the default provision in section 9D of the Local Government Act 2000. The Policy is not the housing policy which forms part of the Council's budget and policy framework.

9.5 The Policy refers to the use of disabled facilities grants. The Council administers the disabled facilities grant scheme under Part 1 of the Housing Grants, Construction and Regeneration Act 1996. Any use of disabled facilities grants will have to be in accordance with the requirements of that Act, including as to the eligibility of applicants.

9.6 Before adopting the Policy, the Mayor in Cabinet must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). The report indicates that an equality analysis has been carried out and this may contain material relevant to consideration of the public sector equality duty.

## **10.0 ONE TOWER HAMLETS CONSIDERATIONS**

10.1 An Equality Assessment has been carried out on the Private Sector Renewal Policy and is attached at Appendix 2. Poor quality housing in the private sector impacts across all communities and the policy sets out a framework to

reduce this impact and assist in community cohesion between groups across the Council.

#### **11.0 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

11.1 There are no specific sustainable action for a greener environment implications but the refurbishment of properties that can improve or provide accommodation for households affected will take into account sustainability issues in line with current planning and building policies.

#### **12.0 RISK MANAGEMENT IMPLICATIONS**

12.1 There are no specific risk management implications in the final version of the Private Sector Renewal Policy as the funding is limited and ring-fenced to meeting the policy objectives through strict criteria

#### **13.0 CRIME AND DISORDER REDUCTION IMPLICATIONS**

13.1 There are no specific crime and disorder reduction implications.

#### **14.0 EFFICIENCY STATEMENT**

14.1 There are no efficiency implications in the Private Sector Renewal Policy

#### **15.0 APPENDICES**

15.1 Appendix 1 - Private Sector Renewal Policy  
Appendix 2 - Equality Impact Assessment

**Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012**

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**List of “Background Papers” used in  
the preparation of this report**

Private Sector Stock Condition Survey

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