

OFFICE OF THE DEPUTY PRIME MINISTER

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Office of the Deputy Prime Minister
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HOUSING RENEWAL

INTRODUCTION

1. This circular explains the purpose and content of the Regulatory Reform Order (RRO) on Housing Renewal which came into force on 18 July 2002. This Order has important implications for local housing authorities because it repeals much of the existing prescriptive legislation governing the provision of renewal grants to homeowners and replaces it with a new wide-ranging power to provide assistance for housing renewal.
2. The Government believes that everyone should have the opportunity of a decent home. Poor quality housing can have an impact on the health of the occupants and on the quality of life in an area. The Government's view is that it is primarily the responsibility of private sector owners to maintain their own property but it recognises that some owners, particularly the elderly and most vulnerable, do not have the necessary resources to repair or improve their homes. Local authorities therefore have an important role to play in providing assistance in these cases.
3. This role has been reinforced by the new Public Service Agreement (PSA) target announced in July 2002 to increase the percentage of decent homes in the private sector occupied by vulnerable groups. This is an extension of the existing PSA7 target to make all homes in the social sector decent by 2010. In addition local authorities already have a statutory duty to review the condition of the housing stock in their area and develop appropriate policies to deal with any deficiencies in it.
4. Local authorities have extensive powers to intervene where they consider housing conditions in the private sector to be unacceptable. In some cases they may be required to consider formal enforcement action under fitness legislation, whether or not they go on to offer forms of assistance.
5. Enforcement powers currently derive from the Housing Act 1985. However, the housing fitness regime is based on criteria first introduced 80 years ago and there is wide support for modernisation. The Government proposes to replace the housing fitness standard with the housing health and safety rating system, which will enable local authorities to address more effectively the hazards found in dwellings. A draft Housing Bill was published for consultation in March 2003. Beyond that a firm timetable for reform cannot yet be given, and in the meantime the housing fitness standard remains the basis for enforcement action, although authorities are encouraged to use the rating

system informally alongside it in order to gather information about the hazards present in the stock.

6. The Order provides authorities with a much greater degree of flexibility in devising a policy to deal with poor condition housing, both in terms of the policy tools available to them, and in terms of their ability to work in partnership with others. It therefore provides a major opportunity for local authorities to contribute further towards the Government's overall strategies towards tackling poverty and social exclusion, health inequalities and neighbourhood decline.
7. The Order also states that before the powers contained within it can be used, the authority must publish a policy on how it intends to use them. This guidance therefore offers advice to authorities on how they should review and publish such a policy.
8. Chapter One explains the principal provisions of the Order.
9. Chapter Two provides detailed advice on how a private sector housing renewal policy should be developed as an integral part of the authority's overall housing strategy. This should be done in partnership with other key players in the authority's area and should address local problems and priorities. The chapter also explains how this can be done in relation to the revised PSA7 target on decent homes which is now extended to cover private sector homes.
10. Chapter Three discusses the wider set of policy tools available. For example, authorities are able to offer grants to homeowners with locally determined eligibility criteria. They also have the power to provide assistance through loans and equity release policies or a combination of these.
11. Chapter Four describes the procedures necessary to publish a policy and keep it under review.
12. Annexes set out detailed guidance on a range of related housing renewal issues.

Related circulars, guidance and cancellations

13. This guidance replaces that set out in circular DOE 17/96 although parts of that circular will remain in force for the time being.
14. Those sections of circular 17/96 which continue to apply are as follows:
 - general guidance on conditions attached to grants which were issued under the earlier legislation;
 - Annex A : The Housing Fitness Standard;
 - Annex B: Fitness enforcement-code of guidance for dealing with unfit premises;

(the guidance in these two annexes will be superseded by the legislative provisions contained in the draft Housing Bill published in March 2003, if it is enacted.)

- Annex C3 Neighbourhood Renewal Assessment Process. However new guidance on this process is being prepared by ODPM and will be issued shortly.
15. This circular should be read in conjunction with the joint ODPM/Department of Health guidance entitled 'Delivering Adaptations'. This was issued in draft form for consultation in February 2003 and will be issued in final form later in that year. It will replace the guidance in Annex I of circular 17/96.

This circular also replaces the Housing Renewal Guidance (consultative document) issued in June 2002 which is withdrawn in its entirety.

Status

16. This circular is non-statutory.
17. The circular does not represent a definitive interpretation of the law; only the Courts are empowered to provide that. In cases of doubt local authorities are strongly advised to seek their own legal advice.

Territorial extent

18. This circular applies to English local housing authorities only. The National Assembly for Wales has issued separate guidance for Welsh authorities.

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Chapter 1

WHAT THE ORDER DOES

- 1.1 The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 makes the following significant changes:
- it introduces a new general power enabling local housing authorities to provide assistance for housing renewal;
 - it repeals the detailed legislative provisions in the Housing Grants, Construction and Regeneration Act 1996 regarding Renovation Grants, Common Parts Grants, HMO Grants, Group Repair and Home Repair Assistance;
 - it repeals the provisions in the 1985 Housing Act relating to loans given by local housing authorities for housing renewal. The 1985 Act powers for loans will remain available for local authorities who are not housing authorities;
 - it streamlines the provisions governing the declaration and operation of Renewal Areas (Annex E describes these in more detail);
 - it makes minor changes to the provisions in relation to Disabled Facilities Grant (DFG), but the system for providing mandatory DFGs remains largely unchanged.
- 1.2 Legislation on Clearance Areas and Enforcement and the Fitness Standard remains unamended.
- 1.3 The various legislative amendments take effect at different times. These transitional effects are described in more detail in Annex A. Briefly, the new general power to give assistance is already available for use by authorities, subject to them having a published policy in place. However, most of the existing powers in relation to Renovation Grants, Common Parts Grants, HMO Grants, Group Repair and Home Repair Assistance will be repealed on 18 July 2003. Amendments to the DFG regime will also take effect from that date. This sets a clear deadline for local authorities who must have a new policy on housing renewal adopted and published by then, should they wish to continue to give housing renewal assistance.

THE PROVISIONS OF ARTICLE 3

- 1.4 Article 3 of the Order contains the new general power to provide assistance for housing renewal. Assistance may be provided for repair, improvement, and adaptation of housing. Assistance may also be given for the demolition of a dwelling and to help with rebuilding costs.
- 1.5 Assistance may also be given by a local authority to provide alternative accommodation in any location where this supports the improvement of living conditions in its area. Such assistance can be made available in two specific circumstances, namely:

- where the authority proposes to purchase (whether voluntarily or compulsorily) the existing accommodation; or
- where the provision of alternative accommodation represents a better alternative compared to repairing, improving or adapting the existing property.

1.6 The new power enables authorities to give assistance to persons directly, or to provide assistance through a third party such as a Home Improvement Agency, specialist financial intermediary or other special purpose vehicle. Assistance can be given to pay for any fees and charges associated with the assisted works.

1.7 The Order enables authorities to provide assistance to *any person*, including owner-occupiers, landlords or tenants in either the private or social sectors.

LIMITATIONS ON THE GENERAL POWER

1.8 The principal limitation on the use of the power is that it must be used in accordance with a policy that has been adopted and publicised. Information on the policy must also be available to the public.

1.9 Local authorities, in offering financial assistance to any person, must also satisfy themselves that the recipient has received appropriate advice or information on any obligations arising from the assistance. If that assistance requires the person to make a contribution or repayment, the authority must also have regard to the person's ability to afford it.

1.10 Other limitations in relation to the procedures for providing assistance are covered in detail in Annex B.

FURTHER PUBLICATIONS AND GUIDANCE

1.11 A full list of ODPM-sponsored research and publications is available on the ODPM website.

1.12 ODPM will issue from time to time further advice and good practice guidance to assist local authorities in utilising their new powers and developing new policy tools for housing renewal.

Chapter 2

THE STRATEGIC CONTEXT FOR HOUSING RENEWAL POLICY

- 2.1 If a local authority wishes to use its new general power to give assistance it must first adopt and publish a policy, setting out how the new powers will be used. As part of this process local authorities are therefore advised to review and amend their existing housing renewal strategy which will underlie the published RRO policy. This Chapter of the circular therefore sets out some of the key considerations which should underpin such a review. It will also be relevant as the policy is reviewed and updated in the future.

Section I. Aligning housing renewal policy with wider strategic objectives

REGIONAL HOUSING STRATEGIES

- 2.2 The 'Sustainable communities: building for the future' action programme launched by the Deputy Prime Minister on 5 February 2003 set out the Government's key policies for tackling imbalances between housing supply and demand and for improving the condition of the housing stock. This programme also announced the new arrangements for giving greater discretion at the regional level to determine priorities for housing expenditure and ensuring a stronger integration of housing and other policies within each region. In order to achieve that a single regional pot for housing capital expenditure is being created from 2004/05, combining the resources previously contained in the Housing Corporation's Approved Development Programme (ADP) and the local authorities Housing Investment Programme (HIP). Regional Housing Boards have been established in each region and will be required to submit Regional Housing Strategies to the Government which will advise on spending priorities over the current spending review period. These strategies will set the overall context for private sector housing renewal policies at the local authority level.

LOCAL STRATEGIC OBJECTIVES AND HOUSING STRATEGIES

- 2.3 Involving local communities in determining priorities, developing strategies and improving service delivery are requirements of the Local Government Act 2000. Authorities are also required to develop a clear vision of how they will improve the social, economic and environmental well-being of their communities.
- 2.4 Many authorities will have established a Local Strategic Partnership of key service deliverers who will be taking the messages from the Community Planning process and translating this into an overarching regeneration strategy for their area. This will be supported through mainstream programmes on housing, education, health and crime prevention but additionally from special funding such as RDA programmes, the New Deal for Communities and Neighbourhood Renewal Fund.

- 2.5 These key strategic local priorities will then feed through into the Housing Strategies which authorities now have a statutory duty to prepare. These should meet the 'fit for purpose' criteria issued by ODPM in March 2002 and analyse and address key issues across all tenures. These include:
- an analysis of housing markets including any mis-match between supply and demand and questions of affordability;
 - the condition of the housing stock in relation to fitness, decent homes and energy efficiency;
 - the role of housing in community cohesion and the needs of particular sections of the community;
 - other key issues such as anti-social behaviour, neighbourhood renewal, regeneration and low demand and abandonment.
- 2.6 The new RRO powers which are now available to local authorities mean that authorities are better placed to consider cross-tenure issues and the contribution which housing renewal policies can contribute towards this wider agenda. Some key issues to be considered in producing a housing renewal strategy might include:

Employment and broader economic regeneration strategies

- 2.7 Housing renewal policies need to be carefully integrated with the wider regeneration agenda. Renewal will not prove cost-effective if a clearly identified economic future for the area cannot be identified.
- 2.8 If the housing market area is suffering from low demand or abandonment, policies will need to be formulated to correct the local over supply of housing. This could be achieved either by combining housing renewal with economic regeneration policies or by considering, as an option, the clearance of some of the worst areas of housing.
- 2.9 If the local authority is included in a Market Renewal Pathfinder and is supported by the ODPM's Housing Market Renewal Fund, they will need to develop renewal policies as part of their strategic approach to tackling low demand. Authorities within a Pathfinder area will need to consider the extent to which they develop common RRO renewal to ensure consistency of approach.
- 2.10 In areas of high housing demand renewal policies are likely to have a different focus with an emphasis on increasing the supply of affordable housing, supporting schemes for low-cost home ownership and dealing with empty properties which can easily be brought back into use.

Social Care, Health and Older People Strategies

- 2.11 Housing, Social Service Departments and the National Health Service (NHS) are delivering increasingly integrated services for vulnerable households that recognise the benefits of enabling people to stay in their own homes wherever possible. Poor housing can be a barrier for older and disabled people, contributing to immobility, social exclusion, ill health and depression. Renewal policies can contribute by facilitating

hospital discharge and preventing hospitalisation, and by enabling people to live in secure, safe, well-maintained, warm and suitable housing. Home Improvement Agencies (HIAs) can play a key role in delivering these objectives. From 2003/04, HIAs and other providers of housing support services will be funded through the Supporting People commissioning groups and it will therefore be important for private sector renewal policies to be closely linked to the local Supporting People strategy.

Community Cohesion, equal opportunities and diversity strategies

- 2.12 In identifying and planning for renewal or replacement of unsatisfactory housing in their area, authorities must understand the needs of all neighbourhoods. Appropriate policies need to be developed to ensure that housing conditions are improved in all areas where problems exist. People should be able to exercise choice over housing conditions which may contribute to the concentration of people from one ethnic background in particular areas, which is not in itself a problem. But policies need to be developed that ensure ethnic groups are not concentrated in some of the worst housing stock through, for example, fear or discrimination.
- 2.13 The Race Relations (Amendment) Act 2001 requires local authorities to make positive efforts to combat discrimination and to establish processes to measure and monitor progress. The Government attaches very high priority to the requirement for authorities with significant black and minority ethnic (BME) communities to develop specific housing strategies aimed at dealing with the housing issues facing these communities.

Strategies to tackle crime and anti-social behaviour

- 2.14 Housing renewal can have a major impact on reducing crime and the fear of crime. On an area basis, policies should link to an overall neighbourhood plan to design out crime, particularly where clearance and redevelopment are being considered. Cross-tenure working, including the establishment of a landlord forum, can also make a significant impact on tackling anti-social behaviour.

Fuel poverty and energy efficiency strategies

- 2.15 Housing renewal should play an important role within the broader context of Local Agenda 21 in helping deliver local authorities' fuel poverty strategies and in meeting the requirements of the Home Energy Conservation Act 1995 (HECA). The majority of poorly insulated and heated homes are within the private sector.

THE DECENT HOMES TARGET IN THE PRIVATE SECTOR

- 2.16 As part of the 2002 Spending Review, the Public Service Agreement 7 (PSA) target to make all homes in the social sector decent by 2010 was extended to include private sector homes.
- 2.17 The wording of the target in relation to private sector homes should be read to mean:

"...and, for vulnerable households in the private sector, to increase the proportion who live in homes that are in decent condition."

- 2.18 The definition of a decent home applies equally to the social and private sectors. A decent home is one that:
- meets the current statutory minimum standard for housing;
 - is in a reasonable state of repair;
 - has reasonably modern facilities and services;
 - provides a reasonable degree of thermal comfort.
- 2.19 The definition is explained in detail in ODPM guidance ‘A decent home – the revised definition and guidance for implementation’.
- 2.20 The definition applies to all dwellings whether or not they are occupied or vacant. Reductions in the numbers of non-decent homes will be brought about through either investment in those homes to make them decent or through demolition. The latter will be the appropriate solution in areas where there is no longer a demand for those homes.
- 2.21 At April 2001 there were 17.2 million private sector homes, which equates to about 80% of all homes in England. Of these, 5.5 million homes (32%), housing 5.2 million households (4.2 million owner-occupiers and 1 million tenants) did not meet the decent home standard.
- 2.22 Nearly 1.2 million (23%) of the 5.2 million households living in non-decent private sector homes are defined as vulnerable¹ for the purposes of this PSA target. They represent 43% of all vulnerable households in the private sector and therefore set the baseline from which this target will be assessed. Of these, 840,000 (70%) are owner-occupiers and 360,000 (30%) are tenants.
- 2.23 The PSA7 includes specific targets for the proportion of vulnerable households in the private sector whose homes achieve the decency standard by 2005, 2010 and beyond. The baseline for 2001 is 57% and the target is to increase this to 63% by 2005, to 70% by 2010, and to 75% by 2015/20.
- 2.24 The outputs from a number of important Government programmes will contribute towards achieving this target. Policies developed under the new RRO powers will obviously be crucial. Important contributions will also come from the Warm Front and other home energy efficiency programmes operated by the Department for Environment, Food and Rural Affairs and the regeneration strategies developed by the Market Renewal Pathfinders.
- 2.25 The need to make private sector homes decent rather than strict adherence to the traditional fitness standard will represent a significant change in practice for many local authorities. It will have major implications for the conduct of house condition surveys, as well as for the programmes of assistance which should be offered. Private owners will

¹ Vulnerable households have been defined as those on the following benefits: income support, housing benefit, council tax benefit, disabled persons tax credit, income based job seekers allowance, working families tax credit, attendance allowance, disability living allowance, industrial injuries, disablement benefit, war disablement pension.

also need to be convinced of the need to co-operate in ensuring that their homes meet the required standard.

- 2.26 The introduction of the new PSA target does not detract from the new freedoms which local authorities have gained from the introduction of the RRO. Renewal policies can still be determined locally in the light of local housing market conditions and local priorities. However in view of the national priority to provide the opportunity for everyone to live in a decent home, local authorities must have regard to this new PSA target as part of their overall renewal policy. ODPM and the new Regional Housing Boards will be working closely with authorities over the course of the target period to develop an action plan which secures the necessary improvements to housing condition. ODPM will need to be satisfied that all authorities have effective policies in place which address the problem of non-decent private sector homes in their area. Further guidance will be issued by ODPM on the action plan as it is developed, to meet this target.

Section II. Working with local partners

- 2.27 Partnership working must lie at the heart of any successful renewal and regeneration strategy. Strategic partnerships are necessary in order to develop a common vision between key stakeholders and also to secure commitment of resources from the principal delivery agencies. The introduction of the single capital pot for housing resources and the new freedoms enjoyed by Regional Housing Boards and local authorities in setting policy priorities, enhances their strategic position and enables them to assume a leading role in developing such partnerships. The new arrangements which are being developed for partnership working in the Market Renewal Pathfinder areas are also an excellent example of what can be achieved.
- 2.28 In order to develop and deliver effective housing renewal policies, authorities need to look to the contribution that other organisations could make through collaborative working.

TYPES OF PARTNERSHIP

- 2.29 The more flexible power to give assistance contained in the Order enables authorities to engage with new and varied partners and think about which priorities to support. When considering how best to deliver the key outcomes, authorities may wish to consider the following types of partnerships:

Local authority partnerships: In developing new housing renewal policies, local authorities may benefit from working together. For example, a group of local authorities could share the costs of developing new policy tools.

Consultative partnerships: In developing Local Strategic Partnerships and as part of the Best Value process, authorities will need to engage with a wide range of current and potential service users as well as other stakeholders. These consultative arrangements may be formalised in resident panels or other types of consultative forums. Typically the focus could be an area issue such as environmental works within a renewal area, delivery of the Agenda 21 strategy, the future of a park home site or the preservation and/or making of the heritage importance of the area.

Partnerships to address housing need: Planning to meet housing need within an authority's area will involve close liaison with housing associations, private landlords, developers, providers of support and advice services, social services, the NHS and planning colleagues.

Health alliances: there is a clear linkage between poor housing and ill health, especially with an ageing population and more people choosing to live independently within the community. This generates a need for partnership working between housing authorities, health authorities, primary care trusts, local GPs, HIAs, and social services.

Financial partnerships: The wider range of financial assistance now available for housing renewal will necessitate partnerships with lenders, specialist intermediaries, developers, housing associations and builders in line with Egan principles. Authorities will also need to consult BME communities closely to establish appropriate culturally sensitive lending strategies.

Home Improvement Agencies: HIAs can play a major part in helping an authority achieve its area-based and client-focused objectives. More information on working with HIAs is at Annex D.

Maintenance and home improvement partnerships: With the flexibility to give assistance for the supply of materials or work undertaken, authorities may need to negotiate new partnerships for the supply of goods and services under framework agreements.

Community safety partnerships: Crime and fear of crime rank highly amongst residents' priorities in many areas. Partnerships between local communities, local authorities and the police can be particularly effective in delivering peace of mind.

Schools/education partnerships: Partnerships could be established with schools, colleges and education colleagues with the aims of educating future generations about the need for maintenance, repair and the need to conserve energy.

Working with the voluntary sector: Within any strategy there will need to be provision for the supply of a range of complementary formal and informal advice and advocacy services.

Fuel poverty and energy efficiency partnerships: Fuel poverty and energy inefficient homes can only be tackled effectively through partnerships at the local level with housing authorities working closely with HIAs, Warm Front, the Energy Saving Trust and energy suppliers.

Section III. Identifying local issues, needs and expectations

EVIDENCE-BASED STRATEGIES AND POLICIES

- 2.30 Identifying local issues, needs and expectations within localities is a vital step in establishing robust policies. The availability of contemporary and accurate information is crucial to this process.
- 2.31 The following list probably represents the minimum requirement but the level of detail necessary will depend on local circumstances:
- stock condition data, including energy efficiency;
 - knowledge and understanding of the local housing market;
 - details of the prevailing social and economic conditions, including fuel poverty;
 - profiles of the age and health of the local population;
 - data indicating demographic changes and trends;
 - whether the locality is significant in heritage terms.
- 2.32 **Stock condition surveys:** Authorities will continue to be required under sections 8 and 605 of the Housing Act 1985 to consider housing conditions across all tenures at least once a year with a view to determining what action to take.
- 2.33 Housing stock condition information in isolation will be insufficient as a basis for developing policy. Links must also be made to other data such as house prices/sales, local market conditions, tenure patterns, occupants' circumstances, and the economic and social characteristics of an area.
- 2.34 **Local housing market conditions:** An understanding of local housing market conditions is crucial to the development of an effective renewal strategy. This will require the analysis of factors such as:
- house prices;
 - void rates;
 - average earnings, deprivation and affordability;
 - turnover/sales;
 - tenure patterns;
 - demand for housing within areas from common housing registers;

- demographic trends, population projections and migration patterns;
 - the need for new provision and cross-boundary issues;
 - the housing needs of students and key workers;
 - relationship with other sub-regional and regional markets;
 - crime statistics;
 - turnover in school places and applications.
- 2.35 The ODPM is preparing a Housing Market Assessment (HMA) tool to help local authorities better understand housing demand at the sub-regional level and the wider context in which their housing markets operate. This will be issued shortly.
- 2.36 **Socio-economic considerations:** Information is readily available on an area basis for a range of welfare benefits, particularly Housing Benefit and Income Support. Likewise census or other local deprivation indicators can be used to build area profiles highlighting where there are strong indicators of social deprivation and exclusion.
- 2.37 Other relevant factors can be assessed such as unemployment statistics and average incomes to give a fuller picture of where lower income households are occupying the worst housing conditions. This should include profiling fuel poverty across a local authority area.
- 2.38 Where area-based action is being considered more detailed information may be required which can only be supplied by a thorough socio-economic survey.
- 2.39 **Health, age, and demographic trends:** It is important to know where the majority of instances of respiratory and bronchial diseases are found as these can be closely associated with unsatisfactory housing conditions. Similarly it would be helpful to identify where people with disabilities are occupying housing accommodation that is not suitable for their individual needs.
- 2.40 Mapping out information on the age of occupants will help the authority to identify where vulnerable people, particularly older occupants, may be enduring poor housing conditions. This can be linked to data on thermal efficiency of dwellings, so that energy efficiency work can be targeted to the most vulnerable households.
- 2.41 **Other issues to consider:** The information described in the sections above will be of value to the majority of authorities but other housing-related problems may also exist. These may be specific to the local population, accommodation type or area. To assist the authority in assessing local needs it will be important to gather this information, which could include:
- the housing needs of black and minority ethnic communities including asylum seekers;
 - issues relating to non-permanent accommodation such as park homes or houseboats;

- data on the private rented sector including the location, type and size of houses in multiple occupation (HMOs) and prevailing rent levels;
- the existence and location of empty or underused accommodation to consider alongside housing need information;
- data on the energy efficiency of the housing stock linked to information on fuel poverty as part of HECA responsibilities;
- statistics on crime, burglaries, and anti-social behaviour;
- statistics on elderly and disabled on hospital discharge lists;
- specific data relating to building design defects, existence of radon, asbestos, lead, or other harmful materials;
- information on the location of Right to Buy properties within the private sector where the authority has concerns over building types or form.

Section IV. Setting policy priorities

- 2.42 Local authorities will need to consider their policy options, establish their priorities for action, and subsequently review them on a regular basis. The priorities selected will be influenced by the strategic context for housing renewal and by the issues, needs and expectations identified.
- 2.43 The problems facing individual local authorities will vary widely. Issues of concern may have been identified by surveys of housing conditions, resident aspirations, customer satisfaction or housing need. Increasingly new problems will be encountered as a result of a stronger dialogue with partner organisations and other stakeholders as part of the development of the Community Plan. Local communities should be encouraged to articulate their aspirations, needs and priorities. Consultation with service users as part of the Best Value process may challenge any preconceived ideas regarding the provision of assistance. The authority will need to draw together all of these sources of information when considering and setting priorities.

CLIENT-BASED

- 2.44 Provision of assistance may be driven by the needs of a particular client group as part of the Supporting People agenda, the Fuel Poverty Strategy, local priorities for health and social care, or the protection of vulnerable people. The need to contribute towards the PSA target for private sector decent homes will also be a relevant consideration. In this context client-based strategies may focus on:
- 2.45 **Older people;** by seeking to assist with maintenance, repair, adaptations and improvements or the provision of basic amenities. Older people are more likely to live in substandard and poorly heated homes and are also vulnerable in terms of home accidents or crime.

- 2.46 **Disabled people;** by providing a package of additional assistance outside the mandatory disabled facilities grant system.
- 2.47 **Vulnerable groups;** by providing priority for assistance by way of grant or loan to those on low incomes or means-tested benefits who cannot afford to carry out essential repairs or improvements. Such client-based strategies may involve the use of the housing health and safety rating system (which the Government intends should in due course replace the housing fitness standard) to identify the major hazards in a dwelling, especially if young children or an older or disabled person are present.
- 2.48 **Housing needs of black and minority ethnic communities;** policies will need to recognise the increase in numbers of BME older people and their relative poverty and exclusion. Examples may be the need to provide assistance to enlarge accommodation for extended families or to provide accommodation to meet the housing needs of asylum seekers.

AREA-BASED

- 2.49 Priority may be given to supporting renewal and other designated regeneration areas where there are serious and concentrated problems of rundown private sector housing. Any such assistance will be most effective if it is linked to more broadly based neighbourhood renewal schemes designed to address all the factors leading to social exclusion such as lack of employment, high levels of crime, poor quality education and health care.
- 2.50 Policies for the renewal of social housing need to be closely co-ordinated with those for private sector housing, if best use is to be made of the resources available and to ensure sustainable mixed tenure communities. In areas of mixed ownership, repair or renewal of social housing can play a crucial part in encouraging private investment. Assistance for those living in properties where the Right to Buy was exercised may be considered appropriate in these circumstances.

PROPERTY-BASED

- 2.51 The existence of large numbers of 'problem' properties could lead an authority to direct assistance towards:
- system-built properties that were not covered by the Housing Defects Act;
 - houseboats or park homes, where there is a need to bring accommodation up to minimum standards;
 - conversion of under-utilised accommodation to meet identified housing need within the area. Empty homes, vacant accommodation above shops or commercial buildings could be targeted for assistance.

SECTOR-BASED: ASSISTANCE TO LANDLORDS

- 2.52 Homelessness, housing need, and the role of the private rented sector may be significant issues for a local authority. This role will extend through all types of accommodation including that for homeless families, supported lodgings, student lets and HMOs.

Assistance may therefore be given to assist landlords or other partners to increase the supply of a particular type of accommodation.

- 2.53 Increasing the availability of low-cost housing options may also be a priority, particularly in rural areas where there is a shortage of affordable rented accommodation. In these circumstances assistance could be given as an incentive to convert under-utilised or vacant property for rent at affordable levels or as part of a shared ownership scheme.
- 2.54 Local authorities must also bear in mind that in 2001, 360,000 vulnerable tenants in the private rented sector occupied homes which did not meet the decency standard.
- 2.55 In determining the appropriate level of any assistance, the principal issues for consideration should be the likely increase in rental income resulting from any renovation and the landlord's record of management performance. Also the particular contribution being made towards meeting housing need, for example through the offer of any nomination rights to the authority.
- 2.56 The Order also enables authorities to offer assistance to housing associations or other public sector tenants. The Secretary of State is however of the view that this power should be exercised in limited circumstances, for example as part of an area-based approach or to support a cross-tenure approach, and in a way which does not undermine the responsibilities of such landlords to maintain their property in decent condition.

THEME-BASED

- 2.57 In partnership with other agencies an authority may seek to identify particular themes to which assistance will be targeted. Examples could include:
- fuel poverty and energy efficiency work;
 - security or crime prevention initiatives;
 - maintenance initiatives to encourage sustainability and to protect previous investment;
 - hospital discharge schemes;
 - home accident prevention or health and safety initiatives;
 - specific localised problems such as the presence of asbestos, radon, lead or other materials within the fabric of properties, or to deal with other building design defects.
- 2.58 Inevitably, there will be many competing priorities for the limited resources available. To ensure that resources are used to greatest effect it is essential that there is a careful and considered appraisal of all priorities involving residents and partner agencies and that these are reflected in the policy adopted.

Chapter 3

POLICY TOOLS

- 3.1 The provisions of the Order give local authorities much greater discretion on how they can provide assistance for housing renewal. They are well placed to decide the most appropriate forms of assistance which will best address the policy priorities they have identified in their strategy. This Chapter reviews briefly the main policy tools which should be considered.
- 3.2 Assistance given under the new general power may be unconditional or subject to conditions, for example, the requirement to repay a grant if the property is sold within five years.
- 3.3 The Order contains important protections relating to the giving of assistance, whether it is given as a grant, loan or another form of help. It requires that:
- **authorities set out in writing the terms and conditions under which assistance is being given; and**
 - **before giving any assistance the authority must be satisfied that the person has received appropriate advice or information about the extent and nature of any obligation (financial or otherwise) that they will be taking on; and**
 - **before making a loan, or requiring repayment of a loan or grant, the authority must have regard to the person's ability to afford to make a contribution or repayment.**

Grant Assistance

- 3.4 The detailed legislative provisions relating to Renovation Grants, HMO Grants, Common Parts Grant, Group Repair and Home Repair Assistance are repealed by the Order. Local authorities may still wish to make grants available for housing renewal in certain circumstances where it is considered they represent the most appropriate form of assistance. This is most likely to be the case for minor items of work, where the costs of arranging loan finance cannot be justified or in cases where the financial circumstances of the applicant are such that any other form of financial assistance would be inappropriate.
- 3.5 Where a local authority does continue to offer grant assistance it will need to consider whether a means test of the applicant should be applied. This would normally be the case as owners, who can afford to do so, should be responsible for the maintenance of their own property.
- 3.6 The specific form of means test will be for the authority to decide. It should bear in mind that a legislatively determined means test for mandatory DFG will continue and it may want to mirror this test for any other grant it may offer. (Means test regulations are

updated every year and circulated to all local authorities. They are also available on the ODPM website.) This test is complex and will not always be appropriate. A simpler 'passporting' method linked to entitlement for other state benefits, such as that previously used for Home Repairs Assistance, may be an alternative. In addition, for owner-occupiers the amount of unmortgaged equity in the property might be an important consideration as to whether assistance is made available.

Loan assistance

- 3.7 The general power provided by the Order enables local authorities to consider offering financial assistance other than grants in a form which may require the owner to make some financial contribution or repayment. Given the pressure on local authority resources available for private sector housing renewal this should be carefully considered as an option as, over time, it will allow more homeowners to be assisted with a given amount of public sector resource.
- 3.8 The important limitation imposed by the Order is that before making a loan, or requiring repayment of a loan or grant, **the authority must have regard to the person's ability to afford to make a contribution or repayment.** If they are not in such a position then assistance by some other means, such as grant, would be necessary.

Types of Loan assistance

- 3.9 There is a wide range of options available for local authorities to consider and it is important that they should seek proper, comprehensive legal and financial advice whilst developing their policy.
- 3.10 The principal categories of loan products which could be made available are:
 - **Interest bearing repayment loans** – conventional loans either secured or unsecured with interest charged either at the current market rate or at a preferential rate and repayable in regular instalments over a period of time. Such loans are likely to be best suited to those with a regular income which would enable them to make the required repayments.
 - **Interest-only loans** – conventional loans, usually secured against the value of an asset where the borrower only pays the interest charge on the amount borrowed in regular instalments. Repayments may vary as interest rates go up or down. The capital is repaid usually on the sale of the asset. Again, this sort of loan is likely to be best suited to those able to meet regular interest repayments, and, where the loan is secured against the property where there is adequate remaining equity in it.
 - **Zero-interest loans** – a conventional loan registered as a charge against the value of the asset on which no interest is levied. The capital is repaid usually on the sale of the asset. This type of loan may be best suited to those unable to make regular loan repayments, but who have substantial remaining equity in their home.

- 3.11 In deciding which is the right financial product for any particular circumstance, local authorities will need to make a careful assessment of the financial position of the applicant. In the case of equity release products they will also need to make an assessment of the current and possible future value of the property and other actual and potential charges on it. Where homes are already mortgaged the lender will insist on taking the first charge.

Income Support for loan interest payments

- 3.12 People who qualify for Income Support/income based Jobseekers Allowance/Pension Credit may also get help to pay the interest on a loan taken out for specific types of home repairs and improvements. There is a waiting period for persons under 60. This help cannot be confirmed until the loan has been taken out but the Department of Work and Pensions is willing to send out letters of comfort to both the loan recipients and any lender explaining what help is available. Any loan must be used for these purposes within six months of receipt or such further period as may be reasonable in the particular circumstances of the case, in order not to affect any benefits which might otherwise be payable to the person receiving the loan.

Equity Release Schemes

- 3.13 Equity release schemes may be the best method of assisting low-income homeowners if there is substantial equity value in their homes, even though they are in need of repair. Evidence from recent surveys suggests that this is often the case although the position varies greatly between different parts of the country.
- 3.14 A number of equity release schemes already exist in the commercial market. There are two principal types. One is a rolled-up interest loan on which no periodic interest payments are required and where the capital plus interest is eventually paid from the proceeds of sale. The alternative product is a reversion where the owner sells their home or part of it to a reversion company who allows the owners to live rent free in the property for the remainder of their life. The sum received by the owners for this sale will be much less than the market value of the property sold, reflecting the fact that they can continue to live rent free in the property for the rest of their lives. The proportion of the market value received will depend largely on the age of the owner. On death the proportion of the home sold to the reversion company becomes the property of that company.
- 3.15 These commercial products can be expensive to set up, and constitute a long-term commitment. They therefore require careful consideration before being taken up. Under a rolled-up interest product the amount owed can double in 7-10 years depending on the agreed rate of interest. Such products are therefore only suitable for a restricted client group – and generally are available to those over 60 with little, or no, mortgage, and property of a minimum value (generally in the region of £40-60,000). The products usually also require the client to take a minimum loan of about £25,000, with a maximum loan of around 30% of the property's value.

- 3.16 Equity release products have had a difficult history and there were particular problems with home income plans that were sold in the 1980s. Products now available have been improved and typical safeguards will include:
- interest rates that are fixed or capped;
 - guaranteed security of tenure for life;
 - a no negative equity guarantee to ensure that the amount owed can never be more than the value of the home. This means that the lender will not pursue the estate for any shortfall between the debt and sale proceeds of the property;
 - the borrower is able to move property and take the loan with them;
 - the maximum loan to value ratio which can be borrowed is relatively small and often linked to age to try to ensure that the debt does not exceed the value of the property.
- 3.17 Despite these improvements equity release products do involve a degree of risk to the borrower and will not be the right form of loan to help with housing renewal in all cases. Local authorities should be aware of these limitations.
- 3.18 The new power enables authorities to support the development of new equity release products which can incorporate the safeguards already built into the existing commercially available schemes but which can also be made more attractive to a wider group of homeowners who need help with repairs and improvements. At their simplest, these could involve the authority making a loan for renovation with a requirement that this amount should be repaid when the owner chooses to do so or on sale of the house.
- 3.19 A variant of this would be that the authority could take a 'share' in any appreciation in the value of the property between the period when the loan was made and when the property was subsequently sold. Local authorities considering this option will need to make an assessment of the current and potential future value of the property. High house price inflation could mean that the effective interest rate on a shared appreciation loan was excessive and should be capped. If house prices fall, authorities risk losing a proportion of the initial value of the loan.
- 3.20 In choosing a particular form of equity release package, authorities need to achieve a balance between making the scheme attractive to potential applicants, who will often be vulnerable or of limited means, and at the same time maximising the level of repayments which they would receive in the long term. These receipts could then be recycled to provide further support for housing renewal.

Providing loan finance with others

- 3.21 Local authorities may not in many cases wish to offer loans for housing renewal themselves and the Order allows them to provide such assistance by working through and with third parties. Again, there are a number of possibilities:

- **Working with commercial lenders**

A local authority, or a group of authorities could agree to work together with commercial lenders to deliver loan products to homeowners who would not normally have access to such financial support. This support could range from direct financial contributions towards the cost of administering loans to offering loan guarantees and indemnities. Another possibility is that local authorities could initially make a number of loans themselves, but then sell on a package of loans to a commercial lender for a capital sum.

- **Offering loan & mortgage indemnities**

Under article 3 of the Order, local housing authorities may give assistance in the form of an indemnity to ensure that a person or body, lending for the purchase (in the circumstances specified by article 3(2)), construction or improvement of a home, will not be out of pocket if the borrower defaults on the loan. Such an indemnity (as with other forms of assistance given under this power) may be unconditional or subject to conditions.

Mortgage indemnity agreements may also be made under section 442 of the Housing Act 1985, for the purchase, construction or improvement of a specified home, or the conversion of a building into a home (as specified by section 435 of the 1985 Act). Additionally, those authorities which are not housing authorities may also continue to give indemnities for home improvement loans (section 435 of the 1985 Act as amended by article 10 of the Order).

- **Working with special purpose vehicles**

Local authorities or a group of local authorities could establish or support a special body (a number of Community Development Financial Initiatives such as the Home Improvement Trust and ART Homes already exist) which are designed to administer not for profit schemes of financial assistance for housing renewal. They will have the advantage of specialist expertise in the field and the ability to develop specialist products, and if they can attract additional funds from the private sector, they may be able to generate more financial leverage than is possible when the local authority administers a loan fund itself. A group of authorities working with a single SPV would have the further advantage of sharing operating costs and expertise.

- **Working with housing associations**

There is considerable scope for local authorities to work together with housing associations to develop grant and loan packages to private homeowners. Pilot Housing Regeneration Companies have already been established in some areas which bring together local authorities, housing associations and the private sector to address private sector housing issues.

Packages of loan and grant

3.22 Local authorities may in some cases wish to offer a combination of grant and loan to assist with housing renewal. For example:

- an authority may wish to offer a small grant subsidy to allow someone to access a loan;
- an authority may wish to offer a loan to help someone who is required to make a financial contribution under the test of resources for mandatory disabled facilities grant;
- for a group repair scheme, the authority may wish to offer grant for the external repairs to a number of houses and offer loan finance for internal improvements;
- where an authority is supporting the provision of replacement accommodation outside a clearance area then a package of grant, mortgage assistance and equity charge on the new property could be considered.

3.23 In all cases the authority should have regard to value for money as well as ensuring that the package is an attractive one for the person who is being offered the assistance. Further, as an essential precursor to considering offering a direct loan, local authorities should be satisfied that there is reasonable evidence to show that an applicant is unable to secure a commercial loan.

Loan administration

3.24 Local authorities must be aware of all aspects of consumer credit regulation and guidance. The principal regulators for financial services are the Financial Services Authority (mortgage regulation), and the Office of Fair Trading (Consumer Credit regulation).

3.25 Any financial service providers including local authorities and housing associations may give advice about their own financial products. However, local authorities and housing associations must not offer financial advice on other financial products. They can only offer information on the availability of other products. Where loans are being offered, especially if the local authority is working jointly with another agency to promote any loan or equity release scheme, the person should be strongly advised to consult an independent financial advisor. Where appropriate, they should advise those considering equity release products to consult their family.

3.26 Local authorities and housing associations (but not their wholly owned subsidiaries) are exempt from the Financial Services Authority's authorisation for mortgage lending and administration, arranging and advising. However, they must still adhere to the underlying key principles of mortgage regulation which will be taken into account in any case referred to the Local Government Ombudsman. These are that:

- (i) authorities must ensure that their procedures are open and readily accessible to members and clients; and that
- (ii) loans are administered in a manner which is both reasonable and fair.

3.27 Local authority bodies who decide to operate a policy of assistance in association with a third party, for example a special purpose vehicle or HIA, should be aware that this body may be subject to FSA regulation unless they fail the 'business test.' Organisations

fail the business test for mortgage arranging and advising if they are not ‘carrying out the business of engaging in that activity’ in accordance with the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001 No.1177).

- 3.28 The Order also provides that local authorities must satisfy themselves that recipients have received appropriate advice or information on any obligations arising from the assistance. This applies whether the local authority is providing the assistance directly or through third parties.
- 3.29 Annex B provides more detail on how a local authority should develop detailed procedures for providing any package of financial assistance for housing renewal.

Commissioning and undertaking works by the local authority

- 3.30 Local authorities may commission works through agents, such as housing associations, or they may wish to carry out works themselves to improve, repair or facelift properties, or to carry out associated environmental improvements. The most likely case will be within renewal areas or in other priority neighbourhoods, where the authority wishes to take strategic action by improving the general appearance of the area. Works could be to individual properties or for group repair.
- 3.31 Before commissioning or carrying out any such works, authorities should satisfy themselves that the proposals contribute to the objectives established for the neighbourhood renewal strategy, and that there is community support for the activity. They should also be clear that the issues being addressed by the works, e.g. potential housing market failure etc. would be effectively addressed by the proposed works.

Supporting purchase and relocation

- 3.32 In addition to providing the means to assist with repairs or improvements where the occupants are to remain in their home, the new powers can also be used to assist where a person’s home is clearly unsuitable for improvement, repair or adaptation.
- 3.33 Financial assistance can be provided to enable the purchase of another, more suitable property, in addition to the statutory compensation that is available through the compulsory or voluntary purchase processes. This could also be beneficial to authorities where they have decided to work towards ‘land assembly’ in a particular area. In some instances this might avoid costly disputes and delays and produce corresponding savings in staff time. Policies of this kind could also be useful where the authority is tackling areas of low demand, for example as part of a Market Renewal Pathfinder partnership, or pursuing clearance action where negative equity is an issue.
- 3.34 Whilst there may be a number of benefits to be accrued by the use of the general power in this way, it will be necessary to ensure that there are safeguards to the public purse. Eligibility criteria, levels of assistance and conditions relating to the future sale of a property will be important features of an authority’s policy in this respect. In areas of

low demand, negative equity may be an issue for people whose properties are to be cleared. Levels of equity and outstanding debt will need to be carefully considered when providing assistance.

- 3.35 This sort of policy tool could also be an important element of an authority's housing adaptations policy if the existing home of a disabled person is clearly unsuitable for adaptation.

Other forms of assistance for housing renewal

- 3.36 Apart from grants and loans, local authorities should consider other ways in which they may want to provide financial assistance for housing renewal as these will need to be included in their published policies. They might include:

- supply of discounted materials (negotiated with partner supplier);
- provision of labour (or the local authority carrying out work directly);
- assistance through access to tool hire scheme;
- referral to HIA for emergency repairs or handyperson/volunteering type scheme;
- free or reduced cost survey and advice on carrying out repairs as part of a maintenance initiative with partner agencies providing guidance and support e.g. local DIY retailers;
- provision of a list of accredited builders and agents offering a warranty service as part of the Government's Quality Mark scheme and willing to supervise and/or undertake work;
- assistance with temporary accommodation while work is carried out including fees for removal and storage of effects.

Enforcement

- 3.37 Although strategies which encourage the co-operation of individuals in keeping their homes in good repair may be preferable in ensuring long term sustainability, authorities need to bear in mind the need to include clear policies on the role to be played by enforcement action in dealing with properties that fall below acceptable standards. This is likely to be particularly important in the case of rented properties and HMOs in the private sector, where some of the worst housing conditions are to be found. Enforcement policies should enable consideration of the circumstances and views of tenants, landlords and owners. Firm enforcement action to protect the health and safety of tenants and occupiers will sometimes be essential but it should generally be viewed as a last resort, and the need for it minimised, where possible, by properly engaging owners and landlords in a long-term constructive dialogue. Further guidance on enforcement is given in the code of guidance for dealing with unfit premises (Annex B of circular 17/96).

- 3.38 It should be noted that local authorities will continue to be required by section 605 of the Housing Act 1985 to consider, at least once a year, the condition of all housing in their areas, irrespective of tenure. This will be with a view to determining what action to take in the performance of their functions. Furthermore, in accordance with section 8 of the same Act, authorities will still have to consider housing conditions in their area and the need to provide further housing accommodation. When considering the need for accommodation, they must have regard to the special needs of chronically sick and disabled persons.
- 3.39 Authorities will also continue to be statutorily obliged to consider the most satisfactory course of action in respect of premises that have been identified as unfit for human habitation. The neighbourhood renewal assessment (NRA) will continue to be the recommended method for considering the most satisfactory course of action. Authorities should therefore ensure that their policy responses are adequate and appropriate for the range of outcomes that can arise from the NRA process, and should consider the following questions:
- **Repair** – What forms of grant and/or loan assistance might be made available, and in what circumstances? When would it be more appropriate to assist an owner in acquiring an alternative home?
 - **Deferred action** – Is it appropriate to provide some form of low-level assistance to accompany the service of a deferred action notice?
 - **Closing order** – Would assistance be appropriate to bring a property back into use following the making of an order?
 - **Demolition order** – In what circumstances might assistance be made available to meet demolition costs and/or to fund rebuilding after demolition?
 - **Clearance area** – What policy provisions would be appropriate to enable persons to acquire living accommodation elsewhere? When might it be beneficial to provide assistance with the construction of new buildings on the site?

Clearance areas

- 3.40 The replacement of worn-out housing will be an important dimension of housing strategies in some regions. Authorities need to consider how their policy for assisting in the repair and improvement of existing properties is balanced by a clearance policy. They should pursue clearance on an even-handed basis and where it is considered to be the most satisfactory course of action. The factors to which local authorities should have regard in deciding whether clearance is the most satisfactory course of action are set out in paragraph 39 of Annex B in circular 17/96.
- 3.41 As noted in paragraph 5 of the Introduction to this circular the above guidance on enforcement and clearance will remain in force until the provisions in the draft Housing Bill, published for consultation in March 2003, are enacted.

Chapter 4

PREPARING A POLICY

- 4.1 Article 4 of the Order requires that, prior to using any powers to provide assistance under the provisions of article 3, a local authority must first have:
- adopted a policy which includes details on the provision of that assistance;
 - given public notice of the adoption of the policy;
 - ensured that a copy of the full policy document is available for inspection free of charge at all reasonable times at their principal office; and
 - ensured that a document containing a summary of the policy can be obtained by post.

Policy Content

- 4.2 The policy is essential for determining the nature and extent of assistance that will be available and for ensuring that housing renewal services are appropriate and effective. It will need to be evidence-based, realistic and achievable and will provide the means by which the strategic aims and objectives of an authority are turned into actions.
- 4.3 Judgement will be needed in the circumstances in which authorities offer grants, loans or a combination of both. The Government accepts that loans will not be suitable for all those in need of assistance and the Order is not intended to bring about the wholesale replacement of grants with loans. The Government would also consider that an authority was failing in its duty as a housing enabler and in its responsibility to consider the condition of the local private sector stock if it did not make some provision for assistance. ***A blanket ‘no assistance policy’, whether for grants, loans or both, would therefore be unacceptable.***
- 4.4 As the mandatory Disabled Facilities Grant will not normally be adequate to deal with all the likely requests for assistance with housing adaptations for disabled people, ***it is also important for the policy to set out what additional adaptations assistance is to be provided.*** Further advice on this can be found in the joint ODPM/DoH guidance ‘Delivering adaptations’
- 4.5 Authorities must also avoid fettering their discretion to provide assistance. They may legitimately turn down an application for assistance that falls outside their policy, but cannot refuse to consider an application, or refuse an application that is outside policy without there being a mechanism in place to determine such cases. The mechanism should ensure that exceptional cases that fall outside policy are individually considered on a sound and informed basis and approved where appropriate.

- 4.6 The full policy document detailing the assistance to be made available under article 3 of the Order should include the following:
- how the policy will contribute towards the fulfilment of the local authority's strategic aims, objectives and priorities including those expressed through a Local Strategic Partnership;
 - how the policy will contribute towards the fulfilment of the local authority's housing strategy and any other relevant corporate strategies;
 - a statement of the key priorities which the policy will address and the reasons for selecting them;
 - the amount of capital resources that will be committed to implementing the policy, including resources provided by partner organisations;
 - a description of the types of assistance available, what the assistance will be used for, and what key outcomes will be achieved by each form of assistance;
 - the circumstances in which persons will be eligible for assistance;
 - the amounts of assistance that will be available to eligible persons, and how these amounts will be determined;
 - the types and amounts of preliminary or ancillary fees and charges associated with the provision of assistance that will be payable and in what circumstances;
 - the process to be used to apply for assistance, including any preliminary enquiry system;
 - how persons can obtain access to the process of applying for assistance;
 - details of conditions that will apply to the provision of assistance, how conditions will be enforced and in what circumstances they may be waived;
 - advice that is available, including financial advice, to assist persons wishing to enquire about, and apply for, assistance;
 - the arrangements for complaints about the policy and its implementation;
 - the arrangements for applications for assistance to be considered where these fall outside policy;
 - key service standards that will apply to the provision of assistance e.g. how long it will take to approve an application for assistance once submitted, how long it will take for assistance to be completed once approved;
 - national performance indicators that are relevant to the policy and the targets that the authority has set itself to improve performance;

- local performance indicators and targets that will be used to measure the progress made by policy implementation towards meeting the authority’s strategic aims, objectives and priorities and the fulfilment of corporate strategies;
 - a policy implementation plan that will, amongst other things: state the policy commencement date; the planned date when a successor policy document will be issued; the frequency with which policy implementation (including performance against indicators and targets) will be reported and publicised; and the circumstances that might necessitate an earlier review of the policy document.
- 4.7 In order to minimise the number of publications they produce, authorities may consider publishing their policy as part of their wider housing strategy. However, a housing strategy is likely to have a longer life than the policy. To comply with the requirements of the Order the policy will need to be updated as authorities develop new terms of assistance.

Adopting the policy

- 4.8 The first step is for a report (which includes a copy of the full policy document) to be formally presented and adopted by the council according to its normal procedures for such matters.
- 4.9 The Audit Commission Housing Inspectorate will wish to examine reports used to adopt a policy during the course of their inspection work.

Giving public notice of the policy’s adoption

- 4.10 Local authorities should advise members of the public that they have adopted a policy if possible by placing a public notice in two local newspapers. Authorities may wish to supplement this with posters and leaflets and publish the policy on their website.
- 4.11 Authorities should note that they are not required to publish the policy itself within the public notice. However, the public notice should include:
- the name of the authority;
 - the date on which the policy was adopted;
 - clear details of where the full policy document can be examined by members of the public, and at what times;
 - the intended duration of the policy;
 - a brief description of the purpose of the policy;
 - contact details for further information about the notice.

Providing public access to the policy

- 4.12 A copy of the full policy must be available for public inspection at a local authority's principal office at all reasonable times and without charge. Authorities should also be able to make copies of the full document available in all other relevant public reception areas of their offices.
- 4.13 Where the policy targets a particular geographical area for assistance, it would be sensible to have the full document available for inspection in the nearest local authority office. Where policies focus on particular groups such as the elderly or BME communities, copies should be made available through any voluntary organisation assisting that group.
- 4.14 Copies should also be available through local Citizens Advice Bureau, public libraries and sent to all partner organisations, including HIAs, involved in policy delivery.

Providing a summary of the policy to the public

- 4.15 A summary of the policy must be available to the public on request. The summary must be available by post and if necessary a reasonable charge can be made for this service. Authorities should consider making copies of the summary available at other locations in the same way as the full policy document, the difference being that the public should be able to take away copies of the summary from wherever they obtain them.
- 4.16 It is imperative that policy summary documents should be clear and comprehensible to potential applicants. They should be written in plain English and should be available in other languages too where significant numbers of service users are likely to require this. Braille or taped versions will be necessary for visually impaired service users.

Monitoring and revising the policy

- 4.17 When formulating and adopting a policy, authorities should consider carefully its expected life and plan for capital resource allocations accordingly.
- 4.18 Regular monitoring of progress against performance targets, and broader aims and objectives, will be essential in determining whether policy implementation is satisfactory. Equally important will be monitoring through customer consultation work, such as focus groups and satisfaction surveys. Consultation should be used to evaluate not only customers' views and experiences of current services provided under a policy, but also their needs and expectations for future services that could be provided under a new policy. Progress made in policy implementation, and the occurrence of new issues to be addressed, will need to be reported regularly to the council, authorised person(s) or body that adopted the policy.
- 4.19 Regular stock condition and housing needs surveys, and ongoing research into the circumstances of local housing markets, demographic trends and socio-economic factors, will be necessary to effectively monitor policy implementation.

Dealing with complaints and redress procedures

- 4.20 Authorities should already have in place a general complaints procedure and an appeals procedure. Where clients are refused access to a particular loan product due to the authority's prioritisation procedures, provision should be made for appeals. How clients initiate both complaints and appeals procedures should be written down and freely available to clients.

Changes to policy

- 4.21 Where any significant changes are made to the published policy for housing renewal these will have to be reported and adopted by the council. The appropriate amendments to relevant policy documents and summary will need to be made and the requirements in relation to publication and dissemination will also need to be fulfilled.
- 4.22 Such significant changes will include those to eligibility and scope as well as any new forms of assistance which might be introduced. In order to avoid the need for frequent changes the policy adopted should be carefully drafted so that minor changes to policy delivery, which do not affect the broad thrust of policy direction, can be accommodated without a formal re-adoption process.

TRANSITIONAL ARRANGEMENTS

INTRODUCTION

1. The general power to give assistance has been available to local authorities since 18 July 2002. However, exercise of the power is subject to the requirement that it is used in accordance with a published policy on housing renewal assistance. In effect, this means that authorities cannot use the new power until they have such a policy in place.
 - The 1996 Act powers to give grant assistance (except in relation to mandatory DFG) will be repealed from 18 July 2003.
 - The amendments to DFG legislation, the extension of DFG eligibility to park home and houseboat occupiers and the removal of discretionary DFG provision will also take effect from 18 July 2003.
2. The changes to the legislative provisions on renewal areas take effect in two stages. All changes to Part 7 of the Local Government and Housing Act 1989, except for the repeal of section 93(5)(b), took effect from when the Order was made. This gave authorities immediate flexibility in declaring renewal areas. The repeal of section 93(5)(b), which gives authorities the power to give grant assistance within a renewal area, will not take effect until 18 July 2003.

GRANT APPLICATIONS

3. Grant applications (for renovation, relocation, home repair assistance or discretionary DFGs and including grant assistance given within a renewal area) and loan applications (for altering, enlarging, repairing or improving a house), approved under the terms of existing legislation will continue to be dealt with under these terms. This applies both to those grants approved before the Order came into force on 18 July 2002 and those approved during the 12 months between the Order being made and the amendments to the existing legislation which take effect on 18 July 2003. Once the authority has its published policy in place it may give new assistance in accordance with that policy (although authorities could use the new power in addition to the existing legislation until 18 July 2003).

GROUP REPAIR SCHEMES

4. Group repair schemes declared before 18 July 2002 will continue to operate under the terms of the existing legislation.
5. During the transitional period (up to 18 July 2003) authorities may continue to declare group repair schemes under the terms of the existing legislation and these will continue to operate under those terms throughout the life of the scheme.

6. Once a published policy is in place authorities may declare and operate new group-based renewal schemes in accordance with that policy.

RENEWAL AREAS

7. Renewal areas declared before 18 July 2002 will continue to operate under the terms of the existing legislation for the remainder of the renewal area period.
8. Renewal areas declared on or after 18 July 2002 will be declared and operate under the amended terms of the 1989 Act (in accordance with article 14 and schedule 5 of the Order).
9. During the transition period up to 18 July 2003 assistance within renewal areas can be given either under the terms of section 93(5)(b) of the 1989 Act (grants only) or under the terms of the new general power if the authority has a published policy in place which allows it to do so.

CLEARANCE AREAS

10. Clearance area legislation remains unaffected by the reforms.

PROCEDURES FOR PROVIDING ASSISTANCE

INTRODUCTION

1. Local authorities are free to decide their own policies and procedures in relation to the use of the general power to provide assistance. This Annex aims to provide information and good practice to help authorities design procedures and processes to support and deliver their adopted policy. In most instances the advice given is equally applicable to grant and loan assistance.
2. In this section, reference is made to:
 - those issues that must as a minimum be included within procedures and processes in order to provide protections to recipients of assistance, local authorities and the public purse;
 - key issues authorities will need to consider when drawing up procedures and processes to help ensure that certain broad principles are met.

MINIMUM REQUIREMENTS FOR PROCEDURES AND PROCESSES

3. Procedures and processes *must* as a minimum ensure:
 - that authorities set out in writing, to each person being provided with assistance, confirmation of the terms and conditions under which the assistance is being provided;
 - that authorities satisfy themselves that recipients are fully aware of any financial commitment they are entering into;
 - that a person's ability to contribute towards or repay any assistance is taken into account before requiring them to do so;
 - that work for which assistance is being provided, or conditions relating to the assistance, can only be varied with the consent of persons likely to be affected by the variation;
 - that the consent of the owner of the living accommodation is obtained before works are undertaken;
- that the consent of the person being provided with assistance is obtained before revoking any conditions applying to the assistance.

BROADER PROCEDURAL CONSIDERATIONS

4. The procedural matters below will also be relevant when developing procedures. They are not meant to be a prescriptive set of rules but a checklist to help authorities meet the following overarching principles:
 - duties under the Local Government Act 1999 to provide best value through the operation of customer-focused, cost-effective and efficient procedures;
 - obligations enshrined in administrative law such as the duty to act reasonably and fairly;
 - ensuring that policies and procedures are robust enough to safeguard and secure value for money from public funds and to minimise the risk of fraud (further advice on ensuring propriety and fraud prevention can be found in Annex C);
 - developing procedures that are transparent, fair, and efficient. This will help mitigate against legal challenges or allegations of maladministration.

THE PROVISION OF GOOD INFORMATION, ADVICE AND PUBLICITY

5. The provision of clear, concise, easy to understand and readily accessible information is a vital aspect of providing a good service under the principles of Best Value. It is important that all customers have access to literature that summarises the authority's policy and procedures for providing assistance. This could include:
 - the types of grant, loan or other assistance available;
 - whether their personal circumstances and property condition make them eligible to apply, with a reasonable expectation of receiving some form of assistance;
 - how to make an enquiry and application for assistance;
 - any help or advice available with making an application through in-house agencies, HIAs, or partners in any loan scheme operating locally;
 - approval and payment processes;
 - any conditions that apply;
 - how their contribution (if any) or loan repayments will be calculated and when the loan repayment would be required;
 - how to resolve problems during and after completion of works;
 - target timescales for operating different parts of the process. These could be targets taken from the local performance plan or could be specifically adopted and set out in the publicity such as times taken for enquiry, survey, approval and payment stages;
 - assistance that may be available instead of or in addition to a grant or loan;

- advice, assistance and advocacy services that may be available from local HIAs where support is required;
 - provisions for dealing with requests for assistance that fall outside the policy provisions and complaints procedures.
6. It is for authorities to decide the appropriateness, content and format of publicity and information. Authorities should avoid potentially excluding parts of the community from assistance because the information provided is not accessible or cannot be easily understood. This will be especially important for groups such as older people, disabled people and those whose first language is not English.

FEES AND CHARGES

7. Within their policies, local authorities should also state what preliminary or ancillary fees and charges associated with the provision of assistance will be paid as part of that assistance. This might include fees charged by in-house grant agency services, private architects and surveyors or HIAs, and could include either in-house or out-sourced loan administration costs. The Government does not intend to dictate what fees and charges should be eligible for assistance or the level of such fees and charges that should be payable. It will be for the local authorities to determine this.
8. Clearly only reasonable and necessary fees and charges should be eligible for assistance. In accordance with the requirements of Best Value, authorities should actively compare these costs with other local authorities and service providers, and should carry out market testing where appropriate. At all times authorities should seek to keep the cost of eligible fees and charges to a minimum but without compromising the quality of service provided to the customer.
9. Further advice on the application of eligibility criteria and conditions, the setting of levels of assistance and the funding of fees and charges is given in Chapter Three.

DEALING WITH INITIAL ENQUIRIES

10. Authorities should consider how to deal with persons making an initial enquiry about assistance under their adopted policy. A successful pre-application process will efficiently channel enquirers into the most appropriate type of assistance at an early stage or signpost them to more appropriate agencies to help resolve their problems.
11. The pre-application process could involve providing enquirers with basic information on the assistance available and the process to be followed along with an initial enquiry form. The information provided should help enquirers and authorities to gain a reasonable indication of their eligibility for grant, loan or other assistance, and any likely contribution that they would be expected to pay.
12. Preliminary information to be collected from enquirers could include the work required at the property, what assistance they are seeking, their financial circumstances, and how they meet any criteria adopted under the policy such as whether they own the property, how long they have lived there etc. A pre-application process will help avoid confusion and uncertainty and minimise the inefficiency of dealing with abortive applications.

13. Within a policy for providing assistance, authorities will need to consider the responsibility for the specification, management, and control of the work being carried out. Broadly speaking this can be divided up into the following:
 - identification of the work required;
 - agreeing the type and extent of assistance to be given;
 - supervision and control of work in progress;
 - completion of work, payment, and ongoing maintenance.

IDENTIFICATION OF THE WORK REQUIRED

14. Local authority surveyors, an HIA, builder, agent, or the applicant could draft the specification of work. There will need to be clarity regarding the work to be undertaken and the outcomes to be achieved, for example the SAP rating following energy efficiency work, or the hazards to be eliminated by the work. The specification should detail the work, showing the items for which assistance is being given, together with any additional work that is required as a condition of the assistance. The specification may also identify other regular maintenance tasks and repair work that should be carried out in the future.
15. The agreement and consent of all affected parties is required, and the arrangements will need to identify responsibility clearly for work being carried out, especially where two or more adjacent properties are included in the scheme. There should also be clear guidance for applicants on the conditions (if any) that the authority is intending to impose on the provision or granting of assistance.

MAKING AN APPLICATION FOR ASSISTANCE

16. In providing assistance under the general power there is no requirement to make an application for a grant, loan or other assistance on a prescribed form. It is for an authority to decide its own application processes and the format and contents of application forms. However, it is a requirement that the consent of the owner of the property for which assistance is being provided is obtained before works are undertaken, and due consideration needs to be given to this at the application stage.
17. It is important that the amount of information sought from an applicant should be commensurate with the extent and cost of the work. Thus for small-scale forms of assistance applicants should have to provide only the minimum amount of information necessary. As a matter of good practice standard application forms will enable the operation of a transparent and fair system, help make best use of public funds, and assist with detecting and preventing fraud.
18. When designing new application forms authorities may find it helpful to refer to the following checklist of items to be included:
 - the name, address and age of the person applying for assistance;
 - the name and address of the owner of the property;

- the address and age of the property for which assistance is being sought;
- whether the applicant is an owner, landlord or tenant;
- information about previous assistance received (with dates) for the property;
- number of years resident at property for which assistance is being sought;
- evidence relating to the available equity within the property;
- the provision of sufficient information on the income and outgoings of the applicant to enable the assessment of any contribution or their ability to finance loan repayments. The information required will depend on the specific means-testing and/or lending policies adopted;
- evidence relating to the open market value of the property, and any outstanding mortgage commitment;
- evidence relating to the acquisition costs of alternative accommodation where assistance is being requested to relocate;
- a summary of works required or the costs of materials;
- information about whether the works or any part of them are covered as an insured peril under the applicant's home insurance policy;
- a detailed breakdown of the works along with competitive estimates from at least two builders;
- details of any agent handling the application;
- details of ancillary services and charges;
- certificate of owner-occupation;
- certificate of ownership;
- tenant's certificate;
- certificate of availability for letting (landlords);
- certificates binding applicants to provide information when required, to demonstrate that they are complying with any conditions the local authority has set;
- proof of title;
- utility bill showing the applicant's name, and the address of the application property;
- valid application date;

- a clear statement that all information provided by the applicant will be checked thoroughly and could be shared with other organisations handling public funds to prevent and detect fraud;
 - a clear statement that knowingly providing false information or withholding information could lead to prosecution for fraud;
 - provision of a statement that the owner of the property consents to the work being undertaken.
19. The questions, precise wording on application forms and other enclosures required will depend on the policy adopted by authorities. Authorities may wish to seek advice from their legal departments about the wording of certain parts such as in relation to the prevention and detection of fraud.

APPROVAL OF APPLICATIONS

20. In approving any grant, loan or other form of assistance, authorities are required to:
- (i) set out in writing to the applicant any terms and conditions that apply to the assistance being provided;
 - (ii) satisfy themselves that recipients of assistance are aware of any financial commitment they are taking on.
21. Where a variation to the originally approved scheme is necessary, authorities are required to seek the applicant's consent to the variation (unless the applicant has requested it). This is particularly important as an applicant's contribution could increase with the increased cost of works, depending on how local tests of resources have been set up, or the assistance may be provided through a repayable loan and the applicant will be required to repay part or all of the costs.
22. It is advised that, as a minimum, the approval notification should set out clearly, as applicable: the means-tested contribution towards grant assistance; the amount of loan and how the loan is to be repaid (e.g. the duration and amount of instalments or the date when the loan has to be repaid); and any other financial commitment linked to receiving any other form of assistance.
23. There is no other specific requirement about the content of approval notices or notification. Amongst other things, the following could be considered:
- the name of the type of assistance being provided;
 - specifying the person(s), property and works to which the assistance applies. This will help to ensure that funds are used for the reasons intended;
 - the type and amount of fees or charges, including those made by the authority;
 - setting time limits for the commencement and completion of works, having regard to the nature and extent of the assisted work. This will help applicants who are not using an agent to secure start and completion dates from the

contractor and help authorities monitor the programme of works and assist with the effective management of staffing resources and spend of capital programmes;

- any other conditions attached to the approval.

24. There is no specific requirement to determine applications for assistance in prescribed time periods. When making decisions about this, authorities should take into account the need to set and publish service standard targets, and monitor and report on performance under the principles of providing best value. In setting targets, due regard should be given to providing a good service to customers, and the example of authorities which have been judged under Best Value as good or excellent performers for this part of the process. Setting targets and developing procedures for determining applications will also assist with the effective programming and spend of capital programmes.

SETTING LEVELS OF ASSISTANCE AND CONDITIONS

25. Local authorities have the freedom to decide their own criteria within their policy about:

- eligibility conditions i.e. those criteria or conditions applicants have to meet before being eligible to apply for assistance;
- terms and conditions that apply to the approval of assistance;
- the maximum levels of assistance that can be provided.

26. There are certain requirements about the use of conditions that authorities are required to meet, namely:

- **setting out in writing to the applicant any terms and conditions that apply to the assistance being provided;**
- **satisfying themselves that recipients of assistance are aware of any financial commitment they are taking on;**
- **before imposing or enforcing any condition relating to repayment or the making of a contribution, authorities must have regard to the ability of the recipient to make the contribution or repayment.**

27. Before deciding conditions about eligibility and approval of assistance, authorities should have regard to how these:

- help protect the public purse by ensuring effective targeting, preventing or minimising fraud and impropriety, and preventing speculative purchase of rundown properties;
- ensure that the works to be undertaken at the property are of the nature and extent intended under the policy, and to a satisfactory quality of workmanship;
- help protect the investment made in properties;

- promote regular maintenance of properties after receiving assistance;
- lever private sector investment into property repair and maintenance;
- promote the idea that responsibility for repair and maintenance of private homes rests with the owner;
- assist with the operation of the private rented sector market in the area;
- tackle problems of obsolescence and low demand;
- are fair and reasonable;
- are practical and enforceable;
- ensure that occupation after assistance meets stated aims of the adopted policy;
- help protect vulnerable individuals;
- help authorities meet their duty to provide Best Value;
- help promote good quality work and ensure value for money;
- ensure the effective management of capital programmes.

28. Examples of conditions that could be used, including many of those from previous legislation, are set out below. Authorities are free to use whatever reasonable conditions they deem appropriate having regard to their local circumstances and policy.

Eligibility conditions:

- completion of a prescribed application form and supporting documents;
- minimum age of applicants;
- persons eligible to apply – consideration as to ownership, age, disability, income levels;
- minimum time of ownership and/or occupation;
- criteria about proportion of occupying tenants required for common parts;
- eligible types of properties;
- minimum age of properties;
- eligible works;
- dealing with applications where works commenced before approval;

- criteria relating to minimum timescales between repeat applications (see below);
- disclosure of relevant information.

Conditions attached to approvals:

- maximum amount of grant or loan available;
- amounts of professional supervision and other ancillary fees allowable;
- means-tested contributions to be paid and/or repayment conditions (amount, timing, duration) for loans;
- maximum repayment period for loans;
- linking the amount of landlord assistance to other initiatives e.g. higher level of grant if landlords are accredited under a local scheme, or if an HMO is licensed or registered, or linking assistance to a landlord's previous track record on maintaining and managing his or her properties;
- use of approved contractors and agents to carry out work;
- payment arrangements e.g. payment directly to contractors or supervising agent, with caveats about varying payment authorisation where there is a dispute about quality of work;
- requirement that applicants pursue insurance claims against insured perils and repay this proportion of the assistance or that this is paid before assistance is provided;
- works undertaken to be insured e.g. builder to provide a recognised warranty;
- maximum amount of time allowed for start and completion of works;
- payment subject to carrying out all specified works;
- conditions to be met before invoices are paid;
- in-house agency to be used (e.g. larger jobs and/or vulnerable clients);
- landlord grants subject to receiving nomination rights for tenants;
- landlord grants for certain work, subject to their undertaking other work e.g. grant for fire safety work subject to their installing security measures or energy efficiency work;
- future occupation – duration, repayment on disposal, use of sliding scale for repayments, exempt disposals;

- cases where grant will be reclaimed e.g. if applicant ceases to be eligible or was not eligible at the time of application, if other conditions are not met;
 - conditions as to when and how repayment is required and exemptions to these rules, if applicable;
 - future maintenance of property, and standard and duration of this requirement after work has been completed, or after a new property has been acquired using assistance;
 - approval/payment of grant conditional on loan being taken up to undertake specified non-grant-aided work;
 - maintenance of specialised equipment;
 - recovery and recycling of specialised equipment;
 - assistance linked to reaching a prescribed outcome e.g. under the housing health and safety rating system or SAP/NHER;
 - future occupation where assistance provided to convert or bring back into use empty property.
29. Authorities need to consider the timing and nature of providing information about any conditions. They should aim to inform enquirers at an early stage about their policy on terms and conditions, likely levels of means-tested contribution, likely level and duration/timing of loan repayments or any other condition that applies. This could be at enquiry stage so that enquirers can make an informed choice about whether they wish to proceed having regard to conditions and their own financial input.
30. Local authorities have powers to place a charge on the property until the condition period has expired. They may wish to consider allowing flexibility in their policy to delay the recovery of the charge in certain circumstances.

SUCCESSIVE APPLICATIONS

31. Authorities need to consider their policy on successive applications for grants or loans at the same property. When deciding policy, due regard needs to be given to the appropriateness or otherwise of providing assistance for the same property on more than one occasion and the length of elapsed time after which it would be reasonable to allow a repeat application. Consideration should be given to allowing repeat applications for different work, or the same type of work to a different part of the property. In certain circumstances, it may be appropriate to allow flexibility for householders to carry out different assisted works over a period of time where, for financial or other reasons, they may prefer not to have large amounts of work done all at once.

MAKING PAYMENTS

32. Authorities are free to set their own parameters, procedures and conditions for making payments. Important aspects of assessing the effectiveness of policies to provide assistance will be the quality of completed work and minimising opportunities to

defraud the public purse. Authorities may therefore wish to consider appropriate safeguards to ensure that payment of all or part of the assistance can only be made when they are satisfied that works have been undertaken to their satisfaction, that the objectives of providing assistance have been met, and that funds are being used as intended. If an in-house or external agency is not contracted by an applicant to supervise the work, then the responsibility for the quality of work rests with the applicant. Where this is the case, this should be made clear to applicants prior to the approval of assistance.

33. To ensure quality and protect against fraud, authorities could consider the following requirements:
 - clear rules about what works and other costs are eligible for payment, including preliminary and ancillary costs, fees and charges;
 - the production of acceptable bona fide invoices, to a specified format and content, and specified other paperwork e.g. electrical safety or gas certificates;
 - that applicants sign a form stating that they are satisfied with work;
 - that inspecting officers or agents certify that they are satisfied with the quality of work;
 - the use of recognised warranty products and production of documents before payment;
 - specifying that payment is made directly to contractors (with exceptions);
 - only making payments on invoices above the value of the means test contribution (to ensure that applicants pay their assessed contribution);
 - requirement to pursue claims against work covered under insurance policies before payment is made;
 - payment only for approved additional and/or unforeseen work;
 - controls on the availability and amount of interim payments.
34. There is no specific requirement to process payments in a prescribed time period. Authorities should, however, take into account the need to set and publish service standards and targets, and monitor and report on performance under the principles of providing Best Value. In setting targets, due regard should be given to providing a good service to customers and to the example of authorities who have been judged under Best Value as good or excellent performers for this part of the process. Authorities should also consider the needs of contractors, especially smaller contractors where cash flow may be quite critical, when setting targets and developing procedures for making payments.

CONTRACTOR ISSUES

35. Authorities need to develop policies on contractors and agents that will help to minimise opportunities for fraud and abuse, and promote good quality through the use of their general power to provide assistance.
36. Close control over the building process is essential if high quality work is to be achieved. Authorities will need to consider carefully the resources they have available to supervise work in progress, whether they will undertake to supervise that work, and the ability of applicants to supervise the work properly in the absence of any support from the authority or external agency.
37. Delivery of programmes of work through in-house grant agencies or through partnerships with builders, agents and HIAs will enable a better service to be provided to applicants. It will also allow the authority to control standards of work better, and raise standards concerning health and safety and compliance with the Construction, Design and Management Regulations, as part of a regular monitoring and vetting process for builders and agents.
38. In all circumstances the authority must satisfy itself that recipients are aware of the terms and conditions under which the assistance is being given, the financial commitment they are taking on and the details of any variation to the specification or conditions. Variations must be negotiated with recipients, taking into consideration their ability to afford any additional costs. Authorities have a clear obligation to ensure that public money is properly spent and Best Value achieved.

APPROVED LISTS, ACCREDITATION SCHEMES/CHARTERS FOR BUILDERS AND AGENTS

39. Authorities may wish to consider the operation of approved lists or local accreditation schemes/charters for builders and agents. Such schemes could bring significant benefits by setting criteria for inclusion such as:
 - standards of customer care such as keeping to appointments, keeping the site tidy, controlling noise etc.;
 - vetting of financial standing, tax and VAT status;
 - requiring the use of suitable building contracts;
 - promoting good health and safety practices;
 - requiring the use of warranty schemes;
 - wearing of local authority designated ID badges;
 - ensuring that adequate insurance is held;
 - requiring references;
 - providing applicants with written quotes, start and completion timescales;

- obtaining written consent from owners before undertaking additional work.
40. Authorities could also consider making it a condition that providing assistance is linked to using only those builders and agents who have been accepted onto the list/charter. Care needs to be exercised when setting up and operating such lists to ensure that there are clear and transparent criteria and processes for applying to be included, and for exclusion or removal. Authorities need to recognise that such schemes must be adequately managed and policed to make them successful.
 41. Particular care will be needed to ensure that applicants are aware of the status of builders and agents on lists. Clear statements should be made that the legal and contractual relationship is between the applicant and builder/agent and not with the local authority. Authorities need to take legal advice on the wording of disclaimers when providing lists. This is particularly relevant if they are described as ‘approved lists’ and use of builders/agents on the list is a condition of providing assistance. Even if lists are described as a ‘charter’ or ‘accredited list’, it should be made clear that the ultimate choice of builder/agent rests with the applicant, and the contractual relationship is between the applicant and the builder/agent.
 42. As well as, or as an alternative to, local schemes, authorities should consider the use of any recognised national schemes designed to give consumers greater confidence in choosing a building contractor. For example, where schemes such as Quality Mark are established locally, authorities could consider requiring applicants for assistance to use contractors within this scheme, but with the same care being required on clarifying contractual relationships, choice, and liabilities.

TENDERING PROCEDURES AND VETTING ESTIMATES

43. In order to ensure good value for money, the most appropriate tendering procedures for assisted work need to be considered. As a minimum, two competitive estimates should be required. Authorities need to satisfy themselves that the cheaper of these estimates provides value for money. An effective way of achieving this is by cross-referencing against their own priced schedules of rates, either taking the schedule of rate pricing if it is lower, or accepting the contractor’s estimate if it is reasonably close to the rate (especially where other prices submitted in the tender are below the authority’s own rate). Authorities need to be mindful that their prices should reflect local market conditions and not deter good contractors from tendering for grant-assisted/loan-assisted work. Neighbouring authorities would benefit by benchmarking building costs between them.
44. Most improvement and repair work is taxable at the standard rate of value added tax (VAT). VAT should be admissible for grant- or loan-assisted aid. When assessing estimates, authorities should ensure that there is genuine and fair competition. In considering estimates, it would be reasonable to address issues such as VAT registration, the contractor’s previous performance and ability to undertake the works to a good standard and in good time. When assessing VAT liabilities of contractors who have submitted estimates, authorities may wish to check their VAT status with Customs and Excise. They should also bear in mind that contractors who charge VAT may be able to recover the VAT they pay, whereas contractors who are not registered for VAT are still required to pay VAT on materials they buy and have to absorb these costs.

PAYMENTS TO CONTRACTORS

45. Authorities need to safeguard against fraud and abuses of the system such as applicants not passing on grant or loan money to contractors, or seeking to secure extra works at the same price. For example, authorities may wish to make it a condition that payment is made directly to the contractor. If they do this, their policy and procedures should allow for the applicant to be duly informed, and build in other safeguards such as how to deal with a dispute over the quality of works undertaken. This could be achieved by reserving the right to make payment to the applicant in certain circumstances. Care needs to be exercised when considering all these options to ensure that fairness prevails and that work satisfactorily completed is paid for in good time.
46. Consideration needs to be given to how to deal with estimates and invoices for assisted work from applicants or members of their family. Allowing such assisted work to be undertaken carries a higher risk of collusion and fraud. Authorities need to consider whether they do not allow this at all, allow it but only pay the cost of materials, or do allow it. In the latter case, they need to satisfy themselves that the system is not being abused.
47. Authorities should consider the merits of making it a condition that the contractor who supplied the successful estimate must carry out the work. This condition would help to maintain control over specifications supplied by contractors, reduce misunderstandings about the work required and minimise wasted time and effort of contractors preparing estimates. If this condition is used, the adoption of appropriate exceptions to the policy needs to be considered.

ENSURING PROPRIETY AND PREVENTING FRAUD

INTRODUCTION

1. This section of the circular aims to provide information about the possibility of fraud occurring when assistance is given. The information draws amongst other things on the research document Fraud in the Private Sector Renewal and Disabled Facilities Grants Programmes, August 2001, produced by the former DTLR and DTZ Pbeda Consulting. Local authorities should refer to the Code of Guidance and the full DTZ Pbeda document to assist them with setting up policies and robust administrative procedures to protect against fraud. Included in the full research document, but not within this circular, is advice and information on staffing structures and resourcing issues, separation of officer functions and wider issues such as corporate culture, whistle-blowing policies, training of staff and the role of internal auditors.

THE NATURE OF FRAUD

2. The possible types of fraud identified by the research are:
 - applicants misrepresenting their financial circumstances e.g. by failing to declare income or capital. This is particularly difficult to police where applicants are self-employed;
 - collusion between applicants, agents and contractors. Typically this results in a genuine competitive tendering process being evaded and work being secured at an inflated price, with profits shared by all parties to the fraud;
 - claiming more grant than the value of work undertaken e.g. by employing sub-contractors to do work at a lower cost than that tendered; using substandard materials; applicants or agents using a different contractor to the one who tendered or doing the works themselves; not carrying out specified parts of the work; contractors charging VAT when not VAT registered;
 - breaching preliminary conditions on occupation after approval e.g. claiming to own the property when they do not; stating that they will live in the property but never doing so; landlords stating that they will let the property but not doing so;
 - non-notification of sale within the grant repayment condition period;
 - fraud or impropriety by local authority staff relating to the application and approval process e.g. drawing up bogus specifications of work; favouring particular persons outside policy and priority systems; favouring particular contractors or agents by referring work to them;

- misrepresentation of medical condition to obtain assistance.

RISK ASSESSMENT

3. The DTZ Pleda research identified potential risks in six different dimensions of the grant system: the type of grant; type of applicant; stage in the process; type of authority; funding regime; and administration and management of systems and procedures.
4. Generally speaking, there was a much higher risk of fraud in private sector housing renewal programmes (PSHR) than with Disabled Facilities Grants . Within the PSHR programme, fraud was more prevalent in renovation grants than home repairs assistance. This reflected the greater incentive to act fraudulently for higher value grant work.
5. Those most likely to commit fraud were self-employed people, who have the greatest opportunity to misrepresent their financial position from cash earnings; those whose income relies heavily on tips; landlords whose income from rents is often difficult to determine; and applicants passported through the test of resources who were claiming these benefits fraudulently.
6. The research showed that the most significant source of fraud in PSHR and DFG programmes was applicants misrepresenting their financial position. In the research, this accounted for 64% of fraud in the renovation grants system and 83% of all cases in the DFG system. The other stage of the application process giving rise to significant fraud is the process of determining the range and cost of works to be undertaken. A major risk here is collusion between applicants and their agents and contractors to secure work at inflated prices, and claims for additional payments associated with unforeseen works. Generally speaking, there was a greater risk of fraud in metropolitan authorities compared to district authorities.
7. There appears to be a higher risk of fraud where grants are provided as part of a targeted short-term regeneration programme. This risk arises from the pressure to deliver outputs at the expense of compliance with policies, and procedures designed to protect authorities from being defrauded. Delivery of programmes from small area-based offices may also reduce opportunities for separating officer functions, an important way of reducing the risk of fraud.
8. Effective management procedures (e.g. separating officer functions and spot checks by senior officers and managers of work in progress or completed works) are important, particularly in relation to preventing fraud by grant officers.

GOOD PRACTICE

9. Drawing from the key findings of the research document, and having regard to other good practice, authorities are advised to consider the following good practice recommendations to prevent and detect fraud:
 - consider how the use of information systems can assist with controlling and auditing administration processes, for example by storing information on all entries and alterations made throughout the process; restricting access to certain

activities e.g. scheduling works; authorising approvals; processing payments according to pre-set levels of access;

- produce a clear policy and procedures document, and devise supporting paperwork/IT to map out clearly different stages of approval and payment processes, and consider use of countersigning by senior officers and managers at various stages;
- use prescribed application forms. Include in the form a clear statement that all information provided by the applicant will be checked thoroughly and could be shared with other organisations handling public funds to prevent and detect fraud, and a clear statement that knowingly providing false information or withholding information could lead to prosecution for fraud;
- produce a schedule of works and specification, making clear the assisted works, building methods and specification of materials to be used;
- require a competitive tendering process involving at least two contractors. Base the eligible cost of work on the lower of the estimates and check that these costs provide good value. This can be achieved by authorities developing and using their own pricing schedules for comparison;
- require an estimate for eligible additional/unforeseen works. Check this against the pricing schedule and issue an official variance letter for the assistance;
- require that works be undertaken by the contractor who submitted the accepted estimate;
- consider the use of approved lists of contractors with clear minimum requirements for entry and policing of its operation;
- use Land Registry checks to verify property ownership details and how long applicants have lived there;
- to assess applicants' financial circumstances for tests of resources, or to determine eligibility for amounts and repayments of loan assistance, authorities should consider what questions to include on the application form, and the level of subsequent checks to verify answers given. Of particular relevance will be salary and wage slips (over a period of at least a year), share certificates, bank statements, pension books, and benefit books. Routine cross-checks should be made against this information held elsewhere in the authority or by other agencies, for example local authority Housing Benefits sections and the Benefits Agency. Authorities should consider higher levels of checks against high-risk groups such as the self-employed;
- make payment conditional on the inspection of works, and receipt of bona fide invoices;
- consider the use of post-completion checks of occupancy, if conditions about future occupancy are used;

- within administrative procedures, consider how best to accommodate separation of officer functions (both technical and administrative parts of the process) and quality control of different parts of the process by senior officers and managers.

WORKING WITH HOME IMPROVEMENT AGENCIES

1. Home Improvement Agencies (HIAs) are generally small non-profit-making bodies managed locally by housing associations, local authorities, independent management committees or charitable organisations, such as Age Concern. Their main functions are:
 - to help older, disabled, and vulnerable people to remain independent in their chosen home by identifying necessary repairs and improvements, finding suitable contractors and ensuring the work is properly carried out;
 - to help people to access public resources for housing renewal, including disabled facilities grants, where available;
 - to help make use of other sources of funding through information on loans, insurance, charitable finance and equity release.
2. A major advantage of HIAs is their perceived independence from any statutory body and their sole focus on meeting the needs and aspirations of their client groups. It is this strength that allows them to diversify into the provision of other complementary services and address the housing, social care and health needs of their clients. Their work, client group and independence make them well placed for the delivery of an authority's policy for giving assistance. In some of the existing agencies, the range of services already offered will be a firm base from which to review use of the power to give assistance. Local authorities should carefully consider the future role of HIAs in their area, the provision of HIA services where they are not already covering a geographical area and the expansion of core and additional services.
3. The agenda for modernising and reforming the provision of housing, care, health and support services to meet the needs of older and disabled people underlines the principles that are central to the operation of a quality HIA service. Priorities are now focused on promoting independence and providing care and support services close to or within the home rather than institutional solutions. This will need to be reflected in client- or theme-based priorities for the provision of assistance by local authorities. The Supporting People agenda will encourage much closer links between all sectors involved in the provision of support services to people living in their own homes.

THE ROLE OF HIAs IN PROVIDING ASSISTANCE

4. A good quality HIA service is able to offer vulnerable householders options and choice, independent advice and assistance, flexibility in tackling their problems, and can broker collaborative solutions to housing-related needs. To enable them to achieve this they will frequently have to mix funding sources to deliver the appropriate scheme of work.

5. When assessing how to work in partnership with an existing HIA or whether to establish one, local authorities will have regard to their identified priorities and those set in partnership with other agencies. The activities of HIAs differ considerably depending upon their size and the resources they are able to access. Partnership and performance will need clear performance indicators, outputs, targets and outcomes to be agreed upon. This should focus on monitoring the quality of service provided and the achievement of outcomes. In considering how to provide assistance through HIAs authorities may wish to consider the following types of initiative:

Repair and maintenance – Provision of assistance through grant, loan, or payment for materials or labour can help the HIA deliver a core service to clients. They can offer guidance on the required work and assurances that any repairs undertaken will be completed satisfactorily, to budget and on time. Jobs undertaken can range from the very small to major renovations, with the agency specifying the work, obtaining estimates, vetting builders and supervising the work. This type of activity can also emphasise the importance of regular maintenance work in order to avoid the need for major works at a later date.

Handyperson schemes – Authorities could provide financial assistance for labour and/or materials to enable handyperson schemes to carry out small repairs to the homes of targeted client groups such as those on low incomes, and older and disabled people.

Financial options – HIAs offer clients an overview of the options available to them to finance any necessary scheme of work. Under local contractual arrangements, HIAs could administer loan assistance on behalf of the authority, or a mixture of grant and loan, in accordance with the adopted policy. Older home owners often possess significant equity within their property. Those HIAs that have the necessary skills and experience will be in a good position to offer support to clients to access alternative sources of income, including raising loans against the equity in their property. Local authorities will have the primary responsibility to ensure compliance with the requirements of article 3(5) of the Order regarding provision of advice and information.

Advice and advocacy services linked to assistance to ‘move on’ – HIAs assist people to identify problems with their home and how these may best be addressed. This includes a review of all housing options open to the client. Renovation or adaptation work will not always be possible or suitable for the client. In these circumstances the HIA, with the agreement of the home owner, could arrange for the purchase of a more suitable property or help with moving to accommodation provided by partner agencies. The local authority or a housing association could provide the necessary financial assistance to enable this to happen by acquiring the property, and the HIA could provide ongoing support throughout the move. In this way better use could be made of underused accommodation and provide an opportunity to meet housing need within an area.

Home security schemes – As part of an initiative to reduce domestic burglary and the fear of crime an HIA could arrange for measures such as the fitting of door and window locks, door chains/viewers, external lighting and other security features. Assistance in this case could be for the supply of materials and/or labour.

Energy efficiency schemes – Heating and insulation works carried out reduce health related problems, reduce fuel bills, and make homes more energy efficient. Targeting

assistance to this type of work through an HIA can have clear health benefits. For maximum effect, the provision of assistance should be co-ordinated with other schemes, such as Warm Front, of which many HIAs already have experience.

Home safety schemes – Making homes safer and easier to move around in reduces the risk of accidents (64% of all fatal accidents occur to people aged 60 or over). Assistance for work necessary to reduce the risk of accidents could be provided as part of a home safety initiative. The housing health and safety rating system can provide a sound basis for identifying the hazards and remedial work required, with the HIA arranging for the necessary work to be carried out.

Hospital discharge projects – The creation of the new strategic health authorities and Primary Care Trusts (PCTs) will mean that responsibility for the commissioning of health improvement and health prevention at a local level will rest firmly with the PCTs. HIAs are able to co-ordinate cross-sector initiatives which provide a rapid response team to enable older people to be safely discharged from hospital. This would involve assistance being given for essential repairs, adaptations or improvements and being supervised and arranged by the HIA

Painting and decorating/volunteering/befriending schemes – To complement their services many agencies provide a range of support services for clients and their families. This type of project will typically aim to enhance quality of life, and promote social inclusion and sustainable communities. The type of work undertaken could be painting and decorating, gardening or assistance with daily living, and is often carried out by volunteers. Authorities may want to consider provision of assistance to this sort of scheme where the work accords with identified priorities.

6. Advice on setting up and running HIAs is available from **Foundations**, the national co-ordinating body working under contract to ODPM, on 01457 891909.

RENEWAL AREAS

STRATEGIC CONTEXT

1. The new power to give assistance and the relaxation of the declaration criteria for renewal areas will give added impetus to local authorities considering an area-based approach. Area-based strategies are most likely to be appropriate where there are geographical concentrations of housing problems or where there is a need to reverse the decline in run down neighbourhoods. Small-scale area renewal activity could also be appropriate for tackling defects within specific property types or in small rural communities.
2. Before choosing an area-based approach as part of its strategy the authority will need to have a clear understanding of the local housing market. They can then:
 - plan a strategy which supports the development of accommodation of a type to which a local community aspires;
 - plan to deal with the dwellings that have suffered a reduced value in the market place.
3. A housing strategy incorporating area renewal should be developed with clear aims and objectives. Neighbourhood renewal proposals, which link housing and other community services, will be key elements in this process.

THE BENEFITS OF RENEWAL AREAS

4. Using renewal areas for area-based regeneration has a number of advantages. They present the following opportunities:
 - enabling the local authority to develop effective partnerships with residents and other private and public sector interests;
 - stimulating private investment alongside the use of public resources by giving residents and others (such as developers, housing associations, and financial institutions) greater confidence in the future of an area;
 - providing a local strategic framework for housing renewal assistance and a catalyst for wider regeneration action;
 - demonstrating the authority's long-term commitment to the area in partnership with residents;
 - carrying out of environmental works;

- exercising broadly based renewal area acquisition powers (detailed in Appendix 1 to this Annex).

DECLARING RENEWAL AREAS

5. Renewal area legislation (1989 Act as amended by the Order) contains powers of compulsion, and safeguards are therefore required to ensure that they are used properly and for the benefit of local residents. Whilst a number of the previous constraints on declaring renewal areas have been removed, authorities considering declaration will still have to comply with the following conditions:
 - the requirement to carry out a social and economic assessment before declaring a renewal area;
 - the requirement to satisfy themselves that a renewal area is the most effective way of improving living conditions in the area;
 - the requirement to consult local residents before declaring a renewal area and to publicise its declaration;
 - the requirement to keep local residents informed during the renewal area process and to notify them of any changes to the original declaration;
 - the requirement to declare the period for which the area will be a renewal area;
 - the requirement to notify and consult local residents on a decision to exclude land from, or wind up, a renewal area.
6. It will be for authorities to determine how they discharge these duties and this will be influenced by the size and characteristics of the area. In general terms they will want to have regard to the following issues when considering how and when to engage with residents and other stakeholders:
 - lessons learnt and feedback from any Best Value or community planning exercise carried out with service users;
 - the need to ensure openness and fairness, and to offer a real opportunity for people to comment;
 - the need to ensure the distribution of information through newsletters, press articles, local libraries, schools, resource centres or over the internet; with any necessary translations;
 - the provision of an opportunity for residents and stakeholders to make representations regarding the authority's intentions, including how they intend to make assistance available within the area;
 - the need to seek feedback actively from community groups and other stakeholders on progress or specific proposals for the area.

BEFORE DECLARING A RENEWAL AREA

7. Before declaring a renewal area, an authority must prepare a report in accordance with the provisions of section 89(1) and (3) of the 1989 Act (as amended). This report should contain details of:
 - the living conditions in the area concerned;
 - the ways in which those conditions may be improved (whether by the declaration of a renewal area or otherwise);
 - the powers available to the authority if the area is declared to be a renewal area (see Appendix 1 to this Annex);
 - the authority's detailed proposals for the exercise of those powers;
 - the cost of those proposals; and
 - the financial resources available, or likely to be available, to the authority (from whatever source) for implementing those proposals.
8. The report must contain a recommendation, with reasons, as to whether a renewal area should be declared.
9. The good practice guidance on running and sustaining renewal areas published by the former DETR in July 1999 contains useful guidance on how authorities can develop a comprehensive communication strategy.

THE USE OF NEIGHBOURHOOD RENEWAL ASSESSMENT

10. Before declaring a renewal area an authority must carry out an assessment and satisfy itself that such a declaration is the most effective way of improving living conditions in the area. Declaration may have long-term financial implications as well as being a powerful influence over the future of the area and its residents' aspirations. Before declaration the authority will want to satisfy itself that it understands the range of problems evident, the residents' views and those of other stakeholders. In order to comply with this requirement, the Secretary of State continues to recommend authorities carry out a comprehensive appraisal using the method known as neighbourhood renewal assessment (NRA). The ODPM is preparing new detailed guidance on how to conduct such an assessment and this will be issued shortly. In the meantime authorities should have regard to the advice set out below and in DOE circular 17/96.
11. To ensure that any renewal activity is sustainable it is essential that housing problems are not seen in isolation and that there is an accurate and considered appraisal of the housing market as part of the NRA process. This will involve the following:
 - an understanding of the present and likely future housing demand. Information will be needed on a range of issues including changes in population and the needs of the local economy. The local market may transcend local authority boundaries

and so there may be a need for adjacent authorities to work together on these issues;

- an awareness of the role that other mainstream services, such as education, transport infrastructure, health and crime reduction play in shaping that market;
 - collection of information on the condition of the stock across all tenures – both its current condition and the investment needs over the period covered by the proposed renewal area.
12. Renewal areas are not just about housing. They should aim to effect the comprehensive revitalisation of an area, bringing improvements to homes, shops and other commercial premises, the local environment and infrastructure and community opportunities. Authorities therefore need to ensure that the team that undertakes the assessment and co-ordinates subsequent implementation includes a wide range of skills and experience.
13. The majority of the information will be gathered through surveys and focus groups with stakeholders, residents and partner agencies. This will be essential to enable proper financial projections to be made for discussion with partners and within the authority. Similarly this will have an influence on the authority's assessment of the likely duration of the renewal area. Gathering this information will allow the authority to prepare an accurate report on:
- the characteristics and influences over the local housing market;
 - living conditions within the area including information on the health and safety impacts of accommodation;
 - residents' aspirations and concerns for their area;
 - private sector business views on the area;
 - options considered and appraised;
 - the authority's proposals for dealing with the identified priorities including the need for any clearance and redevelopment;
 - the cost of those proposals and the resources likely to be available;
 - how they plan to give assistance within the area;
 - the key partnerships required to deliver sustainable regeneration;
 - proposals in the context of the historic environment.
14. Such a report could conclude with a recommendation that declaration of a renewal area is the most effective way of improving living conditions in the area and the likely duration of the renewal area. It could also be used as part of the formal declaration process within the authority.

THE POWER TO GIVE ASSISTANCE WITHIN RENEWAL AREAS

15. The use of the power to provide assistance within a renewal area gives local authorities flexibility to recognise and react to the diverse range of problems facing an area, regardless of size. It also provides an opportunity to demonstrate their commitment to working in partnership to deal with the problems faced.
16. To enable this to happen it is critical that there is:
 - a clear understanding of the problems;
 - early establishment of the correct partnerships and multi-agency working;
 - clarity of purpose;
 - well defined goals and timescales;
 - the ability to be creative in addressing the problems faced.
17. The authority's policy for the provision of assistance within renewal areas, which may complement other regeneration programme expenditure could include the following:
 - a voluntary purchase strategy or, to supplement the compensation available from compulsory purchase, the power to provide help to relocate, making it easier for authorities to remove obsolete or surplus housing in areas of low housing demand, or where housing has reached the end of its useful life;
 - redevelopment of cleared sites in partnership with developers, housing associations, lenders and residents. This sort of scheme could mix assistance for acquisition, relocation, conversion, rebuilding and environmental works. The replacement housing could encourage a mixed-tenure approach with shared/low-cost home ownership;
 - conversion of empty or underused accommodation as part of the revitalisation of the area. This could include assistance for conversion of space above shops as part of a scheme to help encourage owners to bring back into use previously empty shops, where there is a recognised need to bring back local shopping facilities;
 - assistance to deal with crime and security initiatives such as remodelling of areas, and conversion schemes to design out crime, or the provision of locks and bolts to reduce the fear of crime;
 - health-based schemes dealing with identified priorities such as dampness, respiratory illness or fuel poverty, possibly linked to the housing health and safety rating system;.
 - housing renewal work where the identified priority is to sustain or reinvigorate demand within the private sector by promoting repair and maintenance or dealing with inherent design defects;

- client-based schemes around older people, vulnerable or BME groups.

CLEARANCE AND AREA RENEWAL

18. In areas of low demand or worn-out housing, clearance will continue to be an important element of any renewal strategy. The need for this type of activity will have been identified as part of the pre-declaration assessment. Careful and considered consultation will need to be carried out with residents about:

- alternative options for the area and their cost;
- the after-use of the area proposed for clearance;
- the future demand for housing and the preferred characteristics;
- the general layout of the area and the need for alternative community facilities;
- the overall sustainability of the area.

19. Having reviewed all these factors, authorities will then have to decide how they propose to achieve the desired outcome. Where they take the view that powers of compulsion, associated with the formal declaration of a clearance area, will be necessary, they should enter into careful negotiations with residents and partners who would include lenders, developers and housing associations. It would be for the authority to create an innovative range of options for residents, and this could involve a mix of:

- compensation packages linked to rehousing by the local authority or partner housing associations;
- voluntary/compulsory purchase with additional assistance to move to alternative accommodation either in or close to the area;
- voluntary/compulsory purchase linked to the redevelopment of the cleared site and provision of accommodation to meet the needs of displaced owners;
- low-cost home ownership schemes facilitated by developers/lenders.

TERMINATING AN AREA AND SUSTAINING IT

20. The NRA will include an assessment of the likely life of the renewal area and the resources needed to deliver the objectives. When any significant departure is identified (including exclusion of any land) the authority and partners must notify and consult residents and other stakeholders. This will involve explanations as to the reasons, and the strategy or ideas for remedying the situation. On termination of an area (premature or otherwise) the authority must also consult local residents. This should include consideration of future responsibilities in partnership with the community, the promotion of a sustainable future for the area, and the need for maintenance and other support schemes to protect the investment already made.

POWERS AVAILABLE TO LOCAL AUTHORITIES IN RENEWAL AREAS

More general guidance on the function of renewal areas is set out in Annex E.

ACQUISITION OF LAND AND PROPERTY

1. Section 93(2) of the Local Government and Housing Act 1989 (the 1989 Act) empowers authorities to acquire by agreement or compulsorily premises consisting of, or including, housing accommodation to achieve or secure their improvement or repair; their effective management and use; or the well-being of residents in the area. They may provide housing accommodation on land so acquired.
2. Section 93(2) of the 1989 Act also provides that authorities may acquire by agreement or compulsorily properties for improvement, repair or management by other persons. Authorities acquiring properties compulsorily should consider subsequently disposing of them to owner-occupiers, housing associations or other private sector interests in line with their strategy for the renewal area.
3. Where property in need of renovation is acquired, work should be completed as quickly as possible in order not to blight the area and undermine public confidence in the overall renewal area strategy. In exercising their powers of acquisition authorities will need to bear in mind the financial and other (e.g. manpower) resources available to them and to other bodies concerned.
4. Section 93(4) of the 1989 Act empowers authorities to acquire by agreement or compulsorily land and buildings for the purpose of improving the amenities in a renewal area. This power also extends to acquisition where other persons will carry out the scheme. Examples might include the provision of public open space or community centres either by the authority or by a housing association or other development partner. Where projects involve the demolition of properties, regard should be had to any adverse effects on industrial or commercial concerns.
5. The powers in sections 93(2) and 93(4) of the 1989 Act are additional powers and are without prejudice to other powers available to local housing authorities to acquire land which might also be used in renewal areas.
6. The extent to which acquisitions will form part of an authority's programme will depend on the particular area. In some cases strategic acquisitions of land for amenity purposes will form an important element of the programme. However, as a general principle, the Secretary of State would not expect to see authorities acquiring compulsorily in order to secure improvement except where this cannot be achieved in any other way. Where acquisition is considered to be essential by an authority, they should first attempt to do so by agreement.

7. General advice on the making and submission of compulsory purchase orders to the Secretary of State for confirmation is contained in ODPM circular 02/2003 with further, more specific, advice in relation to housing compulsory purchase orders in Appendix D of that circular. Compulsory purchase orders are considered on their merits but should not be made unless there is a compelling case in the public interest. Where an authority submit a compulsory purchase order under section 93(2) or 93(4) of the 1989 Act, their statement of reasons for making the order should demonstrate compulsory purchase is considered necessary in order to secure the objectives of the RA. It should also set out the relationship of the proposals for which the compulsory purchase order is required to their overall strategy for the renewal area; their intentions regarding disposal of the property; and their financial ability, or that of the purchaser, to carry out the proposals for which the order has been made.

POWER TO CARRY OUT WORKS

8. Section 93(5) of the 1989 Act (as amended by the Regulatory Reform Order) gives a local housing authority power to carry out works (including works of demolition) on land which they own.

Section 93(5)(b) gives an authority power to assist others in carrying out works on land which is not owned by the authority. Work for which assistance is being or has been provided under Part 1 of the Housing Grants, Regeneration and Construction Act 1996 is specifically excluded. This section will remain in force until 18 July 2003, when it will be repealed. After this date, authorities will have to use their general power under article 3 of the Regulatory Reform Order if they wish to give assistance for these purposes. To do so they must first have a published policy in place.

Section 93(6) allows an authority to contract out either of these functions on an agency basis.

POWER TO EXTINGUISH RIGHTS OF WAY

9. Normally a local housing authority will be able to exercise its powers as a local planning authority under section 249 of the Town and Country Planning Act 1990 to apply to the Secretary of State for an order. However, by virtue of section 94 of the 1989 Act, a local housing authority which is not also the local planning authority for the area is able to apply to the Secretary of State for an order with the consent of the planning authority.

POWERS OF ENTRY

10. Section 97 of the 1989 Act provides powers of entry which an authority may need to use, for example, while undertaking the survey work necessary to assess whether the declaration of a renewal area is the most effective way of dealing with an area. These powers may also need to be used to examine individual properties in order to determine whether to acquire them or to value them in instances of compulsory acquisition. Authorities will wish wherever possible to obtain entry by agreement and these powers should only be used where absolutely necessary.

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