



Report of the Director of Environment and Neighbourhoods

Executive Board

Date: 12th February 2010

Subject: Future Improvement Priorities for Private Sector Housing

Electoral Wards Affected: All

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

- i. The report summarises the findings of important research on the condition of private housing in the city. The report then goes on to describe a number of key actions currently underway which are tackling poor quality private housing, particularly within the private rented sector
- iv. Aside from the specific support for private disabled residents through disabled facilities grants, which are considered separately under the Council's social care responsibilities, the priorities for action to support private housing regeneration emerging from consultations, and based on recent research, are tackling excess cold through energy efficiency/fuel poverty initiatives and reducing hazards associated with falls in the home. These thematic priorities must be tackled through action to address poor property and management standards, both in the owner-occupied and private rented sectors, through securing investment and targeting financial and non financial activity at the worst house conditions and poorest and most disadvantaged residents and communities, whilst also taking every opportunity for bringing more empty homes back into use. Future action must meet the challenges of back-to-back houses, in terms of remedying poor design and physical condition of the properties, and should wherever possible align to and support wider regeneration priorities and the Council's strategic outcomes.
- v. The report sets out some potential future funding options. Members are invited to approve the proposed future priorities be adopted for in private sector housing in Leeds.

1.0 Purpose of this Report

- 1.1 To seek Members' approval for proposed future priorities for action to improve private sector housing in Leeds, including the basis upon which future investment bids and proposals would be made.

2.0 Background Information

- 2.1 The majority of the Leeds housing stock, approximately 77% (247,840), is privately owned, of which 64% is owner-occupied and 13% is privately rented. Much of this stock is in a reasonable condition, however, there are also a significant number of houses in poor condition or containing serious hazards, such as excess cold and risk of falls, which can have an adverse effect on health; and significant numbers which are non-decent due to poor thermal efficiency and inefficient heating systems. There are notable distinctions which can be seen between different areas of the city, and it is no coincidence that inner urban areas with older housing and significant numbers of back-to-backs present the greater concentrations of poor housing with substantial investment needs.
- 2.2 The private rented sector in Leeds is made up of a number of different markets – new build such as in the city centre, traditional student housing concentrated in North West Leeds, and traditional single and multiply-occupied older housing in inner urban areas around the city. Proportionally, this sector has the worst housing conditions, which reflects the picture nationally, and because of the numbers involved this represents a major challenge for the city in the years ahead. The sector is, however, growing, and responsible renting will have an increasing and important role in helping to meet housing demand and provide greater housing choice.
- 2.3 Recent research on back-to-backs provides the first comprehensive study to be completed on this property type. The concluding report provides detailed information on the location and condition of the properties across the city. There are 19,500 back-to-back terraced homes in Leeds, in a mixture of types, sizes and locations, the majority of which are in private ownership.
- 2.4 Back-to-backs in Leeds vary in condition and popularity. The vast majority, regardless of location, however, do not currently comply with the Decent Homes Standard or the Housing Health and Safety Rating System due to disrepair, lack of thermal comfort, unsatisfactory amenities or the presence of category 1 hazards, especially excess cold, risk of falls and lack of fire safety. A significant number of these, also regardless of location, are occupied by vulnerable residents, especially older people. Responding to the challenge of back to backs requires different interventions in different parts of the city, ranging from assistance to owners wishing to improve, remodeling and in the worst cases, demolition. The Council now has a blue print for how and where it should invest.

Initiatives

- 2.5 In recent years, Leeds has pursued a range of initiatives to address empty homes, poor conditions and to support vulnerable people to continue to live independently and safely, combining a range of assistance packages, including advice and financial assistance based on a test of resources for home owners, and specific strategies for the private rented sector. Other related and contributory activities are incorporated in the Council's 'Affordable Warmth Strategy' and, more recently, the development of

affordable housing proposals. Regrettably, some of the city's housing stock, both in public and private ownership, by virtue of poor condition, limiting and substandard design, density and poor environment, has been identified as uneconomic to improve and not representing sound investment to retain. In a number of limited schemes, such dwellings have been acquired where in private ownership, demolished and the land incorporated in redevelopment proposals for the provision of new affordable housing, via the Leeds Affordable Housing Partnership, as an important aspect of local priority area regeneration. There will continue to be the need to include some limited acquisition and demolition activity in future strategic plans, although the very high costs of replacement may mean that this represents only a small, yet important, component of future activity.

Promoting Private Quality Private Lettings

- 2.6 The private rented sector will be an increasingly important housing option for the people of Leeds, given the pressures on the social housing stock in the city. The Leeds Housing Options Service is geared towards maximising opportunities to prevent homelessness. Assisting people to make a planned move into longer-term housing, as an alternative to making a homeless application, is a key element of the approach towards homeless prevention. The Leeds Housing Options Services offers a private sector lettings service, which landlords can use to let their properties. Quality of accommodation and housing management are priorities for the service: all available properties are subject to inspection and landlords are obliged to become members of the Leeds Landlord Accreditation Scheme within three months of a letting being made. Landlords are given a guarantee that damage to property, furnishings or the accrual of rent arrears will be covered up to the equivalent of four weeks rent. A condition of accessing this funding is that landlords have become members of the Leeds Landlord Accreditation Scheme by the time that they make an application for the bond guarantee funding. Households are also assisted to access private rented accommodation through the payment of bonds/rent in advance through the Leeds Housing Options Service Prevention Fund. The key criteria is that by not helping the household secure long-term housing, the Council will incur additional costs associated with making a temporary accommodation placement. Promoting the use of the private rented sector therefore represents “an invest to save” opportunity for the Council.
- 2.7 The promotion of private sector lettings at the Leeds Housing Options Service is becoming an increasingly important element of the Council's wider approach to reducing the incidence of empty homes. By way of example, of the 115 private sector lettings made through the Leeds Housing Options in August and 29 September 2009, 79 were properties that had previously been empty for six months or more. Properties have been let that have been empty since 2005 where conventional options for encouraging occupation had not succeeded. There seems to be significant scope to tackle the interlinked challenges of reducing homelessness/housing need and reducing the incidence of empty homes.

3.0 Main Issues

- 3.1 Although activity in recent years represents a substantial investment by the Council and its partners, it does not meet the scale of the challenge. The Leeds Private Sector House Condition Survey estimates that the level of investment needed to bring all private housing in Leeds up to decency, assuming no further deterioration, is approximately £250M and the level of support needed for disabled private sector residents is £14M, making a total in excess of £264M based on 2007/08 costs and

current housing needs. A more ambitious programme to tackle the quality of back-to-back housing has been put at over half a billion.

This report sets out proposals for future priorities in the light of recent findings and following consultation with a range of partners. Briefings have continued for a wide range of partner agencies on proposals and future opportunities. A **Leeds City Region** 10-point plan, setting out immediate actions and interventions to address short-term housing market challenges in the city region has been agreed. Key strands of activity include:

- **Maintain support for improving the existing housing stock**

The majority of the future housing offer will continue to be the existing stock. Although there is an increasing emphasis in national funding policy to new build and housing growth, the existing housing stock will continue to be critical to the quality and range of the overall housing offer in the city region. Although the city region has had little exposure to Housing Market Renewal funding, which in other places, such as neighbouring city regions, has been significant, we have delivered significant improvements in the existing housing stock even though receiving more limited funds. With greater levels of short-term and long-term funding for related renewal programmes, eg to renovate back-to-back properties and neighbourhoods, the programmes that are 'ready to go', subject to securing additional funding, can be accelerated and key outputs and outcomes achieved.

- **Further housing research on Health Impacts of Poor Housing**

Sheffield Hallam University has been commissioned to undertake research to support future bids for funding, which will give a better understanding of how housing improvements lead to health benefits and cost savings. By way of example it is estimated that for an investment of circa £125k, falls prevention work in approximately 700 homes of vulnerable residents could be undertaken, at a cost of not more than 6 broken hip treatments. The key aims of the research will be :

(a) to evaluate the impact and scale of poor private sector housing on health in Leeds;

(b) to estimate the cost of ill-health of the resident population as a loss of quality adjusted life years;

(c) to project the cost to the PCT of remedying housing-related ill-health; and

(d) to identify the most cost-effective interventions to improve the condition of private sector housing in order to reduce ill-health and health inequalities.

Positive discussions with NHS Leeds around the 'Healthy Housing' agenda, and the important contributions which can be made to the Joint Strategic Needs Assessment (JSNA) and Health and Wellbeing Partnership Plan 2009-2012, have commenced. In addition, there are proposals for a multi-agency programme team to be established to develop and oversee the Leeds Healthy Housing strategic framework, service and commissioning strategies for priority groups, particularly older and disabled people across all organisations and sectors.

- **Private Rented Sector Inspection**

Approximately 44% (18,330) of the private rented sector dwellings are non-decent compared to 10% of ALMO stock and 31% (63,915) of owner-occupied stock. A programme of inspection and enforcement over the next few years will seek to bring about further improvements to the sector, building upon and complementing the proactive work undertaken with responsible landlords through accreditation, training and cooperation, but looking to drive irresponsible landlords out of the market. The first wave of prosecutions for non-compliance with mandatory HMO licence conditions or provisions in the Housing Acts is already underway, and the recent approval for a scheme of Selective Licensing in East Leeds, which became operative with effect from 01 October 2009, will also help better regulation of the sector.

Key Priorities for Action and Funding Needs

- 3.2 The financial situation for existing housing investment has deteriorated with the announcement in the Government's 'Housing Pledge' in July 2009, which has seen the switching of £75M private sector renewal funding nationally to the Affordable Homes Programme. This clearly reflects the Government's recognition of the need to support the continued level of demand for new-build low-cost homes to buy or rent. Leeds will benefit from these developments in terms of its Affordable Homes Programme but the immediate effect on the private sector investment programme for existing housing stock is a cut in funding in the order of 20% for 2010/11, and uncertainty for future programmes.
- 3.3 In the light of the research which is available and the reduced resources, it is appropriate to reconsider the priorities the Council sets.
 - Our recommended top priority is to remove **excessive cold hazards** in homes and assist in reducing fuel poverty. The Leeds stock condition survey identifies 21,000 private homes affected by excess cold, distinguishing between house construction types, localities and tenure. Work has already been undertaken on a small pilot scheme in the five worst affected Wards to identify specific properties with substandard energy efficiency construction and assist owners with advice and financial assistance wherever possible to undertake improvements. The next wave of 5 Ward-based promotions is scheduled to start in early-2010. The initial 5-Ward project has been undertaken in conjunction with npower and using EGA as contractors for the works. One particular problem which has been encountered is where householders do not qualify for funding under current Government schemes, or where they have a top-up contribution which they cannot meet. Our proposal would be to further develop and extend the Ward-based energy efficiency initiative across the city to include a package of advice and assistance measures based on vulnerability criteria, making full use of Government-funded initiatives such as Warm Front and the Energy Suppliers Carbon Reduction Programme, and, in appropriate cases, look to provide additional top-up finance to meet the cost of necessary works.
 - The scheme would involve 2 key stages – the door-to-door promotions and follow-up surveys to identify necessary works, followed by the procurement and monitoring of the work to completion. Many properties lend themselves to standard insulation improvement schemes, which include cavity wall and roof void insulation and improved heating systems, whereas older Victorian properties are

harder to treat. Other newer technologies in development include renewable energy products and the use of energy renewable loans. Work has commenced on development of appropriate technical solutions for hard-to-treat properties with poor energy efficiency. This is a particular challenge for Leeds because of the high numbers of pre-1919 houses, especially in the inner city areas, which have solid external walls and attic rooms in what would otherwise be the roof space, and inefficient space heating systems. An initiative is being undertaken in conjunction with the Building Research Establishment (BRE) as part of a national exemplar study into effective energy efficiency works in hard-to-treat properties. Fieldwork testing commenced in Spring 2009, prior to works being carried out, to be followed by further testing to establish the energy efficiency benefits of works on hard-to-treat properties, which should assist future works specifications. This will be helpful if the Government proposals, announced recently by Ed Miliband, to upgrade the UK's housing stock, to be "near carbon neutral" by 2030, are to be achieved under proposals in a new initiative – The Community Energy Saving Programme. Work is also underway to identify potential areas in Leeds to be the basis of bids for such funding, with a total of £20M available to bid for within the Yorkshire and Humber region.

- Support for individual vulnerable households through loans or small grants, can prove valuable and vital in helping to **reduce hazards associated with falls and other accidents** in the home. The Council already has a well established and effective working relationship with Leeds (Care and Repair) home improvement agency who provide a range of support work for elderly and BME vulnerable residents across the city, and this could be extended with the necessary funding.
- Work on the eradication of Category 1 hazards in the private rented sector will be supported by a major programme of enforcement.
- The current Leeds **Empty Property Initiative** has identified that there are a significant number of private homes which have been empty for over 6 months (currently in excess of 6,500), and a range of activities are being pursued to encourage reoccupation. Further proposals are to expand the compulsory purchase programme and also develop schemes with housing providers to purchase and renovate prior to re-letting, or act as our agents under Empty Dwelling Management Orders. Further opportunities exist to develop new partnership arrangements with private rented sector providers, through Assured Shorthold Tenancy lettings arrangements to assist in meeting our housing need and homelessness obligations, private sector leasing and related support and advisory services.

Existing **schemes of group repair and 'facelifts'** will continue to be supported where funding permits to meet long term regeneration goals, particularly in areas with high concentrations of back-to-back houses, with the capacity available in-house and in the construction industry to take up this demand and provide additional employment and training.

- 3.4 In reality, the current level of funding falls far short of investment needs identified in recent research, which frustrates our ambitions for private sector housing improvements in the longer term, particularly if issues such as making back-to-back housing 'fit for purpose' are to be addressed. The above suggested programme does not include any acquisition and demolition to deal with obsolescence, the cost of

which could add substantially to the above proposals. Furthermore, due to the need to reduce the programme in 2010/11 by approximately 20%, committed schemes with a value of around £4m have had to be slipped and could be a “first call” on any funds available in the new programme from 2011/12 onwards. A significant injection of money is needed, complemented by closer alignment of main stream activities, for example between the Council and NHS Leeds, in order to improve the quality of life and life expectancy, and reduce health inequalities for many vulnerable and disadvantaged private sector residents.

4.0 New Financial Models

4.1 Very recent work has commenced on the evaluation of a number of new financial models which may provide new opportunities in future years, in particular with the additional freedoms and flexibilities presented under the Leeds City Region arrangements.

- **Real Estate Investment Trusts/Private Sector Market Investment**

This is a vehicle, developed through H M Treasury, that allows an investor to obtain broadly similar returns from their investment in a trust fund as they would have, had they invested directly in property. An investors ‘club’ of public and private partners build or could purchase private accommodation to be made available, for example, at intermediate rents, thereby creating additional rungs on the housing ladder whilst providing investors with a guaranteed rate of return. Aligned to this concept is the suggestion that the English housing market might begin to take on more attributes of its north European neighbours – with a more ‘corporate’ private rented sector involving major institutional investors.

- **Social Impact Bonds (SIBs)**

Officers of the local Government Office (DCLG), LCC and NHS Leeds have held exploratory discussions with Social Finance Ltd, on the potential to develop an innovative outcomes-based financing mechanism known as a Social Impact Bond (SIB) with the potential to attract substantial funding to the city over forthcoming years. SIBs seek to address current barriers to effective financing by raising funds up-front from non-Government investors to target specific and specified social outcomes to address the causes of deep rooted social problems. In turn, beneficiaries such as the PCT and Local Authority agree and are contracted to pay investors a proportion of realised cost savings in the future, if (but only if) the predicted cost savings are realised. The ambition is to create positive government spending cycles that enable significant tax payer savings through reduced spending on crisis or acute interventions. The initial discussions suggest that there is potential in developing the Healthy Housing proposals on this model. If successful, this approach could lead to significant injection of new money for private sector investment across the city.

- **City Region Warmzone**

With a particular focus on improving energy efficiency, reducing fuel poverty for households, addressing the challenges of hard to treat property construction and making the most of “renewables” and new technologies in support of climate change and carbon emission strategies, early discussions are underway to develop a regional initiative with the necessary funding to make significant progress towards achieving energy efficiency and fuel poverty reduction targets. Once a robust business case has been developed funding opportunities will be sought, with the advantages of a City region scheme being greater efficiency

through collective influence, joint working and investment planning, innovative solutions, realising higher aspirations for quality and contribution to environmental goals and strategic integration between housing, regeneration and the economy. The initial proposal is to operate for 5 years from April 2010 with the aim of supporting the Government targets of ensuring that all appropriate homes have cavity wall and loft insulation installed by 2015 and that no one in England should have to live in fuel poverty by 2016.

5.0 Implications for Council Policy and Governance

- 5.1 This report sets out the key challenges for the Council and its partners to address poor private sector housing, much of which is occupied by some of the most vulnerable residents, and which is contributory to ill-health and must be improved if the Council's wider ambitions for regeneration, and bringing the benefits of the city for all its residents, are to be fulfilled.
- 5.2 The focus on private sector housing as a key priority for the city and the formation of the Leeds City Region, which will take responsibility for coordinating and steering the future strategies for transport, planning and housing, necessitate a review of local reporting and governance arrangements. A Private Sector Housing Board has been established, to be chaired by the Executive Member with portfolio responsibility for private sector housing and regeneration, to oversee the development of future private sector housing strategy, to ensure coordination with the wider regeneration work underway both in Leeds and the city region, to support future funding bids and to monitor effective delivery. In establishing the Board, there is a need to review a number of current working groups, with the potential to rationalise and refocus this work through the Board which will, to some degree, mirror the role of the Affordable Housing Board established recently.

6.0 Legal and Resource Implications

- 6.1 Leeds City Council, as a Local Housing Authority (LHA), has statutory duties which were introduced, renewed or amended by the Housing Act 2004. The overarching duty is for the LHA to regularly review all housing conditions and decide what subsequent action is required. This includes taking appropriate enforcement action where houses exhibit certain categories of hazard affecting health and safety, improving conditions in HMOs and licensing them where appropriate, abating overcrowding, providing assistance to improve conditions through loans and grants, ensuring empty properties are brought back into use and, if appropriate, taking area action through declaring renewal areas.
- 6.2 The report sets out proposals for future priorities for action having regard to legal responsibilities and strategic ambitions, which should also be the basis for future bids for funding and investment in private sector housing in Leeds.
- 6.3 Arrangements to meet the Council's obligations under The Chronically Sick and Disabled Persons Act 1970 through the provision of Disabled Facilities Grants are considered separately as a service with specific financial provision through the capital programme.

7.0 Recommendations

- 7.1 Members are invited to consider the proposals set out in this paper and approve the following proposals to be adopted as future private sector priorities for action for private sector housing in Leeds.
- (i) Direct investment towards excess cold / fuel poverty and falls hazards
 - (ii) To progress strong partnership collaborative work with NHS Leeds, the Leeds City Region Partnership, and Government in support of the Health and Housing Agenda.
 - (iii) Exploring new and innovative ways of securing funding to support future investment plans.
 - (iv) Jointly undertake a feasibility exercise to assess the potential of introducing private finance through the use of Social Impact Bonds (SIB) with CLG.

Background papers

Report to Executive Board – A Strategy for Improving Leeds Private Sector Housing - 5th November 2008.

Scrutiny (E&N) Inquiry - Private Rented Sector Housing (May 2009)

Leeds Private Sector House Condition Survey 2007

The Challenge of Back to Back s in Leeds (2008)

Leeds Housing Strategy

Empty Properties Strategy

Leeds Private Rented Housing Strategy

Leeds Home Improvement Assistance Policy