



RENEWAL OF PRIVATE SECTOR HOUSING IN WALES

Report by the National Audit Office Wales on behalf of the Auditor General for Wales



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John Bourn
Auditor General for Wales

National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

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This report was prepared for the Auditor General for Wales by the National Audit Office Wales.

The National Audit Office Wales study team comprised Gillian Body, James Verity, Elaine Matthews and Brian Pickett. For further information about the National Audit Office Wales please contact:

National Audit Office Wales
3-4 Park Place
Cardiff
CF10 3DP

Tel: 029 2067 8500

email: ian.summers@nao.gsi.gov.uk
gillian.body@nao.gsi.gov.uk
Web site address: <http://www.agw.wales.gov.uk/index.htm>

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EXECUTIVE SUMMARY

- 1 A home in a good condition is crucial for everyone so that they can live in a secure, healthy environment. Conversely, poor housing has a profound effect on people's physical and mental health and can cause other social and economic problems. Compared with the rest of the United Kingdom, owner-occupied housing in Wales tends to be older and in a less good condition. The problem of unfit housing has been particularly acute in the south Wales valley areas. The total repair cost for Wales (the expenditure needed to put all dwellings into good order) was estimated at £1.1 billion in 1998, with owner-occupied properties accounting for £788 million of that sum.
- 2 Responsibility for improving unfit properties rests with individual owners and occupiers. In recognition of the wider social importance of housing quality, the Assembly and local authorities help homeowners improve unfit properties through providing the framework and financial resources to assist those in greatest need. The mechanisms by which they do this are in the process of undergoing change.
- 3 Under the **current system**, the essence of which has been in force since the beginning of the 1990s, applicants are able to apply to their local authorities for various types of grant to improve their homes. Certain conditions attach to all grants, but in most cases local authorities have discretion whether or not to award grants. The exception is grants for the homes of disabled people, where certain types of adaptations attract mandatory grants.
- 4 Some £1.5 billion has been spent by local authorities in Wales on improving private sector housing since 1990 although there have been some changes in the volume and value of the different types of grants awarded. Although it is not possible to determine cause and effect, levels of unfit housing have declined from 19.5 per cent in 1986 to 8.5 per cent in 1998. However, the system has also proved susceptible to maladministration and fraud. Housing issues tend to account for a third of all complaints made each year to the Local Government Ombudsman for Wales. And historically the rate of detected fraud in the housing area has been much higher in Wales than England, although the most recent data points to a significant decline in fraud in Wales.
- 5 The Assembly Government considered that the current system was too prescriptive and worked together with the Office of the Deputy Prime Minister to develop new arrangements for England and Wales. The essence of the **new system**, which will start to take effect from July 2003, is to give local authorities more freedom to decide on their own strategies for meeting the needs of their own areas. All existing grants, other than mandatory disabled facilities grants, will disappear. Instead, local authorities will have broad enabling powers, giving them the option of continuing to use grants or other means of support, including labour. They will also be able to acquire, demolish and replace accommodation that is beyond repair.

6 While there are a number of potential benefits from these reforms, there are also a number of risks. The National Audit Office Wales ran a focus group with housing professionals from different organisations, which identified the following key risks:

- ▶ by giving more power to local authorities, the Assembly's own objectives relating to housing may not be met;
- ▶ local authorities' housing renewal policies, the key plank of the new system, may not be of sufficiently high quality;
- ▶ local authorities may not have the capacity to make the necessary culture change and so may not get the most of the new system;
- ▶ fraud could continue to be a problem or even increase; and
- ▶ the public may not perceive as fair a system that varies between local authorities.

The Assembly Government will have to continue to work closely with local authorities across Wales to ensure that these risks are not allowed to materialise, to maximise the chances of the new system delivering its intended benefits.



Background

- 1.1 A home in good condition is crucial for everyone so they can live in a secure, healthy environment. There are 1.28 million dwellings in Wales, the majority of which are in the private sector with almost three quarters of dwellings in owner-occupation and around a tenth in the private rented sector. Wales has the highest proportion in the United Kingdom of housing built before 1919.
- 1.2 The level of unfit housing - the proportion of properties that are not suitable for occupation due to the poor condition of their structure or facilities - was running at 8.5 per cent of all dwellings when the last national condition survey was carried out in 1998. Such surveys have been carried out in Wales every few years since 1968 and the rate of unfitness has fallen since 1986 when almost a fifth of properties were classified as unfit.
- 1.3 The Assembly's strategic plan for housing, *Better Homes for People in Wales*, sees social, economic, environmental and cultural issues as linked; poor housing has a profound negative effect on people's physical and mental health and can cause other social and economic problems. Furthermore, better health and well being is one of five key priorities of the Assembly's overall strategy, *Better Wales*, and decent housing is recognised as an important influence on the health of the population.
- 1.4 *Better Homes for People in Wales* states that the Assembly wants to eradicate poor housing across all tenures (types of ownership) and has a target of reducing serious disrepair by a half (to four per cent of dwellings) by 2005. *Better Homes for People in Wales* also states that the Assembly wants to see the quality of housing improve. The Welsh Housing Quality Standard, published in April 2002, sets a common target for the physical condition of all housing in Wales, although specific action plans have only been developed for housing in the social rented sector to meet the standard by 2012.
- 1.5 All policies state that responsibility for improving the standard of privately owned properties lies with the owner. However, some owner-occupiers are less able to take care of their properties. Lower income households are more likely to be in unfit properties; single pensioners and single young people have the lowest incomes and when the head of the household is unemployed they are more likely to live in unfit housing.

- 1.6 The policy for private sector renewal is changing. A system of grants for individuals will be replaced and local authorities will be able to determine their own policies to improve the condition of housing in their areas.

Scope and methodology of the National Audit Office study

- 1.7 This report has three further parts to it. Part two is an audit overview of the condition of housing in Wales and the cost of bringing it up to standard. This provides a background to the extent of the problem facing owner-occupiers in Wales.
- 1.8 Part three is a high level review of the current arrangements in place to assist in private sector housing renewal and considers:
 - ▶ the range of grants and other assistance available to owner-occupiers;
 - ▶ the amount of assistance provided in the last decade; and
 - ▶ problems identified with the running of the existing grants system.
- 1.9 Part four of the report looks at the reform of private sector housing renewal and sets out:
 - ▶ the changes that are taking place in private sector housing renewal policy;
 - ▶ what the changes are aimed at achieving; and
 - ▶ the issues and risks that might limit the success of the reforms if they are not managed appropriately.
- 1.10 The study has been conducted through a combination of research on documents that have been published either by the Assembly or Westminster Departments and interviewing key Assembly officials. In order to assess the issues and risks that might affect the reforms, the National Audit Office Wales ran a risk workshop that was attended by Assembly officials, regulators, academics and practitioners. The full list of attendees of this workshop is detailed at Appendix 1 to the report.

PART 2 Housing stock and condition

2.1 Housing in Wales is monitored by the Assembly through the annual collation (and publication) of statistics. These statistics are based on information provided by local authorities and cover, amongst other things, the number of dwellings and spending on renovation grants. More detailed information on the condition of housing in Wales is provided by house condition surveys. These surveys have been carried out every five to ten years and provide an in depth picture of the state of repair, prevalence of unfitness, cost of bringing up to standard and the socio-economic circumstances of people living in Wales. The most recent house condition survey was completed in 1998 and is now five years old. A new Welsh Household and Dwelling Survey has been commissioned by the Assembly and fieldwork for the household interview survey element will begin in 2004.

2.2 This part of the report uses the findings from the Assembly's monitoring to provide an audit overview of the housing stock and its condition in Wales. Specifically, the areas covered are:

- ▶ **housing stock** which provides a picture of the age and tenure of housing in Wales; and
- ▶ **house condition** which looks at the level of unfitness and the estimated cost to bring poor condition housing up to standard.

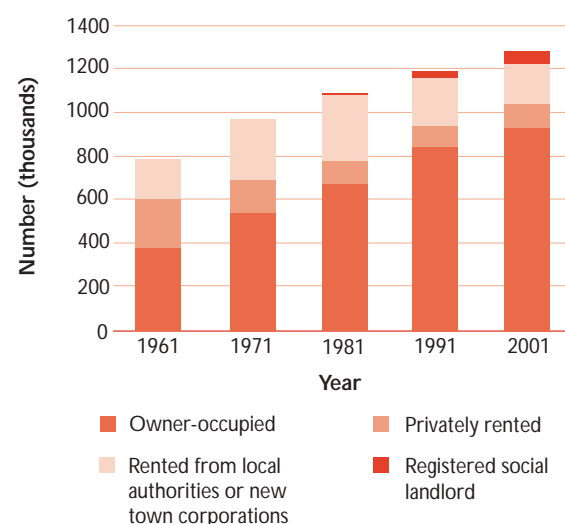
Housing stock

2.3 Wales has 73 per cent of housing in owner-occupation which is a higher rate than in England where 68 per cent of housing is owner-occupied. The level of owner-occupation has risen rapidly over the last forty years, with the number of owner-occupied dwellings increasing by over half a million; in 1961 less than half of houses were owner-occupied (48 per cent), increasing to 71 per cent in 1991. This rate of increase has slowed down in the last decade when it went up by just two per cent (see Figure 1). There has consequently been a relative decline in renting from both local authorities and the private sector.

Figure 1

Number of dwellings in Wales in owner-occupied and rented sectors

The proportion of houses that are owner-occupied has increased from less than a half of all dwellings in the 1960s to almost three quarters of dwellings today

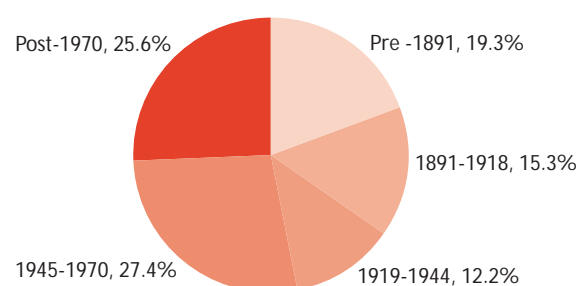


Source: National Assembly for Wales, Welsh Housing Statistics 2002

Figure 2

Date of construction of dwellings in Wales

Over a third of properties in Wales were built before 1919



Source: National Assembly for Wales, Welsh Housing Statistics 2002

2.4 Over a third (35 per cent) of properties in Wales were built before 1919 (Figure 2). This is a much higher proportion than in England (26 per cent), Northern Ireland or Scotland (both 21 per cent). Older properties are a problem as buildings tend to deteriorate as a result of the effects of exposure to the elements over time. Building materials and construction methods also affect the level of deterioration. However, keeping on top of repair and maintenance plays a greater part in determining the condition of a property than its age alone.

House condition

Unfitness

2.5 The standard definition of fitness for human habitation currently in operation in Wales came into effect in 1990. A dwelling has to meet all of the points on the fitness standard (see Figure 3) to be considered suitable for occupation otherwise it can be declared unfit under Section 604 of the Housing Act 1985 as amended by Schedule 9 of the Local Government and Housing Act 1989.

2.6 Living in an unfit home can cause serious problems for the health and safety of occupants. There is a higher risk of accidents; an increased risk of ill-health due to dampness or lack of heating; and a risk of diseases due to inadequate food preparation facilities or contaminated water. The reason for a house to be classified as unfit is because it does not meet one or more of the points on the fitness standard listed in Figure 3. For dwellings in owner-occupation, the most common reason for being declared unfit is a lack of adequate food preparation facilities followed by serious disrepair and the lack of a suitably situated toilet for the exclusive use of the occupants. A new Housing Health and Safety Rating System is being developed to replace the fitness standard as the current definition of unfitness does not cover all risks to health and safety. It was published as part of the new Housing Bill in March 2003 and is out for consultation until June 2003. Details of how the system will operate will be provided by guidance and regulations that will be determined by the Assembly in due course.

Figure 3

Fitness standard

The dwelling should:

- ▶ be structurally stable;
- ▶ be free from serious disrepair;
- ▶ be free from dampness prejudicial to the health of the occupants;
- ▶ have adequate provision for lighting, heating and ventilation;
- ▶ have an adequate piped supply of wholesome water;
- ▶ have satisfactory facilities for the preparation and cooking of food, including a sink with a satisfactory supply of hot and cold water;
- ▶ have a suitably located water-closet for the exclusive use of the occupants;
- ▶ have, for the exclusive use of the occupants, a suitably located fixed bath or shower and a wash-hand basin, each with a satisfactory supply of hot and cold water; and
- ▶ have an effective system for the draining of foul and waste water.

In deciding on the fitness of a building containing flats, the common parts of the building (that is the area outside the flat) also have to be taken into account and assessed. They should be structurally stable; be free from serious disrepair; be free from dampness; have adequate provision for ventilation; and have an effective system for the draining of foul, waste and surface water.

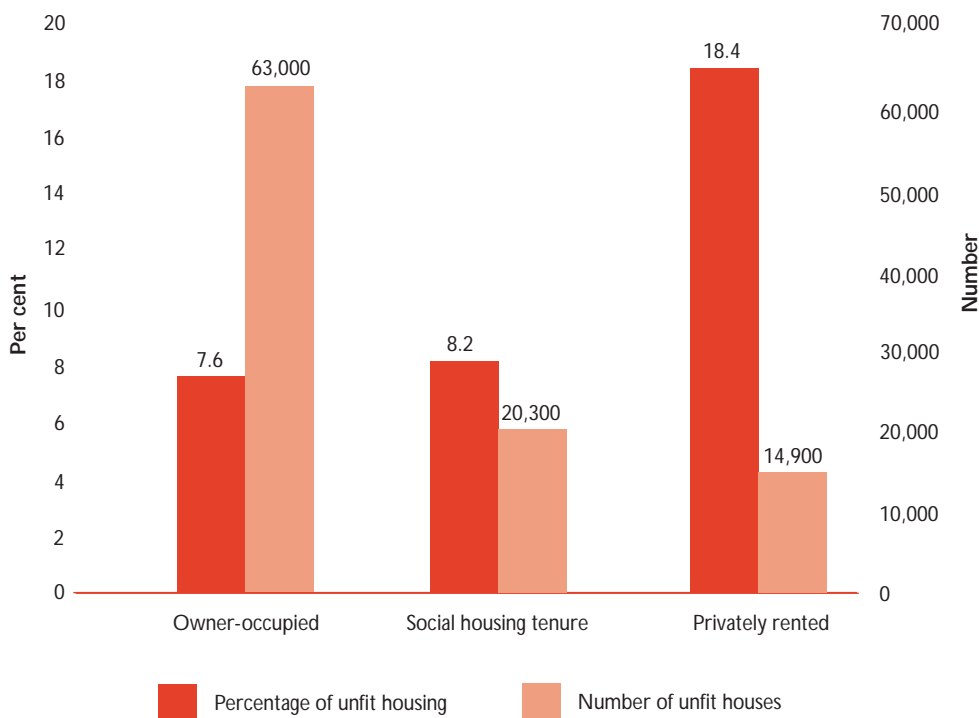
Source: Welsh House Condition Survey 1998

2.7 The 1998 Welsh House Condition Survey was commissioned by the Welsh Office and carried out under contract by specialist interviewers and surveyors. It found that there were 98,200 unfit dwellings in Wales, 8.5 per cent of the total 1.16 million dwellings at that time. Owner-occupiers are less likely to live in unfit houses than people who rent with 7.6 per cent of owner-occupied dwellings classified as unfit compared to 18.4 per cent in the private rented sector. However, since a large proportion of properties are owner-occupied, in absolute numbers the scale of the problem is much larger for such properties: 63,000 of them are classified as unfit, making up 64 per cent of the unfit housing in Wales (Figure 4).

Figure 4

Levels of unfit housing in each tenure

Owner-occupied properties have the lowest levels of unfitness. Most unfit properties are owner-occupied as almost three-quarters of all housing in Wales is privately owned



NOTE

Social housing includes properties rented by local authorities and registered social landlords.

Source: Welsh House Condition Survey 1998

2.8 The problem of unfit housing is not uniformly spread across Wales. The south Wales valleys have the highest proportions of unfit housing with Merthyr Tydfil, Rhondda Cynon Taff and Torfaen having around 12 per cent of housing classified as unfit. Rural areas in the west are the next worst hit with Ceredigion, Pembrokeshire and Gwynedd having over ten per cent of their housing stock classified as unfit. At the other end of the spectrum, the Isle of Anglesey, Flintshire and Conwy in north Wales have unfit levels running at less than five per cent (Figure 5).

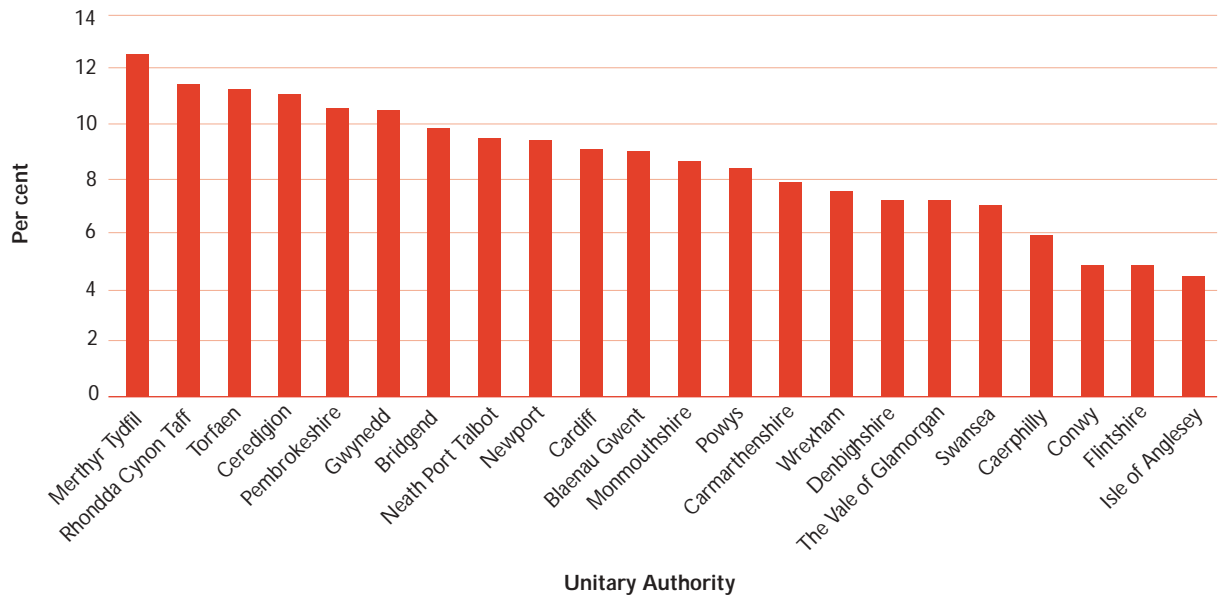
2.9 There are a number of reasons why the housing stock in Wales is in poorer condition than the rest of the United Kingdom:

- ▶ Wales has a high proportion of older properties with more than one in three having been built before 1919 (see Figure 2). This is a much higher proportion than in England, Northern Ireland and Scotland (paragraph 2.4). Dwelling age is one of the most important factors influencing unfit and repair costs;
- ▶ high levels of home ownership coupled with low average incomes means that more owners are likely to experience difficulties affording repairs; and
- ▶ property values have been very low in some areas making investment in repairs less attractive. However, the recent upturn in property values across Wales may encourage owners to use any equity to improve their homes.

Figure 5

Proportion of unfit dwellings in each unitary authority

Properties in the south Wales valleys and rural west Wales are in the worst condition

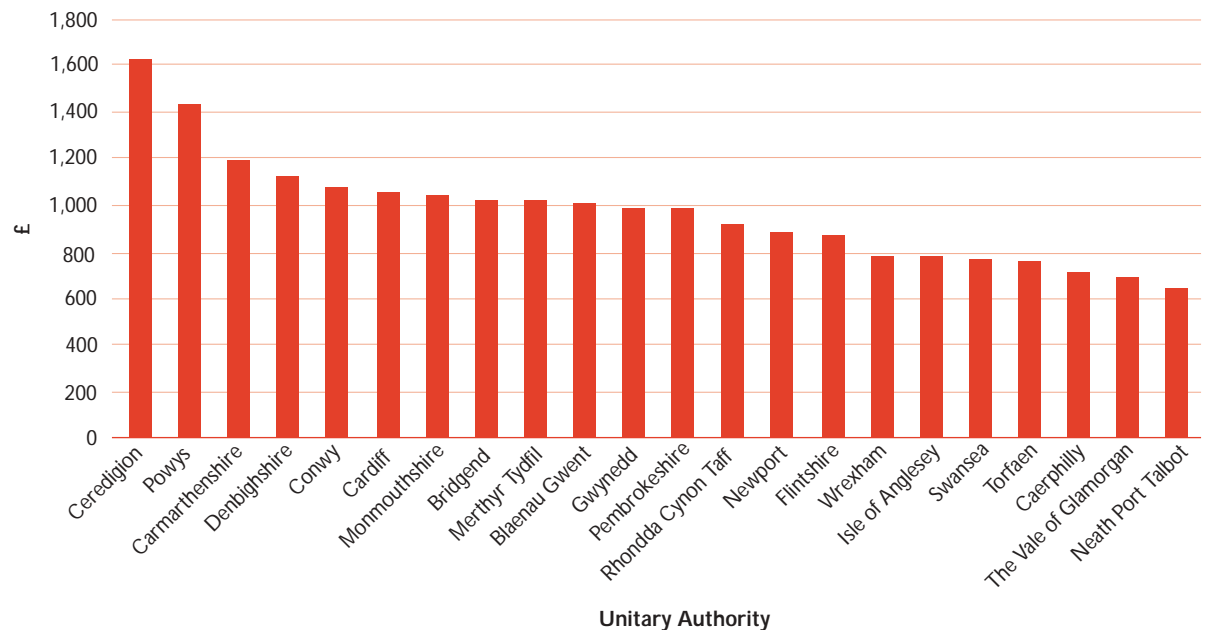


Source: Welsh House Condition Survey 1998

Figure 6

Average house repair costs by unitary authority

Average repair costs are highest in rural areas



Source: Welsh House Condition Survey 1998

Repair costs

2.10 Repair costs are calculated in the 1998 Welsh House Condition Survey as a measure of the expenditure needed to put the dwelling, whether classified as fit or unfit, into good order. This includes making defective elements fully functional and installing adequate facilities such as an internal toilet. The total repair cost for all properties in Wales was estimated in 1998 at £1.1 billion with owner-occupied properties making up a total estimated repair cost of £788 million. The average repair cost per property in all tenures across Wales was estimated at £953. However, costs vary widely across local authority areas with Ceredigion having the highest at £1,628 and Neath Port Talbot the lowest at £636 (Figure 6). Repair costs also vary widely between urban and rural areas, with urban properties costing an average of £835 to repair compared to £1,440 in rural areas. Other factors affecting repair costs are the type and age of dwellings: average repair costs for detached and terraced dwellings are £1,080 and £1,070 respectively, compared to £840 for semi-detached properties. Dwellings built before 1919 have an average repair cost of £1,700.

KEY POINTS

- ▶ Wales has higher levels of owner-occupation than England, Scotland or Northern Ireland.
- ▶ Over a third of housing in Wales was built before 1919 and older properties have a higher tendency to deteriorate, be in poor condition and cost more to repair.
- ▶ The most recent house condition survey, completed in 1998, found that 98,200 dwellings (8.5 per cent of total dwellings) were unfit in Wales. This level is higher than England, Scotland or Northern Ireland.
- ▶ In absolute terms, the scale of the unfit housing problem is much larger in the private sector, with 63,000 owner-occupied properties classed as unfit.
- ▶ The total repair costs for all properties in Wales were estimated at £1.1 billion in 1998.



PART 3 Current arrangements for private sector renewal

- 3.1 Owner occupiers and landlords are responsible for keeping their properties in a good state of general repair. Because of the wider social impact of poor quality housing to both the inhabitants and the area, the Assembly and local government assist homeowners in improving unfit properties. Current arrangements for improving the housing stock in Wales are based around the housing renovation grant system, introduced in the mid 1980s in England and Wales. Some £1.5 billion has been spent on various renovation grants by Welsh local authorities since 1990. From July 2003, the mechanism for private sector housing renewal in Wales (and England) will change, examined in part four of this report.
- 3.2 In order to explain why these changes to the current grant system are necessary, this part of the report looks at:
- ▶ **renovation activity**, covering grants available for individuals, renewal areas and clearances;
 - ▶ **finance**, showing the means by which these grants are funded by local authorities; and
 - ▶ **problems with the current system**, specifically, administrative problems, maladministration and fraud.
- 3.3 Under the 1985 and 1989 Acts, there was a mandatory system: if a house was assessed as being unfit, the local authority had to award a house renovation grant as long as the proposed works would bring the property up to being fit. The 1996 Act replaced the earlier mandatory grant regime with discretionary grants in all except some disabled facilities grants (see paragraphs 3.8 and 3.9). Other changes included the introduction of a new residency condition, strengthening grant recovery conditions and the replacement of Minor Works Assistance with Home Repair Assistance.
- 3.4 Grants are available by application to the local authority under Parts I and IV of the 1996 Act and are as listed in **Figure 7**. Applications for grants can be made by owner-occupiers, landlords or qualifying tenants (that is, those tenants with an obligation to repair their homes). The same grants are also available to residents in renewal areas which are governed by Part VII of the 1989 Act and are discussed in detail in paragraphs 3.10 to 3.13.
- 3.5 All owner-occupiers, landlords or tenants have a right to submit an application for grants for housing renewal, and local authorities have a statutory obligation to determine an application within six months of receipt of the completed form and all necessary information. However, local authorities set up their own systems for deciding who will receive grants. A number of conditions are attached to all grants as they are intended to target limited resources at those in most need of assistance:

Renovation activity

Grants for individuals

- 3.3 Legislation underpinning the provision of assistance for housing repair in the private sector is governed by three main acts:
- ▶ Housing Act 1985;
 - ▶ Local Government and Housing Act 1989; and
 - ▶ Housing Grants, Construction and Regeneration Act 1996.
- There are a further forty statutory instruments that set out in detail certain requirements of the legislation, such as the test of the applicant's resources, and provide some degree of flexibility in areas of grant conditions and repayment. Secondary legislation, approvals and guidance are produced by the Assembly (and before 1999 by the Secretary of State for Wales). Within these powers, local authorities can set their own policies for allocating grants.
- ▶ home owners are subject to a means test of their income and savings to assess how much, if anything, they need to contribute to the costs of the works;
 - ▶ owner-occupiers must be either a freeholder or leaseholder with at least five years of the lease remaining, and the dwelling must be the main residence of the owner or a member of their family;
 - ▶ applicants have to show that they have lived in the dwelling as their only or main residence for the preceding three years, although this condition can be waived by local authorities; and

Figure 7

Housing grants available for owner-occupiers

Types of grant	Purpose
House renovation grant	To bring a dwelling up to the fitness standard or put it into reasonable repair. House renovation grant can also be used to provide home insulation or heating facilities; satisfactory internal arrangements, such as ensuring the bathroom can be accessible without going through another room; to convert under-used dwellings into self-contained flats; or radon remedial works. Other circumstances may be eligible at the discretion of the local authority.
Common parts grant	For the improvement and/or repair of the common parts of buildings containing one or more self-contained flats. Three quarters of the flats must be occupied by 'occupying tenants', that is, owners or tenants who have the flat as their only or main residence. Applications can be made either by the landlord and/or the occupying tenants. The cost of the work will be shared by all those who live in the building, subject to means testing to determine how much they need to contribute.
Group repair schemes	Under which the local authority organises and supervises repair works to groups of houses. The local authority meets at least 50 per cent of the costs while the remaining costs are covered by home owners applying for means tested house renovation grants.
Relocation grant	To help people displaced by clearance action to buy a new home in the same area. The owner needs to put most of any compensation payments towards the cost of the property.
Home repair assistance	To help owners or qualifying tenants on income-related benefits, the elderly or infirm with smaller repairs, adaptations or improvements (up to £5,000) such as securing the fabric of the building or protecting residents from danger. It is intended to bypass the more detailed application process of the other grants.
Disabled facilities grants	To help adapt homes for disabled people. [Further details on disabled facilities grants are set out in paragraph 3.8 and 3.9]

Source: *Housing Renovation Grants*, Department for the Environment, Transport and the Regions

- ▶ if successful, grant recipients will have to sign a certificate stating that they, or their family, intend to occupy the property for the entire grant condition period, currently five years. The grant may be recovered in full if this condition is breached but the local authority has the power to waive this condition in certain circumstances.

3.7 Under Part XIV of the 1985 Act, local authorities have the power to provide loans for home improvement. This option has had a very low take up by local authorities in Wales with only Cardiff and the Vale of Glamorgan using them at all. In the six years between 1996-97 and 2001-02, £136,000 has been provided through loans in respect of 31 dwellings. Assembly officials do not know the reason for this low use of loans for housing renewal.

Grants for disabled people

3.8 Disabled facilities grants are available to people with disabilities to help them adapt their homes and remain living independently at home or return

home after a hospital stay. Unlike the other grants, under the 1996 Act, mandatory grants remain for some sorts of adaptations (local authorities' social services departments employ occupational therapists to assess what adaptations are necessary). Mandatory grants are provided for essential adaptations to allow the disabled person to have better freedom of movement around their home and access to essential facilities. Adaptations attracting a mandatory grant include, for example, improving or providing access to the bedroom, kitchen and bathroom, or installing a suitable heating system. It is the nature of the adaptation that determines whether a grant is mandatory or not; all grant applicants are still subject to a means test. Discretionary grants are available for a wide range of other works in order to make a home more suitable for a disabled occupant's accommodation, welfare or employment needs. This would include, for example, adapting an existing room so that the disabled person can work from home. Local authorities may also provide discretionary grants where the cost of adaptations under the mandatory grant exceeds the grant limit.

3.9 Care and Repair home improvement agencies provide help and advice to older and disabled people on accessing the housing grant system and carrying out home improvements by bringing together commercial, voluntary and statutory agencies. Services provided by Care and Repair agencies also help to improve the condition of the housing stock and enable vulnerable people to stay in their own homes for as long as possible. They started in Wales in the 1970s and there is now a national body, Care and Repair Cymru, which supports the work of 25 agencies that service all local authority areas by working in partnership with the local authority and housing associations. The Welsh Office began funding Care and Repair agencies in 1987 and in 2002-03 the Assembly provided £1.36 million to support their work. This is set to rise to £3.2 million in 2003-04.

Renewal areas

3.10 Renewal areas were introduced in Part VII of the 1989 Act and remained largely unchanged by the 1996 Act. In order to improve housing and general amenities in an area where poor housing is combined with social and environmental problems, the local authority, residents and the private sector work in partnership to increase community and market confidence in the future of the area so helping reverse the process of decline. An in-depth neighbourhood renewal assessment has to be carried out first to provide a thorough and systematic consideration of alternative courses of action. The neighbourhood renewal assessment considers a range of issues including boundary definition, economic assessment, technical feasibility and socio-economic assessment. The renewal area is in force for ten years.

3.11 Renewal areas are funded by local authorities (who can apply to the Assembly for additional funds), and they can also attract private sector and other agency investment. The sort of matters that are eligible include improving the external appearance of buildings in the area and their immediate surroundings; improvements to traffic management and street works; landscaping small areas of land; and the provision of community facilities.

3.12 In 2001-02 there were 28 renewal areas in operation across 16 of the 22 unitary authority areas in Wales covering a total of 26,832 dwellings. Caerphilly and Gwynedd have four each, fourteen authorities have one or two schemes operating

while the remaining six authorities have none. Almost £18 million was spent by local authorities on home renovation grants, group repair schemes, acquisitions and disposals, environmental works and clearance areas, demolition and closures in renewal areas during the year 2001-02. Two case studies of successful renewal areas are illustrated in **Case Studies A and B**.

3.13 Renewal areas came about in order to focus attention and resources on housing in run-down areas that manifested a range of related social and economic problems and where a co-ordinated approach to regeneration offered the most suitable solution. The approach also brings benefits from the resulting economies of scale. However, by targeting all the houses in a particular area for assistance, one consequence is that some owners will get help before others outside the renewal area with properties that are in poorer condition.

Case Study A: Oakdale Renewal Area, Caerphilly

Declaration of Oakdale as a renewal area took place in 1992 following an in-depth neighbourhood renewal assessment that highlighted the serious problems evident within the village. The area required substantial investment not just because of its housing problems, but also due to a need to improve community facilities. The assessment concluded that if decline was not arrested it was likely that out-migration of the young from the village would continue, leaving behind an elderly population, reducing chances of inward investment. The former Islwyn Borough Council implemented a strategically planned programme of group and block repair aimed at addressing the high levels of housing unfitness within three to five years of declaration. Alongside this, the local authority pursued a programme of environmental works and social provision targeting issues that residents had identified as a priority during the neighbourhood renewal assessment exercise. A total of 439 houses were repaired including 397 unfit houses that were made fit. Expenditure over the ten years was £9.2 million including £2.6 million from the private sector and other agencies. Further investment has been attracted through land reclamation at the former Oakdale Colliery site and construction by housing developers. A recent survey of residents showed that the village is a significantly better place to live as a result of the renewal area action and there is some indication of improvements to the health of residents.

Source: Caerphilly County Borough Council

Case Study B: Gwynedd Council

There are currently four renewal areas in Gwynedd with the first starting in March 1993 in Bethesda. Between them, a total of 1,346 houses have been repaired at a gross cost of £17.4 million. An innovative approach by the local authority has been to pilot and operate a Renewal with Care initiative to carry out minor repairs for the elderly and infirm whilst waiting for the group repair to start at a later date.



Source: Gwynedd Council

Clearances

3.14 In the post-war period, demolition, coupled with large scale house building by both councils and the private sector, was a favoured means to improve the quality and quantity of housing and by the 1960s nearly 3,000 houses a year were being demolished. This policy made a dramatic improvement in the housing stock through the removal of the worst slums and meeting most of the demand for housing. Clearance activity subsequently declined over the last two decades from an average of 1,500 each year between 1975 and 1979 to 394 a year between 1996-97 and 1999-2000 as renovation rather than demolition became the major plank of housing renewal policy. There has since been a reversal of this downward trend with 1,050 dwellings demolished in 2001-02.

Finance

Expenditure by local authorities

3.15 Around £1.4 billion has been spent on private sector renewal by unitary authorities in Wales under the 1989 and 1996 Acts. Almost 160,000 individual grants were allocated in the decade 1990-2000 to

households in Wales. The number of house renovation grants peaked in 1996 at 8,870 and then declined rapidly by 2001 to a fifth of the 1996 level at 1,860. The provision of disabled facilities grants has been increasing; the number of completed grants per year has doubled in both volume and value since the early 1990s so that over 4,660 grants were completed in 2001 at a total value of almost £28 million. There has also been a substantial increase in the number of smaller minor works/home repair assistance grants awarded from around 5,000 in 1996 to 7,800 in 2001 (Figure 8).

3.16 Although the total number of grants awarded has remained fairly static over recent years, expenditure has been declining since the introduction of the 1996 Act. The bulk of expenditure has been for house renovation grants (Figure 9). The level of both average house renovation grant and average grant awarded for minor works has increased since the mid-1990s (Figure 10). Investment in housing in Wales has been proportionately higher than in England for some time due to higher levels of unfitness. At £19,000 per applicant, average house renovation grants in Wales are running at almost twice the English average of £10,500 in 2000-01.

3.17 Expenditure on private sector renewal varies across the unitary authorities in Wales. Figure 11 shows the value of house renovation grants, disabled facilities grants, home repair assistance and other grants that were completed in 2001. The amount spent by each unitary authority is broadly consistent with the number of dwellings located there but the use made of the different types of grant differs significantly from one authority to another.

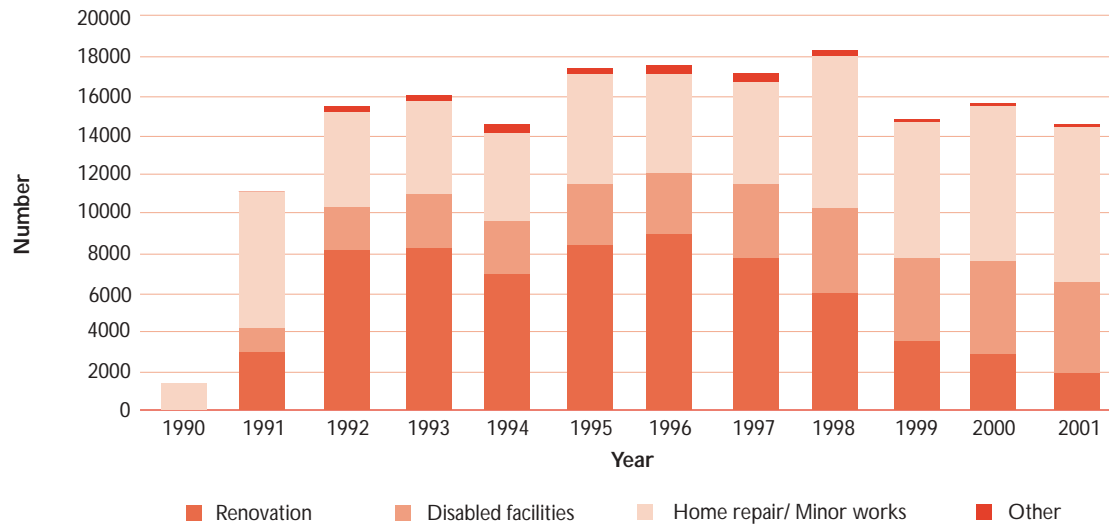
Funding of local authority expenditure

3.18 In 1999, the Assembly introduced new arrangements for capital expenditure by local authorities in Wales. This included abolishing specific capital grants for private sector housing renewal. It is therefore for each local authority to determine how much it wishes to allocate for this activity as opposed to other areas of expenditure. In addition, local authorities are able to bid for additional resources to fund renewal areas and strategic housing schemes. In 2002-03, £51 million was allocated by the Assembly to support these schemes.

Figure 8

Number of private sector renewal grants provided under the 1989 and 1996 Acts

The overall number of grants has declined slightly since 1996, but the number of renovation grants is now a fifth of the 1996 level

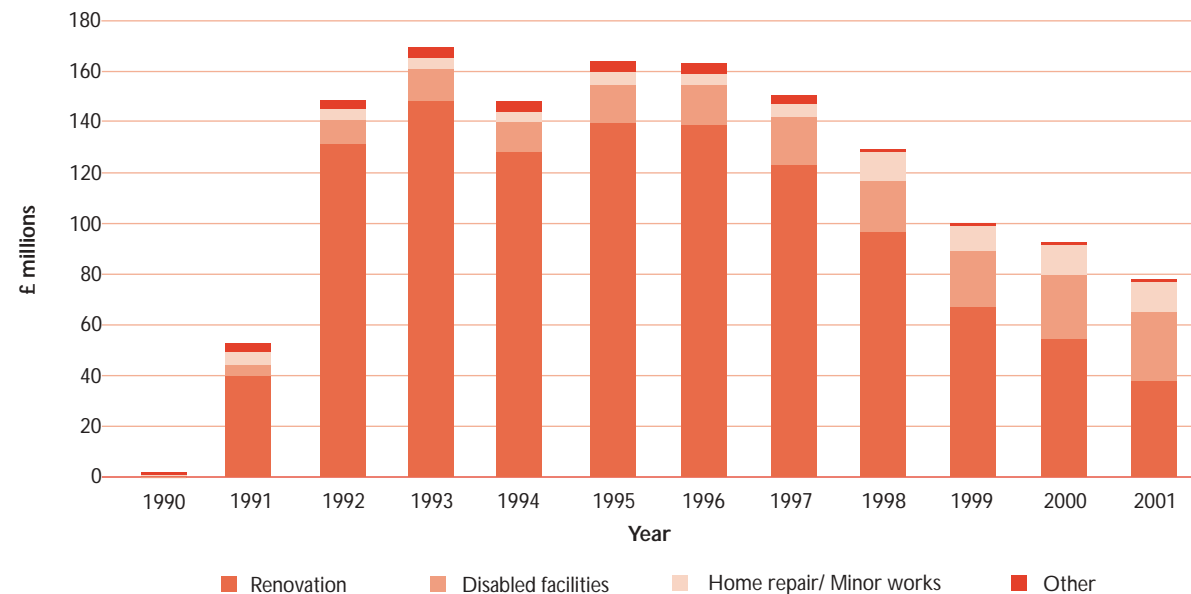


Source: National Assembly for Wales, Welsh Housing Statistics 2002 and Welsh Housing Statistics 1999

Figure 9

Value of all private sector renewal grants completed under the 1989 and 1996 Acts

The value of all housing grants completed has halved since 1996

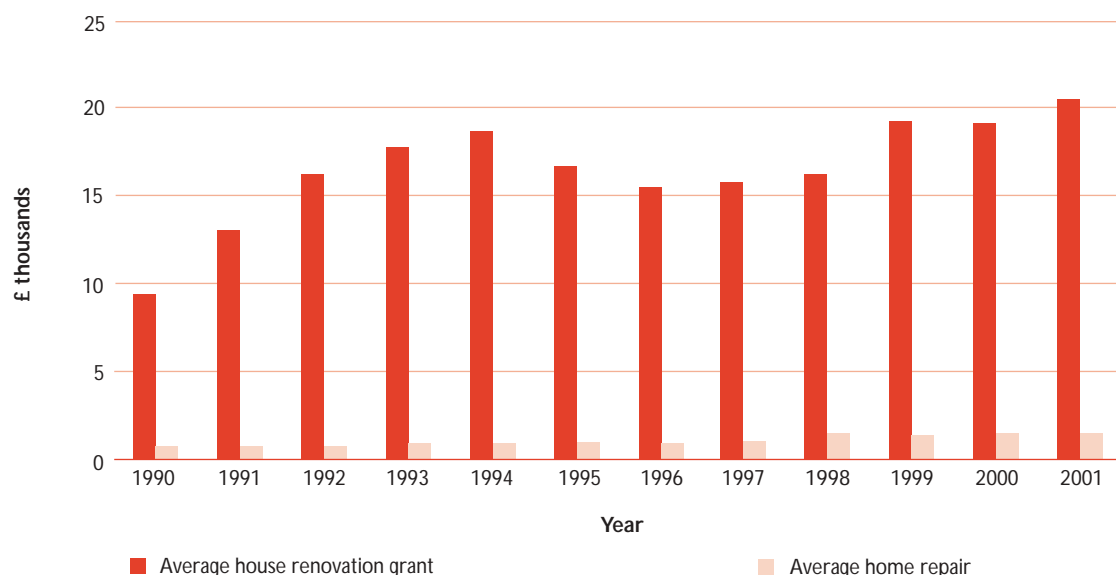


Source: National Assembly for Wales, Welsh Housing Statistics 2002 and Welsh Housing Statistics 1999

Figure 10

Average house renovation grant and home repair assistance/minor works

Average grants for house renovation and home repair assistance have increased since the mid 1990s



Source: National Assembly for Wales, Welsh Housing Statistics 2002 and Welsh Housing Statistics 1999

Impact of housing renewal expenditure

3.19 According to the most recent house condition survey, published in 1998, there has been a significant reduction in the proportion of dwellings classified as unfit over the previous decade. The rate of unfitness was running at 8.5 per cent in 1998, declining from 13.4 per cent in 1993 and 19.5 per cent in 1986. Around half of these unfit dwellings are in serious disrepair. Average levels of unfitness are still higher in Wales than in England where 6.5 per cent of occupied dwellings were unfit in 1996. Average repair costs have also reduced, from £1,953 (at 1998 prices) in 1986 to half that level, £953, in 1998. Comparisons with England, Scotland and Northern Ireland are difficult to make as each uses quite different definitions to calculate house repair costs. Nor is it possible to attribute a reduction in levels of unfitness directly to housing renewal expenditure, as many other factors, such as the rate of new house building, will also have an effect.

Problems with the current system

3.20 The major problems with the current system fall into fraud and maladministration but difficulties with administering the system are also evident.

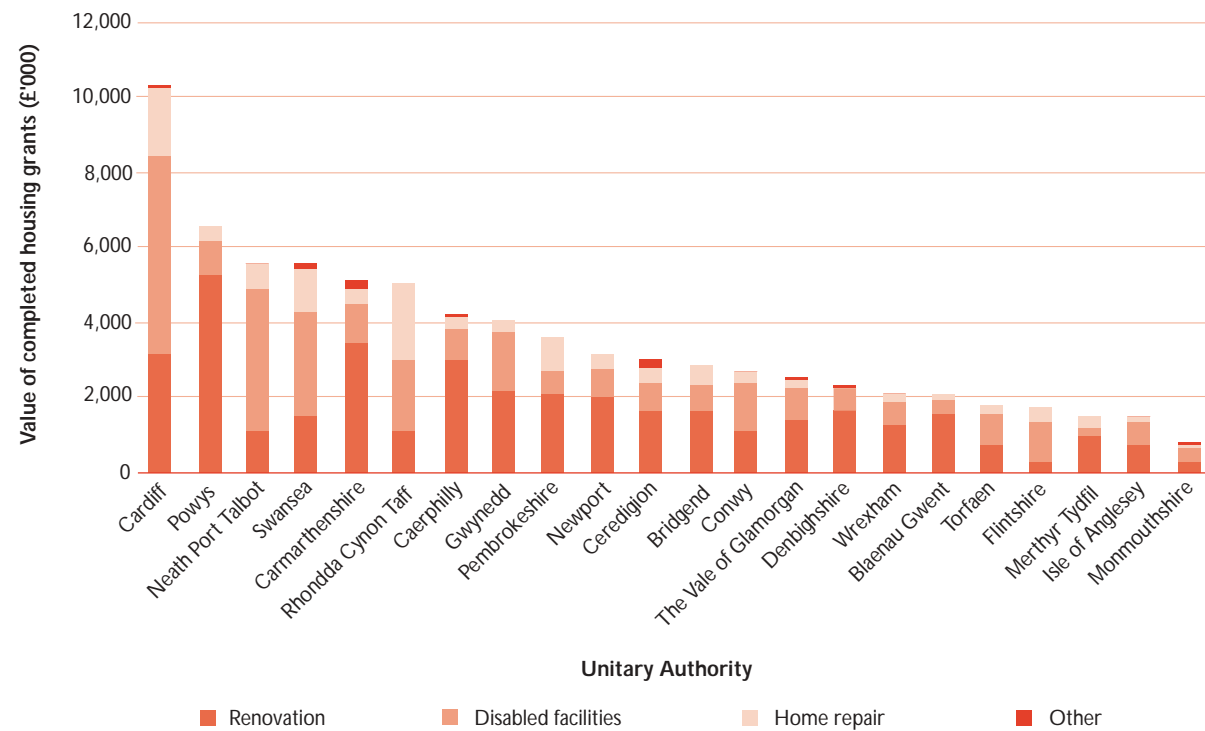
Administrative problems

3.21 Difficulties in managing the housing grants system are highlighted by the Best Value Inspection reports on the administration of private sector housing services. These reports are based on reviews of services by the Audit Commission's Housing Inspectorate and are designed to show the local authority, the public and the Assembly how well the local authority is delivering services, as well as disseminating best practice across the field. The first report on private sector housing renewal services came out in March 2001 and reports have since been completed for five local authorities in Wales (Blaenau Gwent, Ceredigion, Neath Port Talbot, Powys and Swansea). Only one, Swansea, was considered to be offering a good service with the others all being seen as fair.

Figure 11

Value of housing grants provided by each unitary authority in 2001

The value and type of grants vary considerably between local authority areas



Source: National Assembly for Wales, Welsh Housing Statistics 2002

3.22 The key problems identified in the Best Value reports were:

- ▶ advertising the service. Most local authorities say that they do not advertise the availability of house renovation grants because they are struggling to manage the applications that they already receive. This means that many of those in greatest need are unlikely to know that they could be receiving assistance;
- ▶ procedures for rationing and managing waiting lists. The 1985 and 1989 Acts required local authorities to provide mandatory grants to all those whose properties had been declared unfit. This meant that most local authorities had a system whereby applicants applied and then waited their turn to be assessed and eventually, if they met all the criteria, they would be awarded a grant. This has led to

extremely long waits in some areas with applicants still on the list after ten years in Blaenau Gwent County Borough Council. At Neath Port Talbot County Council the situation was worse with 3,000 people on a waiting list that was calculated would take 71 years to clear at their existing rates of approval. Many local authorities have now set up points-based systems to prioritise grants to those most in need;

- ▶ providing information on the application process and waiting list management. Those applicants who met the criteria were not kept informed as to the method by which points were allocated or how long they would have to wait. Applicants were rarely given information on alternative ways to remedy their houses which would be helpful for those who are unlikely to meet all the criteria;

- ▶ high administration costs. In some local authorities the cost of administration of home repair assistance was higher than the grants awarded; and
- ▶ inconsistent service across the county. Within Powys, the Best Value report states that it takes 14 times longer to be assessed in Brecknockshire than Montgomeryshire.

Maladministration

- 3.23 The Commission for Local Administration in Wales (the Local Government Ombudsman for Wales) was set up in 1974 to investigate complaints by the public that maladministration by local authorities had caused them to suffer injustice. Around 850 complaints are made to the Ombudsman each year, a third of which tend to relate to general housing issues. Since 1994, the Ombudsman has dealt with 148 complaints in respect of housing grants. Of these, 27 resulted in a public report finding maladministration causing injustice with the remainder being settled satisfactorily either with or without a public report. This is a negligible proportion of the total number of grants awarded (130,000 since 1994). Over half of the complaints centred on unacceptable delays that grant applicants have suffered.
- 3.24 One of the most serious cases that the Ombudsman investigated, and subsequently reported on in March 1996, involved a complaint in respect of the former Taff Ely Borough Council, the responsibilities of which were taken on by Rhondda Cynon Taff County Borough Council. **Case Study C** sets out the nature of the complaint and the results of the investigation undertaken by the Ombudsman.

Case Study C - Complaint investigated by the Ombudsman involving the former Taff Ely Borough Council

A complaint was made by a landlord that the delay in processing his application for a house renovation grant from Taff Ely Borough Council led to a £20,000 loss in profit. The property had been visited by an environmental health officer and declared unfit in February 1991. The complainant then made an application for a house renovation grant to provide decent bathroom and kitchen facilities.

Taff Ely Council's problem was that demand for mandatory grants outstripped available funds. At the time of the complainant's application there were around 3,000 people on the waiting list. To try and deal with this the policy for determining who would receive a grant was initially to rank applications in chronological order. But, in July 1990, a system was introduced to allocate priority. However, the possibility of being given priority, and the reasons why a particular case would have priority, were not conveyed to the public.

The Council set up a housing sub-committee to make recommendations to the housing committee regarding approval or refusal of priority for renovation grants. Two of the seven sub-committee members were themselves applicants for grants. In a further two cases, councillors declared an interest as the applicant was a relative but they did not leave the sub-committee hearing. This was in breach of the Council's Code of Conduct. Canvassing was common and tended to reward those applicants who could exert the most pressure. The priority system was abolished in April 1994.

The Ombudsman's report came out in March 1996. It found that the main injustice was to the tenants of the complainant who had had to live in an unfit property for more than five years. The tenants had subsequently bought the property from the complainant and the Ombudsman recommended that their application for a grant should be granted urgently. The local authority was also told that it had to consider asking one of the councillors who had received a grant to repay it.

Source: The Commission for Local Administration in Wales

Fraud

3.25 In 2001, the then Department of Transport, Local Government and the Regions produced a report on fraud in the private sector housing renewal and disabled facilities grants programme. This report draws on Audit Commission data showing that in 1998-99 the rate of detected fraud was much higher for every thousand grants paid in Wales than in England: Wales had 2.2 cases of fraudulent activity per thousand grants paid compared to England's rate of 0.4. Not only was the rate of detected fraud higher in Wales but it appeared to be increasing, whereas it was reportedly decreasing in England. The Audit Commission subsequently reported that while renovation grant fraud had been running in previous years at over 30 cases a year in Wales, worth around £250,000, it had dropped considerably to 8 cases costing £54,000 in 1999-2000.

3.26 The explanation provided by the Department of Transport, Local Government and the Regions for the higher levels of detected fraud in Wales was that there was a heightened awareness of fraud due to some high profile cases and that this had led to improved guidance on the detection of fraud. In addition, the smaller number of Welsh authorities meant that they were better able to network and share good practice aimed at reducing fraud. The Department of Transport, Local Government and the Regions report also found that fraud was more likely to occur in applications for house renovation grants than in disabled facilities grants and home repair assistance. Smaller value grants are less attractive to fraudulent activity because the rewards will be lower. As private sector renewal moves more towards smaller home repair assistance (maximum grant value £5,000), levels of fraud are likely to decline.

3.27 Fraud can occur at every stage of the grant application process. According to the Department of Transport, Local Government and the Regions report, the types of fraud fall into the following categories, in order of frequency:

- ▶ misrepresentation by the applicant of their financial position by failing to declare all of their sources of income or savings or failure to include the income of all the working residents in the property. This is the most significant source of fraud, in terms of both the number and value of grants. Alternatively, the title-holder may transfer ownership of the property to a poorer family member;
- ▶ over claiming for the value of work done. This may involve collusion between the applicant (or their agent such as the architect or surveyor) and the contractor in submitting an application for a higher amount than the works will actually cost. This could be at the application stage when the applicant must submit two estimates for the cost of the work or it could occur when additional payments are requested for unforeseen works. The example in **Case Study D** shows a complicated fraud involving collusion between a number of players;
- ▶ breach of preliminary or occupation conditions after approval. For example, an applicant claiming to own the property when they do not or stating they will live in the property after renovation but then not doing so;
- ▶ non-notification of sale within five years. This was not found to be a major problem by the Department of Transport, Local Government and the Regions study as it accounted for only two per cent of the value of detected fraud in the local authorities they surveyed. Some local authorities said that they do not pursue people who had moved within the five year period due to changes in personal circumstances but that they will pursue landlords or those believed to have sold for speculative purposes;

- ▶ fraud relating to the application and approval process which can be undertaken by grant officers. The Department of Transport, Local Government and the Regions study found this is likely to be of a low level as authorities have implemented management systems designed to prevent such activities. According to the Audit Commission's Best Value Inspection report, Powys County Council has set up better control procedures, such as clear separation of duties and the need for two officers to authorise payments, since uncovering fraud involving officers. The Council works closely with the police when they suspect illegal activity and they have successfully prosecuted officers and applicants. In comparison, the Best Value report on

Ceredigion found that there was no written guidance to staff which could open up opportunities for fraudulent activity; and

- ▶ misrepresentation of a medical condition in order to qualify for a disabled facilities grant.

3.28 The Assembly introduced new governance and scrutiny arrangements under the Local Government Act 2000. These included the need for local authorities to ensure that they maintain and develop their arrangements for preventing and detecting fraud and corruption, and managers need to ensure that control systems are sound.

Case Study D - Renovation grant irregularities at the former Radnorshire District Council

Two brothers, who owned houses in multiple occupation in the Llandrindod Wells area, received approval for a number of grants to improve their properties. The levels of grant approved were based on quotations from building companies to carry out the necessary work. Rather than contracting with building companies to undertake the work, the grant applicants employed direct labour and bought the supplies themselves, thus completing the work at lower cost. However, through collusion with builders, the brothers submitted builders' invoices as the basis for grant payment. The result was that they received grants that were significantly higher than the costs they had incurred.

The irregularities came to light in early 1994 when one of the builders contacted the local authority and stated that he had not undertaken all the work that had been invoiced. This led to the local authority's internal audit department investigating all grant approvals and payments to the two brothers. In early 1995, the local authority made a formal complaint to the police.

The police investigated over £800,000 worth of grant payments and the case was heard in Crown Court in 1999. The brothers were found guilty in respect of 26 individual grants, amounting to around £230,000, and were sentenced to one and two years' imprisonment each. The full amount of the proven fraud was also recovered and repaid to the local authority. In addition, some of the builders involved in the fraud were found guilty of lesser offences and received community orders and fines.

Source: Powys County Council

KEY POINTS

- ▶ Over £1.4 billion has been spent on housing renewal activity in the private sector since 1990 when the current grant system was introduced. The level of unfitness has declined from 19.5 per cent in 1986 to 8.5 per cent in 1998.
- ▶ The total amount of funding available from local authorities for assistance to owner-occupiers has declined sharply since 1996 although the number of individual grants awarded has shown a much smaller decrease. Large renovation grants have been replaced by much smaller awards for home repair assistance.
- ▶ There are 28 renewal areas in Wales targeting investment in housing and community based projects. Renewal areas have proved themselves capable of bringing benefit to communities, although problems of equity remain.
- ▶ Audit Commission Best Value inspection reports published to date have found various problems with the way that local authorities' systems are administered. In addition, the Local Government Ombudsman has investigated over 40 complaints in respect of renovation grants since 1990.
- ▶ Wales has historically detected much higher levels of fraud than England in respect of housing grants, although the most recent data points to a significant decline in fraud in Wales.

PART 4 Reform of private sector renewal

4.1 As set out in parts two and three, the existing system for improving the condition of housing in the private sector was set up to provide mandatory grants for all dwellings assessed as unfit in order to bring them up to a basic minimum standard. The changes introduced by the 1989 and 1996 Acts attempted to resolve the problem of limited resources by making all grants discretionary except for disabled facilities grants. However, the Welsh Assembly Government considered that local authorities were still tied into a prescriptive grants based system that failed to recognise local circumstances and had other problems. For this reason, the Assembly Government is reforming assistance for private sector housing renewal.

4.2 This part of the report looks at:

- ▶ the **legislation** that has created the new system;
- ▶ how the **new system** for private sector housing renewal will operate; and
- ▶ **impact of reform** discussing what benefits and risks these changes could bring.

Legislation

4.3 The Department of the Environment, Transport and the Regions published a green paper, *Quality and Choice: a Decent Home for All* in April 2000 which looked at all aspects of housing policy in England and Wales. Its key proposal regarding private sector renewal was "enabling local authorities to support the renovation and improvement of private sector housing in a better targeted, more strategic way, through grants and greater use of loans and low-cost maintenance services." The main principle behind this was to shift the focus from preserving properties to protecting people. Priority should be given to those households that cannot afford to repair their properties; areas where the poor condition of a house or group of houses is having a negative impact; and where the local authority has a scheme to improve the area as a whole.

4.4 Based on the results of this exercise, the Department of the Environment, Transport and the Regions in March 2001 published a consultation paper, *Private Sector Renewal: Reform of the Housing Grants, Construction and Regeneration Act 1996, Local Government and Housing Act 1989 and Housing Act 1985*. In order to implement the changes recommended by the consultation paper, a Statutory Instrument, *The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002* was published and debated by the Assembly at the plenary session on 16 April 2002. Assembly Members unanimously agreed that the Order be accepted as drafted. Each House of Parliament then approved the order once the Secretary of State for Wales had consulted the Assembly and other relevant interested parties. The order came into force on 18 July 2002 and the new powers will be fully operational twelve months after that date.

New system

4.5 The main impact of the changes is that local authorities will be able to decide on their own strategic direction to meet the pressures and priorities facing their areas. The existing system of grants will no longer be available so renovation grants, common parts grants, houses in multiple occupation grants, group repair, home repair assistance, relocation grants and discretionary disabled facilities grants will all disappear. In their place, local authorities will have broad enabling powers so they can choose to continue to give grants, or they could make use of loans, loan guarantees or indemnities as well as providing building materials or labour. Rather than being restricted to providing funds to make repairs or improvements to a dwelling, local authorities will be able to acquire, demolish and replace accommodation that is beyond repair. Local authorities will continue to be responsible for means testing but will also be able to decide whether loans, equity release or grants are the best method of funding assistance and how any repayments will be made. Mandatory disabled facilities grants will remain with some minor amendments.

4.6 The Assembly's housing division issued guidance to local authorities for private sector housing renewal on 8 August 2002. This guidance is non-statutory and is not a definitive interpretation of the law but it does provide useful information on all aspects of implementing the new policy.

4.7 Before they are able to make use of the new legislation, each local authority is required to produce a housing renewal policy to ensure that everyone affected knows how the policy will work in their area. Local authorities should make use of the Assembly's guidance in developing their housing renewal policies (although this is not mandatory) and they should take account of basic principles such as being fair; giving priority to the most vulnerable households, especially households with disabled and older occupants; ensuring that applicants for loans are properly advised; and taking realistic account of people's ability to pay. Local authorities will then be able to decide how assistance will be given and how they will administer the system. Each local authority will need to consult on their policy and then adopt it formally through a meeting of the full council. Local authorities will then have to give public notice of the adoption of the policy; ensure that the full policy document is available for inspection by members of the public at all reasonable times at their principal office; and ensure that a summary of the policy can be obtained by post. The current grants system will be available until July 2003, but if no policy is published by then the local authority will not be able to provide any assistance at all.

4.8 Existing renewal areas will continue as before but there will be less rigid criteria for deciding which areas are suitable to be declared renewal areas in the future. Local authorities will still need to carry out neighbourhood renewal assessments, consult with residents on their proposals and keep them informed about the declaration of the renewal area and any changes. However, a number of restrictions will be removed such as the length of time a renewal area has to remain in force (currently ten years) and the requirement to keep the Assembly informed of any changes. The new policy is designed to enable local authorities to tackle area-based housing problems with a locally defined approach.

4.9 The mechanism for funding capital projects across local authorities is changing from one of central control on borrowing limits to one where local authorities are free to borrow up to a prudential borrowing limit set by the local authority itself. The Assembly has stated that it will be looking at the formula for the distribution of capital support in conjunction with the Wales Local Government Association.

Potential impact of reform

Intended benefits of reform

4.10 These reforms are designed to deliver a number of benefits to the private sector housing renewal system to address the issues outlined in the national housing strategy for Wales. The intended benefits are set out below:

- ▶ local authorities will be able to develop assistance to meet the needs facing their areas by setting policies to meet local priorities. Some local authorities with similar problems, for example those in rural areas, the south Wales valleys and north Wales, are already working together to develop locally consistent policies;
- ▶ local authorities will be able to attach their own conditions to safeguard their investments. They could also prevent speculative applications by demanding repayment if the property is sold within a specified time;
- ▶ local authorities will be able to make more use of loans and this will widen the range of financial assistance available. This may provide further assistance if they can also attract commercial lenders;
- ▶ making more use of equity release should help householders with equity available in their property to carry out repairs;
- ▶ homeowners will have more choice such as between means tested grants and a preferential loan. Alternatively, they will be able to choose between improving their existing home and help towards buying a more suitable property; and

- ▶ help to homeowners to move house could be used in conjunction with a voluntary purchase strategy, or in a renewal area, making it easier to remove housing that has reached the end of its useful life or surplus housing in areas of low housing demand.

Risks of reform

4.11 Whilst there are a number of potential benefits from reforming assistance for improving housing in the private sector, a number of risks are also possible. To find out what these risks could be, the National Audit Office Wales ran a focus group with housing professionals from the Audit Commission, Cardiff University and local authorities. For full details of attendees see Appendix 1.

4.12 The conclusion of the focus group members was that the risks could be grouped into five key areas and they made suggestions as to what could be done to alleviate each one.

1. The objectives of the Assembly's strategic plan for housing may fail to be met.
2. Local authorities' housing renewal policies may not be of sufficiently high quality.
3. Local authorities may not have the capacity to make the most of the new system.
4. Fraud could continue to be a problem or even increase.
5. The public may not perceive as fair a system that varies between local authorities.

Each risk is considered in turn.

1 The objectives of the Assembly's strategic plan for housing may fail to be met

4.13 The Assembly has set a number of objectives in *Better Homes for People in Wales* for improving privately owned housing, as set out in paragraph 1.4, but it does not provide funding directly to those in need. Instead, its high level policies are implemented through the funding it makes available to local authorities. Under the Assembly's policy, *Freedom and Responsibility in Local Government*, the Assembly has stated that it is working in

partnership with local authorities so that they have the freedom to determine their own priorities. These local priorities for private sector housing renewal may well fit in with the Assembly's strategy but there remains the risk that they will not. In such cases, the local authority would be required to justify their approach, based on local need. In addition, the Assembly will be monitoring progress of their housing strategy on a six monthly basis.

4.14 This risk goes to the heart of the philosophy of the new approach, which gives local authorities greater powers to address their local pressures and priorities. If the Assembly were to continue to exercise central control through other means, it would undermine the whole ethos of the revised arrangements. Whether the resulting tension proves to be creative or destructive will determine the success or otherwise of the new system.

2 Local authorities' housing renewal policies may not be of sufficiently high quality

4.15 A central pillar of the new system is the requirement for all local authorities to publish a housing renewal policy. This policy will set out local priorities and how the authority intends that they will be met before they can implement the new system for private sector renewal. Despite these safeguards, an inadequate policy will clearly present problems in terms of improving private sector housing in an area. For example, a poor policy might not reflect corporate priorities, leading to resources being directed at inappropriate groups. Another related risk is that a local authority does not make any material changes to their systems. To help local authorities produce high quality housing renewal policies, the Assembly's detailed guidance has been supplemented by a number of seminars and other training events for local authority housing staff to learn from Assembly officials, experts in the field and each other.

3 Local authorities may not have the capacity to make the most of the new system

4.16 If the new system is to work, it will require local authorities to think in a rather different way. Previously they have largely had to do no more than concentrate on administering a centrally-determined system. Under the new system they will have to make a culture change and move from a focus on administration to properly strategic

thinking. There is a risk that local authorities may not be equipped to make this cultural change and therefore not realise the potential benefits of the new system.

4.17 Countering this risk, however, is the fact that the changes to local government introduced in 1996 and 2001 have already served to start making local authorities think in a different way. Peer pressure within the relatively small network of Welsh local authorities should help to foster the innovative thinking required; there should be plenty of opportunities for authorities to learn from each others' experiences.

4 Fraud could continue to be a problem or even increase

4.18 Paragraphs 3.25 to 3.28 considered the current levels of fraud in the housing grant system. It is possible that the wider powers granted to local authorities in a less prescriptive system will increase the opportunities for fraud, resulting in resources being lost to the public sector. To guard against this risk, the Assembly's guidance provides advice on how to prevent and detect fraud. If local authorities follow this guidance they may develop tight local controls to reduce the levels of fraud. In addition, risk based audit and inspection by the Audit Commission and its appointed auditors should help to detect any fraudulent activity.

5 The public may not perceive as fair a system that varies between local authorities

4.19 Key to the new system is the ability of each local authority to determine its own priorities and the methods that it will use to help owner-occupiers in their area improve their properties. Whilst there will be a number of common factors that all local authorities will have regard to, there are likely to be variations in practice between authorities that may become more marked as time passes, for example, some local authorities might restrict grants to particular groups of people whereas others will have a large range of different grants available for a wider range of applicants. There is, therefore, a risk that these variations could be perceived as unfair - particularly if people become aware that they would qualify for a grant only if they lived in a different local authority area.

4.20 Variations of this sort are an inevitable consequence of the new system and any such disaffection arising will have to be managed. However, provided the service is in line with a robust, well-grounded local policy (see risk 2 on the previous page) then local authorities - and therefore also the Assembly - should be in a position to justify any differentials.

KEY POINTS

- ▶ The system for private sector housing renewal has been radically overhauled to give local authorities the flexibility to design their own policy for providing help to home owners based on local priorities. These policies need to be in place by 18 July 2003 otherwise the local authority will not be able to deliver any services for private sector renewal.
- ▶ Renewal areas will continue but a number of restrictions have been lifted, such as the length of time it needs to remain in force.
- ▶ There are a number of intended benefits of the new system including more effective targeting and use of resources.
- ▶ There are a number of recognisable risks that need to be addressed by the Assembly and local authorities:
 - 1 the Assembly's objective of reducing unfit housing by a half by 2005 may not be met;
 - 2 local authorities' housing renewal policies may not be of sufficiently high quality;
 - 3 local authorities may not have the capacity to make the most of the new system;
 - 4 fraud could continue to be a problem or even increase; and
 - 5 the public may not perceive as fair a system that varies between local authorities.

APPENDIX 1

List of attendees at the focus group on the risks of private sector housing renewal reform on 25 July 2002

- ▶ Brendon Hilbourne (National Assembly for Wales Housing Division)
- ▶ Huw McLean (National Assembly for Wales Housing Division)
- ▶ Robert Smith (Cardiff University)
- ▶ Kenyon Williams (Caerphilly County Borough Council)
- ▶ Angela Evans (District Audit)
- ▶ Mark Sawyer (Audit Commission)

