

# Housing renovation grants

Research Paper 96/34

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The Housing Grants, Construction and Regeneration Bill, which was presented in the Lords on 1 February 1996, contains measures which will substantially change the system of housing grants for private sector renewal. The existing system was introduced by the *1989 Local Government and Housing Act* and has been in operation since July 1990. This paper provides background on the existing system and explains why it has been felt necessary to revise the grants system so soon after its introduction.

A paper on the detailed provisions of the Bill will be produced in preparation for the debate on Second Reading in the Commons.

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## I Summary

Part VIII of the *Local Government and Housing Act 1989* introduced a new system of renovation grants linked to a revised statutory fitness standard and new measures for tackling concentrated housing problems by area based action. This system came into operation in July 1990.

Under the current system mandatory grants are available, subject to a means test, where a property is deemed unfit and renovation is viewed as the most appropriate course of action. A 1991/92 review of the grants system acknowledged that demand for renovation grants was such that resources were becoming a real problem for a growing number of authorities. This review resulted in some changes to the system.

A further review of the operation of the system was carried out over 1993. A consultation document, *The Future of Private Housing Renewal Programmes*, set out various short and long term options for enabling the grant system to work within the resources "that can be afforded nationally for this activity."

In June 1995 the Government published the White Paper, *Our Future Homes: Opportunity, Choice, Responsibility*, which set out the intention to abolish mandatory renovation grants. Full details of the proposals were contained in an explanatory paper issued with the White Paper.

The Housing Grants, Construction and Regeneration Bill, which was presented in the Lords on 1 February 1996, contains provisions which will enact the proposals set out in the explanatory paper. This paper gives background on the changes to the renovation grant system contained in the Bill. A further paper will be produced on the detailed provisions of the Bill in time for the debate on Second Reading in the Commons.

## II The need for renovation grants

Grants from public funds to individuals for the improvement of privately owned housing were first made available in 1949; successive legislation has gradually added to the range of assistance available. It has long been accepted that whilst private housing is first and foremost a private asset, the responsibility for repair and maintenance of which lies primarily with the owner, the State has a continuing role to play in improving the condition of private housing.

Two main reasons are given for continued public intervention in the private housing market. Firstly, as private housing comprises the largest sector of the national housing stock, it is regarded as a national as well as a private asset which has a central role to play in housing present and future generations. Secondly, it is recognised that the proportion of the housing stock which is in a very poor condition is generally occupied by people, eg the elderly, who are unable to fund costly repairs; therefore, public intervention is viewed as justifiable to protect the health and safety of the households concerned and the wider public. Over half of the annual investment in private sector housing goes into visible improvements such as new kitchens. Investment in basic repairs and maintenance of the fabric of buildings tends to occur shortly after properties change hands, possibly in response to retentions on mortgages by lenders.<sup>1</sup>

The 1991 DoE English House Condition Survey found that some 1.5 million dwellings were unfit (7.6%).<sup>2</sup> The majority of these dwellings were concentrated in the pre 1919 stock although this sector represents only one quarter of all housing. Private rented dwellings have the highest rates of unfitness. The most common reasons for unfitness are: failure to comply with requirements for repair and food preparation, the lack of bath/shower provision, dampness and the lack of WC provision. Households living in poor quality housing were found to be more likely to have low incomes; lone older households were particularly likely to experience the worst housing conditions within any one tenure. Using data from the survey, the potential cost of remedying unfitness in the private sector (in England) has been estimated by the Government at £4 billion.<sup>3</sup> Government provision in the form of exchequer grant to local authorities (which covers 60 per cent of local authorities' expenditure on private sector renewal) was £260 million in 1994/95.

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<sup>1</sup>DoE *The Future of Private Housing Renewal Programmes*, June 1993, para 2.2

<sup>2</sup>The 1993 Welsh House Condition survey found that 13.4% of the housing stock was unfit; the 1991 Scottish House Condition Survey found that 4.6% of Scotland's occupied stock failed the Tolerable Standard.

<sup>3</sup>HC Deb 28.4.94 c.261W

### III The current grant system in outline

#### A. Background

Part VIII of the *Local Government and Housing Act 1989* introduced a new system of renovation grants, linked to a revised statutory fitness standard,<sup>4</sup> and new measures for tackling concentrations of housing problems by area-based action. This system came into effect in July 1990 and is administered by local housing authorities.

The key aims of the new system were to:

- target resources on housing in the worst condition by linking eligibility for grant aid to achieving minimum habitable conditions, as represented by the statutory fitness standard;<sup>5</sup>
- focus grant assistance on the poorest households by taking account of householders' ability to contribute to the costs involved;
- provide flexibility for local authorities to take strategic action and develop area-based renewal approaches where appropriate;
- provide assistance to vulnerable groups, such as the elderly and disabled;
- be simple to understand and administer.

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<sup>4</sup>Section 604 of the *Housing Act 1985*

<sup>5</sup>*Ibid*

### B. The grants available

The grants available fall into four categories:

**Renovation grants:** these grants are for the improvement/repair of properties and for the conversion of buildings into one or more dwellings. Renovation grants are mandatory if a dwelling is declared unfit by a local authority and renovation is viewed as the most appropriate action to take; other options include the closure or demolition of the building. A dwelling is fit unless it fails to meet one or more of the requirements set out in section 604 of the *1985 Housing Act* and by reason of that failure is not reasonably suitable for occupation. The fitness standard requires a dwelling to be:<sup>6</sup>

- structurally stable;
- free from serious disrepair;
- free from dampness prejudicial to the health of the occupants;
- to have adequate provision for lighting, heating and ventilation;
- to have an adequate piped supply of wholesome water;
- to have satisfactory facilities for the preparation and cooking of food;
- to have a suitably located WC for the exclusive use of the occupants;
- to have a suitably located fixed bath or shower and wash basin with hot and cold water for the exclusive use of the occupants;

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<sup>6</sup>Detailed guidance on the application of the fitness standard is given in DoE Circular 6/90.

- to have an effective system for the draining of foul waste and surface water.

When originally introduced there was no upper limit on the amount of mandatory grant which an applicant could receive towards the cost of necessary works, a limit of £50,000 was introduced in April 1993<sup>7</sup> and this was further reduced in January 1994 to £20,000 in England and £24,000 in Wales.<sup>8</sup> Discretionary grants may be made available for works to improve a property beyond the fitness standard.<sup>9</sup>

**Disabled facilities grants:** these are grants for the provision of facilities to enable people who are registered or registerable as disabled to continue living in their homes. If a council is satisfied that the proposed works are necessary and appropriate to meet the needs of the disabled occupant, and also that the works are reasonable and practicable given the age and condition of the property, a mandatory grant is payable for certain works to help a disabled person manage more independently in the home. The upper limits on renovation grants also apply to disabled facilities grants.

**Grants for houses in multiple occupation (HMOs):** these grants are only mandatory if a statutory notice has been served on the landlord requiring that works be carried out to bring the property up to the fitness standard or to ensure that it is safe from risk of fire. Common Parts Grants are also available to improve the lighting and safety of halls and landings in HMOs. Discretionary grants can be issued to convert a property into an HMO.

**Minor works assistance grants:** these discretionary grants are available to owner-occupiers and private sector tenants who receive an income related benefit. A maximum of up to £3,240 (for one dwelling over a three year period) can be issued towards small works and adaptations to assist elderly applicants (over 60 years of age) "stay put" in their homes. Anyone on an income related benefit can apply for one of these grants for thermal insulation work. Since September 1992 these grants have been available to cover the replacement of lead water service pipes.<sup>10</sup> They also now cover the replacement of lead pipe and associated equipment used for supplying drinking and cooking water up to the kitchen tap and the replacement of electrical earthing where such an arrangement uses the lead pipe<sup>11</sup> (the age restriction does not apply in these cases).

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<sup>7</sup>SI 1993/553

<sup>8</sup>SI 1993/2711

<sup>9</sup>Section 115 of the *Local Government and Housing Act 1989*

<sup>10</sup>*The Assistance for Minor Works to Dwellings (Lead Pipes) Order 1992* (SI 1992/1837)

<sup>11</sup>*Assistance for Minor Works to Dwellings (Amendment) Regulations 1992* (SI 1992/1845)

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In general, grant applications, other than for disabled facilities grant, may not be entertained in respect of properties built or provided by conversion less than 10 years before the date of application. Local authority tenants are ineligible for grant aid except for disabled facilities grant. Housing associations may apply for grants in the same way as any other landlord. All grants are issued subject to a means test (see below).

### C. The means test

For the first time since the introduction of house renovation grants in the 1940s the current grant system links receipt of grant directly with the income of the applicant. The aim of the "test of resources" is to target grant aid on the most needy households. The current test of resources is set out in the *House Renovation etc Grants (Reduction of Grant) Regulations 1994*<sup>12</sup>.

The test largely mirrors the system of calculating entitlement to Housing Benefit. Each person's applicable amount, i.e the assessment of their basic needs, is determined by the award of personal allowances combined with premiums for special needs such as disability. The test is applied to the grant applicant and any other "relevant person" with an "interest" in the property, eg a joint owner. The test does not extend to non-dependents in the Housing Benefit sense and no deductions are made for non-dependents; however, income from lodgers is taken into account when determining an applicant's resources. The value of a relevant person's savings is determined in the same way as for Housing Benefit but the lower capital threshold for grant purposes is £5,000. Applicants with capital in excess of £5000 are treated as receiving £1 per week for each complete portion of £250.

The applicable amount in respect of an application is calculated by adding together the weekly applicable amount of each relevant person and then adding one grant "premium" of £40 per application. Applicants whose resources are at or below this applicable amount receive a grant covering the full cost of the works up to the grant limit (£20,000). Applicants on Income Support (IS) automatically receive a 100 per cent grant as long as other relevant persons are also receiving IS.

Applicants with income above this lower threshold are subject to a further test. A "loan generation factor" is applied to excess income to arrive at a notional "affordable loan", which is the amount by which the grant is reduced. The reduction in grant caused by this test is lower for tenants because it is assumed that loans will be available on less favourable terms

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<sup>12</sup>SI 1994/648 (amended by SI 1995/838)

than owner occupiers. Thus the formula used for calculating grant entitlement for those with incomes over their applicable amounts level is:

Amount of grant = cost of work, minus "affordable loan"

The test of resources for landlords is calculated on a different basis.<sup>13</sup> The main factors taken into account are the cost of the works; the estimated expense; the notional increase in rental income which might reasonably be expected on completion of the works, and the landlord's ability to finance the work from increased income. If no increase in rental income is anticipated local authorities must exercise discretion over the amount of grant payable to a landlord; each application must be looked at on its merits and blanket policies must be avoided.

#### **D. Group repair and area- renewal**

One of the aims of the new grant system was to encourage local authorities to take strategic action and develop area-based renewal strategies where appropriate; the success of the system in achieving these aims is discussed later in the paper.<sup>14</sup> The 1989 Act provides for local authorities to assess the need for clearance and renovation on a systematic and area basis and to declare renewal areas (RAs) where concentrated action is required. Section 605 of the *1985 Housing Act* (as amended by Schedule 9 to the 1989 Act) requires an authority to consider the housing conditions in the district with a view to determining, *inter alia*, what action to take in respect of the declaration of RAs. Guidance on the factors which authorities should take into account when carrying out a neighbourhood renewal assessment before the declaration of a RA is set out in Annex B of DoE Circular 12/90.<sup>15</sup>

On completion of the assessment and consultation procedures an authority is free to declare an area which meets certain specified conditions;<sup>16</sup> otherwise the Secretary of State's approval is required. The declaration of an RA confers a range of powers on the authority including the right to acquire land and property; the power to extinguish rights of way; the power to carry out works, powers of entry and the power to carry out group repair schemes.<sup>17</sup>

Group repair schemes were developed as a new way of dealing with adjacent houses in poor condition. Before declaring a scheme the local authority must determine that it is the most

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<sup>13</sup>Section 110 of the *Local Government and Housing Act 1989*

<sup>14</sup>See pages 16 and 31

<sup>15</sup>*Local Government and Housing Act 1989: Area Renewal, Unfitness, Slum Clearance and Enforcement Action*

<sup>16</sup>Ibid Annex E, section 3

<sup>17</sup>Ibid Annex D

economic option for the dwellings rather than individual renovation, or clearance and replacement. In addition a series of other criteria must be met, for example regarding the average cost of the work per dwelling.

### **E. Administration and finance**

The grants system is administered by local housing authorities. On receipt of a valid application authorities must approve or refuse the application within six months.<sup>18</sup> DoE Circular 12/90 provides detailed guidance for local authorities on how the grants system should be administered.

The 1989 Act also introduced a new system of central government subsidy for local authority private sector renewal work. Since 1 July 1990 local authority expenditure on certain private sector renewal activities has attracted a capital grant from central government known as Specified Capital Grant (SCG). Grants are paid at varying percentage rates for different types of renewal activity. Initially all renovation grant expenditure attracted a central government subsidy of 75%; however, this was reduced to 60% from April 1993. Local authorities are required to contribute the remaining portion of the grant from either capital receipts, revenue contributions or borrowing.

Local authorities receive an allowance for SCGs as part of their annual Housing Investment programme (HIP) allocation. Resources are allocated to each region on the basis of indicators of private sector housing conditions and housing defects. Within each region half the resources available are allocated to individual authorities using these indicators and the remainder is allocated at the discretion of the DoE Regional Offices. Each authorities' SCG allocation is a guideline indication of what the DoE believes that an authority needs to spend on renewal of its private sector stock. Authorities may spend more than their SCG allocation and can claim subsidy on that expenditure; however, this will reduce their Basic Credit Approval (BCA), which represents the total that an authority can borrow to finance capital expenditure. It therefore follows that the ability of authorities to claim SCG in excess of their allocation depends on whether they have sufficient other resources to fund their contribution and also on their having sufficient BCA to offset SCG received.

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<sup>18</sup>1989 Act, s.116

## IV The 1991/92 review

The Government carried out a review of the operation of the new grant system in the second half of 1991 and early 1992 the terms of reference of which were: "to assess how far the new system is meeting its objectives, to identify possible obstacles (for example lack of availability of resources) and ways of removing them; to make recommendations for secondary legislation and further Departmental guidance; and to identify where changes to primary legislation might be desirable."<sup>19</sup>

### A. Responses to the review

#### 1. Resources

An overwhelming number of respondents to the review identified the lack of resources available to meet the demand for mandatory grants as a problem. The Chartered Institute of Housing's (CIH) submission noted:

"Local authorities are currently caught in a trap arising from the mandatory grant requirements on the one hand, and limited SCG allocations and overall capital resources on the other. The level of spending related to SCGs is much lower than under the old grant system and the Government should be concerned that the new system is having so little impact."<sup>20</sup>

The first two years of the new system saw a significant underspend by local authorities of resources available for private sector renewal work as they became familiar with the legislation and with the new capital control regime. The joint local authority association response to the review advised that:

"The large number of enquiries indicates that there is considerable demand for grant already in the system. Accordingly, it is anticipated that 1992/93 will see a substantial increase in the number of approvals on those recorded in 1990/91 and those expected in 1991/92. However, as important as the statistical evidence is, authorities' perception of the situation is also important and it is clear from the enquiries the Associations have made and the representations that we have received that authorities fear being inundated with applications for mandatory grants."<sup>21</sup>

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<sup>19</sup>HC Deb 24.7.91 cc667-8W

<sup>20</sup>Chartered Institute of Housing (CIH) *Review of the House Renovation Grants System: Proposals by the Institute of Housing*, 1991

<sup>21</sup>Joint Local Authority Association Response on the DoE Review of the House Renovation Grant System, 1991

### 2. The means test

A majority of respondents agreed with the principle of the means test but were critical of certain aspects of its operation. The local authority associations described the test as bureaucratic, difficult to understand and costly to administer.<sup>22</sup> The following specific points were raised:<sup>23</sup>

- the notional £22 per week housing premium was viewed as an inadequate reflection of the housing costs of the majority of applicants, resulting in a notional contribution which was unaffordable;
- the assessment procedure was criticised for failing to take account of applicants' equity in their properties or their ability to raise a further loan;
- the multiplicity of premiums and allowances was felt to cause confusion and result in an unnecessarily complex system;
- the absence of an upper limit on individual grants and the lack of an income cut off point in the test of resources were viewed as factors which favoured middle and upper income applicants;
- the lack of a disregard for occupational pensions was felt to penalise elderly applicants with no substantial savings;
- the means testing of self employed applicants had been found to be difficult, particularly where the applicant had only been self employed for a short period.

The application of the test to people in need of disabled facilities grants was felt to act as a deterrent to applications. Particular concern was expressed over the failure of the test to recognise the additional living expenses which disabled people face and the fact that, unlike

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<sup>22</sup>Ibid para 4.1

<sup>23</sup>Taken from a selection of responses including the Chartered Institute of Housing, the joint local authority associations, the Institute of Environmental Health Officers, Shelter and the Housing Centre Trust.

other improvement works, disabled adaptations do not add to the capital value of the property. In addition, by taking into account the income of other "relevant persons", it was thought that the test discriminated against families who looked after an elderly relative.<sup>24</sup>

The test applied to landlords was felt to be unwieldy to operate and also did not allow for cases where the works did not result in either an increase in the notional rental value or an increase in the capital value of the property.<sup>25</sup>

### 3. Disabled facilities grants

Aside from problems with the means test (see above), the preliminary condition that a property must meet the fitness standard prior to the approval of a disabled facilities grant was seen as onerous.<sup>26</sup> If a disabled person applied for a renovation grant to make his property fit, the contribution to this grant, if any, would not be taken into account in assessing the contribution to the disabled facilities grant on the ground that it had not actually been paid.

The joint local authority association's response described the arrangement whereby disabled facilities grants for council tenants are funded from local authorities' housing revenue accounts (HRAs) as "anomalous and inequitable". It was argued that these grants should attract automatic subsidy or be switched out of the HRA in order to stop the burden falling on other tenants via their rent payments.

Shortages of occupational therapists in some authorities' social service departments were blamed for causing delays when consulting the "welfare authority" on the suitability of a proposed adaptation.<sup>27</sup>

### 4. Minor works assistance

Although the minor works system was generally felt to operate well, it was argued that the £1,000 limit needed to be raised. A case was also made for extending the availability of these grants to people other than the elderly on income related benefits.<sup>28</sup>

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<sup>24</sup>Ibid

<sup>25</sup>Ibid

<sup>26</sup>Ibid

<sup>27</sup>Joint Local Authority Association's Response

<sup>28</sup>Taken from a selection of responses (see 23 above)

### 5. Mobile homes

Several respondents to the review mentioned the position of mobile home owners who are unable to qualify for grants because their homes do not satisfy the definition of a "dwelling" and/or they do not fulfil the necessary ownership qualifications. It was argued that minor works assistance grants should be made available to these occupiers.<sup>29</sup>

### 6. Group repair and area- renewal

The strategic approach to area renewal was welcomed by respondents; however, uncertainty over future funding was viewed as the major failing of the system. The joint local authorities association argued that "it is impossible for authorities to develop and launch long term strategic plans when they have no knowledge of what funding will be available to sustain the strategy adopted."<sup>30</sup>

Other issues highlighted included the inability of authorities to limit individual grant applications within a RA when the strategy was designed, for example, to concentrate on group repair; the low level of funding for environmental works; the withdrawal of housing associations from improvement work, and the difficulty of developing effective partnerships with the private sector within the constraints of the housing capital finance system.<sup>31</sup>

### 7. The fitness standard

Some respondents argued for authorities to have discretion not to give grant aid where renovation is considered the most appropriate form of action but where the investment is believed not to represent good value for money. There was some feeling that the fitness test should be widened to include internal arrangement, noise insulation and a broader interpretation of disrepair.<sup>32</sup> The Chartered Institute of Housing was strongly in favour of including stringent energy efficiency requirements in the test.

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<sup>29</sup>Ibid

<sup>30</sup>Joint Local Authority Association Response

<sup>31</sup>Taken from a selection of responses (see 23 above)

<sup>32</sup>Ibid

## B. The outcome of the review

### 1. Resources

The DoE concluded that the new grants system had "significantly improved the targeting of available resources on poorer people and the worst housing."<sup>33</sup> It was acknowledged, however, that there was "increasing anecdotal and factual evidence that resources are becoming a real problem for a growing number of authorities."<sup>34</sup> Although the system was little more than 18 months old it was noted that a small number of authorities had already introduced moratoria on mandatory grants in an attempt to keep within their budgets and/or SCG allocations, despite the fact that this left them open to legal challenge. The DoE's projections suggested that expenditure on mandatory grants alone would level out at around £430 million per annum from 1992/93 onwards compared with provision of around £330 million for all renovation grants (ie including discretionary and minor works assistance grants).<sup>35</sup>

The review identified a need for more resources for private sector renewal from 1993/94. The option of breaking the link between unfitness and mandatory grants to make the system less demand-led was rejected as "contentious." Allowing authorities to operate "selective queuing" for grants was thought to be worth pursuing as was the abolition of SCG and its replacement with private sector renewal resources as part of authorities' general housing investment programme (HIP) provision. The advantages offered by the latter option were seen as:<sup>36</sup>

"It would bring authorities private sector housing activity fully within the scope of competitive HIPs; it would enable them and the Department to consider housing strategies in the round, undistorted by separate allocations for the private stock; it would give authorities more flexibility to deal with the demand-led part of the system; and it would reduce the scope for argument about whether a particular national sum is sufficient."

It was recognised that abolition of SCG would not mean that extra resources were available and also that the wider HIP could come under pressure from private sector renewal expenditure.

The review recommended that a limit be placed on the size of individual grants to help contain authorities' exposure to claims and prevent the system being brought into disrepute

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<sup>33</sup>DoE *Review of the Renovation Grants System*, 1992

<sup>34</sup>Ibid

<sup>35</sup>Ibid

<sup>36</sup>Ibid, para 22

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by a small number of excessive grants being given to the better off. From 5 April 1993 an upper limit of £50,000 was placed on each mandatory grant.<sup>37</sup> This upper limit was reduced to £20,000 in England and £26,000 in Wales from 14 January 1994.<sup>38</sup>

### 2. The means test

The DoE accepted the need to adjust the means test for owner occupiers and tenants to provide additional assistance to those whose incomes were low but above income support levels, and less assistance to those on higher incomes. From 5 April 1993 the grant premium was raised from £22 to £40 and adjustments were made to the taper (which determines the loan that the householder is assumed to be able to raise with any income over and above that allowed for in the test). It was accepted that in the longer term there was a case for considering a separate means test not based on housing benefit.

Arguments in favour of developing a more generous test for disabled facilities grants applicants were rejected; further consideration was to be given to taking account of only the resources of the disabled person and his or her relations rather than all those with an interest in the property.

In regard to the means test for landlords, the requirement on authorities to consider whether the works would result in an increase in a property's capital value was removed (from 5 April 1993) where it is judged that there will be no increase in the rental income. It was felt that this test needed "substantial rethinking" in the longer term.

### 3. Disabled facilities grants

The Review saw a case for transferring responsibility for DFGs to the Department of Health on the ground that their approval is dependent on the recommendation of occupational therapists employed by social service departments. Although resistance was expected it was recommended that discussions on this issue should take place.<sup>39</sup>

Exempting DFG applicants from the requirement that their homes must be made fit before adaptation works are carried out was rejected on the basis that such a move would compromise an underlying principle of the grants system. It was recommended that

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<sup>37</sup>SI 1993/553

<sup>38</sup>SI 1993/2711

<sup>39</sup>DoE *Review of the Renovation Grants System*, 1992, para 26

authorities should be reminded of their discretion over the interpretation of the fitness standard, for example they may choose not insist on repairs to give a property a habitable life of 30 years if the disabled applicant is expected to live for less than 5 or 10 years. It was also noted that Minor Works Assistance grants, which are not linked to fitness, may be a more appropriate option in some cases.<sup>40</sup>

#### **4. Minor Works Assistance**

The Review recommended an eight per cent increase in the grant limits and the extension of eligibility for MWA.

From 5 April 1993 the total value of grant or other assistance given on any one application was raised to £1,080. The total amount payable in respect of the same dwelling over a three year period was increased to £3,240.<sup>41</sup> Disability working allowance and council tax benefit were added as qualifying benefits for MWA.

From 1 September 1992 MWA was extended to cover the replacement of lead service water pipes.<sup>42</sup> The lower age limit of 60 years for MWA grants does not apply to applications for the replacement of lead pipes.<sup>43</sup>

#### **5. Mobile homes**

The review recommended that further consideration be given to the case for extending eligibility for MWA to mobile home owners.<sup>44</sup>

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<sup>40</sup>Ibid, para 35

<sup>41</sup>SI 1993/554

<sup>42</sup>SI 1992/1837

<sup>43</sup>SI 1992/1845

<sup>44</sup>DoE *Review of Renovation Grants System*, 1992, para 40

### 6. Group repair and area- renewal

The review considered that there was a good case for disapplying the benefit dependency criterion for group repair schemes within renewal areas, designation of which required at least 30 per cent of the households in the area to be in receipt of state benefits. A small reduction in the benefit dependency level for schemes outside renewal areas (from 33 per cent to 25 per cent) was also recommended as a means of overcoming practical difficulties in applying criteria to small group repair schemes and simplifying administration.<sup>45</sup>

An increase in the average cost limits for group repair schemes was implemented following the review, along with the reduction in the required benefit dependency levels, by amendments to the General Approval to Group Repair Schemes.<sup>46</sup>

### 7. The fitness standard

The arguments in favour of widening the standard to include energy efficiency measures were rejected because of the implications for public expenditure. It was decided that authorities should be advised to achieve the fitness standard in respect of heating by "a cost-effective combination of heating and insulation, using a combination of mandatory grant (for heating) and discretionary grant (for insulation)."<sup>47</sup>

## V The 1993 review and research findings

Although the 1991/92 review of the grant system concluded that it was generally meeting its objectives and gave rise to only relatively modest adjustments, it was accepted that authorities were facing increasing financial pressures. By 1993 the Government felt it necessary "to take a further thorough look at the operation of the system, in particular to examine whether it offers the best structure for investing the resources that are likely to be available in future years."<sup>48</sup> A consultation document, *The Future of Private Housing Renewal Programmes*, was published in June 1993. This year also saw the publication of research into the operation of the new renovation grant system which had been undertaken by PIEDA plc on behalf of the DoE.<sup>49</sup>

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<sup>45</sup>Ibid, para 42

<sup>46</sup>DoE Circular 7/93 Annex C

<sup>47</sup>DoE *Review of the Renovation Grant System*, 1992, para 34

<sup>48</sup>DoE *The Future of Private Housing Renewal Programmes: A Consultation Document*, June 1993, para 1.5

<sup>49</sup>*Monitoring the New Renovation Grant System*

PIEDA's research found that the new system was a success in terms of targeting resources at those in most need of financial assistance and at properties in most need of repair. Sixty per cent of all mainstream grants approved had been awarded to persons on an income related benefit; 54 per cent had been given to persons aged 60 or over and 37 per cent had been awarded to persons with a net weekly income of less than £60.<sup>50</sup> The vast majority of renovation grants had been made in connection with unfit properties (90 per cent);<sup>51</sup> however, only 4 per cent of grant approvals were given to private sector landlords, the sector in which the worst property conditions are concentrated.

The 1993 consultation paper focused on problems associated with the demand led nature of the system and the impact this had had on the development of strategic area renewal programmes.

The duty on authorities to provide mandatory grants to make dwellings fit or to provide essential adaptations for disabled persons had, the consultation paper noted, given rise to unsustainable financial pressures. Mandatory grants had accounted for a much higher proportion of expenditure than was envisaged at the time of the 1989 legislation. Although the DoE accepted that spending plans would be reviewed annually as normal, this was to be "against the background of the Government's firm commitment to maintain downward pressure on public expenditure in the interests of the wider economy".<sup>52</sup> The consultation paper compared planned provision for renovation and other grants in 1995/96 (£253 million) with the projected level of claims from local authorities (£357 million), the resulting shortfall amounted to £104 million.

Although one of the aims of the new grant system was to provide flexibility for local authorities to take strategic action and develop area-based renewal approaches where appropriate, the consultation paper noted that the domination of mandatory grants in the new system has made it increasingly difficult for authorities to act strategically.<sup>53</sup>

"This requires flexibility to programme renewal works over a period of time, having regard to the useful life of the dwellings concerned and, for area renewal, to focus resources consistently in one place. The current system of mandatory grants, requiring authorities to deal with valid applications within 6 months, tends to encourage pepper-potting of assistance whether or not this is the most appropriate course. The build up of financial pressures exacerbates this effect."

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<sup>50</sup>Ibid, para 4.8 & para 4.11

<sup>51</sup>Ibid, para 4.29

<sup>52</sup>*The Future of Private Sector Housing Renewal Programmes*, para 3.3

<sup>53</sup>Ibid, para 3.4

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A study of renewal areas carried out by Bristol University's School for Advanced Urban Studies (SAUS) reached the following conclusions on the development and resourcing of renewal areas:<sup>54</sup>

So far the greatest concentration of renewal areas has been in the urban authorities of north west England and in certain parts of the Midlands. Whilst there is little doubt that these authorities have significant housing renewal problems, the spread of declarations does suggest that local initiative rather than the comparative level of need has been an important factor determining the location of renewal areas. The extent to which this initiative or inertia lies with the local community, the local authority or even the regional office of the DOE is unclear. Nevertheless, it is surprising to observe so little interest in renewal areas in Greater London or West or South Yorkshire for example.

Renewal areas are not simply about housing renovation. From the outset the DOE made it clear that the policy should be concerned with: "a broader area strategy which may include environmental and socio-economic regeneration". The evidence from current renewal areas, with over 40% of capital expenditure going on non-housing investment would suggest that local authorities are responding well to this broad based approach.

For this reason the renewal area is an advance upon GIAs [General Improvement Areas] and HAAs [Housing Action Areas] providing a framework for inter-departmental and inter-agency working and a justification for the co-ordination of housing and non-housing investment. The renewal area obliges the local authority to adopt interdepartmental working arrangements.

This requirement to develop integrated strategies and programmes also places an obligation upon central government to provide stability and certainty in its own funding of housing investment and other related programmes. Many responding authorities listed insufficiency of resources as a reason for not declaring a renewal area and even amongst those that had made a declaration many felt that central government funding was quite inadequate for them to fulfil the aims of the renewal area.

To this must be added the problems created by the recent demise of the Urban Programme, an important source of funds for small scale environmental and social programmes in many renewal areas, and uncertainties over the future of Derelict Land Grant and City Grant under the control of the new Urban Regeneration Agency.

The idea of renewal areas is a good one. There is a clear need for local authorities to develop medium term programmes for area regeneration based upon well worked out strategies with clear aims and objectives. There is a need to integrate housing and non-housing investment within older urban areas and to integrate private and public sector investments. It is right that local authorities should be encouraged to justify and explain their investment choices through a system of NRAs but there is little point in any authority wasting its time developing, costing and evaluating regeneration strategies if it is denied the resources for implementation.

Unless the DOE shows a stronger financial commitment to renewal areas there is a very real danger that local authorities and local communities will lose interest in the concept of planned regeneration, an opportunity will have been lost and the result will be that investment in these areas will remain piecemeal and market led with little consideration for broader social or environmental concerns or for the synergy that coordinated programmes could bring.

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<sup>54</sup>Saus Working Paper 119, *Renewal Areas: A review of progress*, 1993

The impact of the grants system on planned renewal strategies in Merseyside was raised in the House by David Alton in February 1994.<sup>55</sup> Jeff Rooker also raised this issue in respect of housing renewal strategies in Birmingham in an Adjournment Debate in February 1995.<sup>56</sup> In his response to Mr Rooker the Under-Secretary of State for the Environment acknowledged that "demand for mandatory grants has taken a greater proportion of the resources than expected and distorted the underlying strategic nature of the 1989 Act regime".

Over 1994 and 1995 housing journals reported cases of authorities failing to assess grant applications within six months and being unable to meet the demand for mandatory grants. The Chartered Institute of Environmental Health predicted that the Government would eventually have to overhaul the system as a result of a legal challenge if the situation was not dealt with.<sup>57</sup>

The consultation paper concluded:<sup>58</sup>

"The main problem with present arrangements is that, while resources are and will remain finite, the system has turned out to be largely demand led. As a result authorities are unable to use the range of measures available in an integrated way. It is clear that action is needed to free up the system, to enable it to work effectively within available resources."

The consultation paper set out and asked for comments on the following options for enabling the system for private house renewal to work within the resources "that can be afforded nationally for this activity":

### Short term options

- tighter targeting of grants on low income families by adjustments to the means test;
- a further reduction in the rate of SCG to around 40 per cent, requiring authorities to find a bigger share of the cost of private housing renewal from their other capital resources;

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<sup>55</sup>HC Deb 17.2.94 cc1160-1166

<sup>56</sup>HC Deb 9.2.95 cc555-63

<sup>57</sup>*Inside Housing* 23.12.94 "Government may face court action over cuts to repairs"

<sup>58</sup>*The Future of Private Housing Renewal Programmes*, June 1993, para 3.11

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- a reduction in the limit for mandatory grants from £50,000 to around £15,000- £20,000.<sup>59</sup>

### Long term options

- the abolition of mandatory grants, including mandatory disabled facilities grants, giving local authorities discretion over the timescale for action in relation to unfit dwellings;
- retention of mandatory grants coupled with an extension of the period in which authorities must determine grant applications from six months to 2 or 3 years;
- a lower limit for mandatory grants, eg around £5,000, with authorities able to offer discretionary grants above this level;
- the introduction of a loans system operated by local authorities;
- the replacement of Exchequer contributions towards private sector renewal work with a system of basic and supplementary credit approvals. It was felt that this would provide a means for focusing resources on authorities where private sector renewal has a high priority;
- introduction of locally determined means testing to enhance authorities' flexibility.

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<sup>59</sup>Since January 1994 the maximum mandatory grant payable has been limited to £20,000 in England and £24,000 in Wales.

## Other measures

The paper also asked for views on the following measures aimed at improving the effectiveness of the grant system:

- revising the fitness standard to cover poor internal arrangement and poor energy efficiency. A note of caution was sounded over any extension to the standard which would increase the number of unfit dwellings and; therefore, directly increase public expenditure under the grant system;
- disregarding the income of relatives or friends who live with a disabled person when calculating the contribution to a disabled facilities grant and removing the link between these grants and the fitness standard;
- further adjustments to the means test to improve targeting;
- amending primary legislation to simplify the provisions relating to which properties can qualify for inclusion in a group repair scheme;
- the extension of some sort of grant assistance (means tested) to mobile home owners.

## VI The 1995 explanatory paper and responses

Although the consultation period following the publication of *The Future of Private Housing Renewal Programmes* ended on 17 September 1993, the Government's intentions in regard to the grant system were not made clear until June 1995. The White Paper, *Our Future Homes: Opportunity, Choice, Responsibility*,<sup>60</sup> noted that the present grant provisions had given local authorities little scope for making the best use of their resources and had hindered the development of strategic renewal programmes. The Paper set out the Government's decision to abolish mandatory renovation grants (mandatory disabled facilities grants will remain) and replace them with discretionary grants to make fit and repair owner occupied

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<sup>60</sup>Cm 2901

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properties. The details of the Government's proposals were set out in an explanatory paper<sup>61</sup> issued with the White Paper.

### A. House renovation grants

The explanatory paper issued with the White Paper noted that:<sup>62</sup>

"The present right to mandatory renovation grants has created unrealistic expectations. The demand for grants has greatly exceeded the resources available for the purpose at a time of general expenditure constraint...

The Government considers that the main provisions for grants and other action to support private sector renewal set out in Parts VII and VIII of the Local Government and Housing Act 1989 give authorities the powers they need for developing such strategies...However, to enable authorities to use these powers to best effect it is necessary to free them from the obligation to meet the demand for most mandatory grants under Part VIII wherever it arises."

Mandatory renovation grants to owner occupiers and tenants with repairing obligations for the repair of unfit dwellings are to be replaced by discretionary grants for the same purpose. The existing powers to issue discretionary grants for other repairs and improvements are to be retained. Discretionary grants will be issued subject to a means test.

Local authorities will continue to be responsible for enforcing the statutory fitness standard. However, if a dwelling is deemed to be unfit and repair notices are served, where the owner is considered to be unable to pay for the works without a grant (under the current system they would qualify for a mandatory grant subject to the means test), local authorities will have a "deferred action" option under which they may decide that, while there is unfitness that requires repair, dealing with it is not an essential or does not have priority. The authority will be required to review its decision after 12 months.

The local authority associations have expressed opposition to the abolition of mandatory grants. While it is recognised that the existing system is inflexible and may not make the best use of resources, there is concern that increased discretion will simply be "a back door route to a reduction in resources."<sup>63</sup> The joint Association of District Councils (ADC) and Association of Metropolitan Council's (AMA) response to the explanatory paper noted:

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<sup>61</sup>DoE *The Future of Private Housing Renewal Programmes*

<sup>62</sup>Ibid para 2.3

<sup>63</sup>ALG's response p.2

"Discretionary grant might improve local authorities' ability to target private house renewal activity to areas where problems are concentrated, but inadequate resources - the main reason for the failure of the current system - will make such flexibility ineffective. At a time of general expenditure constraint, competition from resources from other areas of local activity is intense, and the abolition of mandatory grant may well result in a very significant reduction of spending on this area."

**B. Disabled facilities grants**

Mandatory and discretionary DFGs are to be retained. The £20,000 grant limit for mandatory grants will also remain. Authorities are to be given the power to give discretionary grants where the proposed works would attract a mandatory grant but for the fact that their cost would exceed the grant limit.

The requirement that properties be fit on completion of DFG works is to be removed. Where this is the case the grant will be discretionary but Government guidance will stress that it is preferable for a property to be made fit where this is the grant applicant's wish.

When assessing an applicant's contribution to a mandatory DFG only the resources of the disabled applicant (and parents where the applicant is under 18) will be taken into account. For discretionary DFG the current arrangements will remain. The means of spouses and partners will continue to be taken into account in all cases. The table below summarises the effect of changes to the DFG means test:

	disabled person	disabled person's spouse/partner	owner where different	owner's spouse/partner	parents
mandatory grant	✓	✓			
discretionary grant	✓	✓	✓	✓	
discretionary grant for works in excess of £20,000 of a mandatory nature	✓	✓	✓	✓	
discretionary grant for unforeseen works over £20,000 limit	✓	✓			
discretionary grant given for mandatory purpose as dwelling will remain unfit	✓	✓			
mandatory grant where disabled person is under 18	✓	✓			✓

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Landlords will still be eligible to apply for DFGs on behalf of tenants and a number of other groups, including service occupiers, statutory tenants under the *1977 Rent Act* and various agricultural occupiers, will be able to obtain DFGs. Authorities will be able to defer claims for payment of grant for up to 12 months from the date of the DFG application to allow cases to be prioritised.

Respondents have generally welcomed the retention of mandatory DFGs and the decision to remove the requirement that properties be fit on completion of DFG work. In anticipation of continuing resource problems, and given the importance of DFGs in community care, there is some support for the financing of DFGs to be taken over by the Department of Health (DoH):<sup>64</sup>

"We acknowledge the importance of helping people with disabilities, and of doing so quickly, but to the extent that rising demands draw funds away from more strategic areas we repeat what we have written before about the adequacy of funding and that in particular we believe the source of that should be the Department of Health; renovations are a matter for the DoE, but adaptations are surely another matter."

The reform of the means test for mandatory DFG has been welcomed but there is concern that if a different means test is applied to discretionary DFGs it will cause confusion and be administratively clumsy.

The decision to give local authorities power to defer claims for payment of DFG has proved controversial. The Association of London Government (ALG) has said:<sup>65</sup>

"In the ALG's view it is wrong to delay the start of works as applications for disabled facilities grants should take priority. The ability to delay payments on mandatory DFGs for up to twelve months may enable some authorities to exert some control over mandatory grant expenditure. However, it will create hardship for both the applicants and, in most cases, the contractors who are usually small builders. Where the applicant is unable to fund the full cost it will result in the builder refusing to undertake works if he has to wait up to twelve months to receive full payment."

### C. Grants for landlords

Most landlords are to lose their entitlement to renovation grants and grants for houses in multiple occupation (HMOs). This is because the Government "considers that maintenance costs are a normal overhead of the business of letting property and that as a general rule

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<sup>64</sup>The Chartered Institute of Environmental Health's response to the explanatory paper.

<sup>65</sup>The ALG's response to the explanatory paper

landlords should not therefore be subsidised from public funds for the costs of repair."<sup>66</sup> Discretionary grants are to be made available in circumstances to be specified by the Secretary of State where "the absence of grants might frustrate other policies."

Discretionary common parts grants to landlords and tenants will continue to be available.

Respondents to the explanatory paper are in general agreement that, for the most part, landlords should fund repairs out of their rental income; however, it is argued that discretionary grants should be available outside of renewal areas if the ability of authorities to tackle unfit and substantial disrepair is not to be undermined.<sup>67</sup>

The private rented sector contains the highest percentage of unfit dwellings. Under the current system authorities are able to enforce standards by serving notices under the *1985 Housing Act* and offering financial assistance (where appropriate) by way of grants. There is concern that the removal of grant assistance will mean authorities having to carry out works in default. The Small Landlords' Association (SLA) argues that the rental stream is frequently not enough to cover refurbishment.<sup>68</sup>

"Everyone, including the Government, wants properly maintained and repaired property in the private rented sector but it is no use willing the ends if you do not also will the means. Badly run down properties cannot be refurbished out of the income stream even at market rents, let alone at fair rents and properties subject to fair rents do not normally generate a sufficient income stream for proper repairs and maintenance. These properties have over the years made a handsome contribution to the cost of the housing benefit bill because low rents for protected tenants mean low housing benefit for such tenants. It seems disgracefully wrong and unfair that the Government should now propose wholesale withdrawal of grants (the cost of which is only a fraction of what the State has "stolen" from private landlords)<sup>69</sup> particularly when much tougher enforcement measures on standards are in prospect."

The Institute of Environmental Health is in favour of providing incentives for landlords to maintain their properties through the tax system.<sup>70</sup>

The Campaign for Bedsit Rights fears that the cost of responding to notices served on landlords of houses in multiple occupation (HMOs) will place upward pressure on tenants' rent levels at a time when measures are being introduced to curb expenditure on housing

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<sup>66</sup>*The Future of Private Housing Renewal Programmes*, para 3.2

<sup>67</sup>Taken from a selection of responses by the CIH, ADC, AMA, IEHO, Shelter, Housing Centre Trust, ALG and CML

<sup>68</sup>SLA Newsletter No 65, August 1995 p.16

<sup>69</sup>This is a reference to the imposition of rent controls.

<sup>70</sup>Chartered Institute of Environmental Health's response to the explanatory paper, para 3.02.2

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benefit.<sup>71</sup> The Campaign is concerned that the proposals will result in "unaffordable rents, increased harassment, evictions and homelessness."<sup>72</sup>

The Campaign is wholly opposed to local authorities having the power to defer action on an HMO on the grounds that, once identified, unfit and dangerous housing conditions should be dealt with and not allowed to deteriorate any further. On the deferred action option the ADC/AMA has commented:<sup>73</sup>

"Local authorities may be challenged by landlords under the revised proposals when they do not defer action, and by tenants when they do. In addition, landlords will have every incentive to appeal repairs notices, if the possibility of grant assistance to comply with the notice has been removed. At worst, the owner (usually a landlord) will delay until the appeal is determined the time when he must spend some of his own money on his house, at best, he will win his appeal and persuade the court that the authority should have decided to defer action. Appeals can last for several months if an owner and his advisers are dilatory and, with the need for detailed technical evidence, can often be costly for the authority...County Court decisions which go against local authorities may result in a requirement to give grants for which they have insufficient resources."

Other respondents to the explanatory paper referred to possible policy contradictions which the removal of grants for landlords may result in:<sup>74</sup>

"This measure will also contradict key parts of the Government's policy on the private rented sector. The Housing White paper "Our Future Homes" envisages "an extended role for the local authority...in supporting both landlords and tenants" (p.23). This policy will make unworkable many of the initiatives already being taken by authorities such as Derby (highlighted in the White Paper) and Birmingham. The development of the private rented sector will be further discouraged; indeed, several authorities suggested that the loss of properties from the private rented sector will result.

In addition, the White Paper gives explicit support to the development of empty property strategies, and cites examples of these developed by various councils (p.33). Similar encouragement is given in recent Government guidance on local housing strategies. Grants to landlords have been an important influence upon landlords' behaviour and a key incentive to them to comply with local strategies."

### D. Home repair grant

This new discretionary grant, which will replace Minor Works Assistance grants, will be payable to owner occupiers, private tenants, and certain other occupiers who have the power to carry out works but who do not satisfy current ownership criteria; mobile home and

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<sup>71</sup>See Library Research Paper 95/67 *Housing Benefit: The Proposed Changes*.

<sup>72</sup>Campaign for Bedsit Rights' response to the explanatory paper

<sup>73</sup>ADC/AMA response para 6.2

<sup>74</sup>ADC/AMA response para 3.2

houseboat owners will be among those who qualify. Applicants will also have to be in a priority group, ie elderly or disabled in receipt of housing benefit, council tax benefit, income support, family credit or disability working allowance.

The grant will be available to assist repairs or improvements to a domestic property which will enable the applicant to remain living there, or to enable an elderly or disabled person to move into a household to be cared for. It will also cover help with insulation, replacement of lead pipes and radon associated works.

The maximum grant will be £2,000 in any one year and £4,000 in any three year period. It will provide 100% assistance in the form of grant or the provision of materials.

The introduction of this new grant, which will cover a wider group of people and works than Minor Works Assistance, has been widely welcomed. The ALG considers that energy efficiency works should be covered by these grants and has asked that the practice of recognising higher building costs in London be continued by paying a higher grant rate.<sup>75</sup>

## **E. Strategic activity**

A new grant will be introduced to help preserve communities which might otherwise be broken up by a clearance programme. Local authorities will be enabled to prepare schemes under which they offer grant to help people who lose their home as a result of a clearance order to purchase a replacement property in the same area.

Measures will also help local authorities to pursue group repair schemes. Group repair will be extended to cover purpose built flats and the requirement that all the buildings in a scheme be contiguous and adjacent to one another is to be dropped.

The introduction of a grant to assist people who lose their homes as a result of clearance has been generally welcomed, as have the changes to group repair schemes. The ADC/AMA response expressed the hope that the clearance grant will attract SCG.

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<sup>75</sup>ALG's response para 4

### F. Improved management

Changes are to be introduced to improve the management of the grant regime and reduce opportunities for abuse. Local authorities will still have to assess grant applications within 6 months of their receipt.

Grants will only be available to people who have both owned and lived in a property for three years except for renovation grants for properties in renewal areas, DFGs or home repair grants.

Grants will be repayable in full where properties are disposed of within 5 years of receipt of grant (currently 3 years). Local authorities will be required to repay subsidy to the DoE where grant has been or could have been recovered by an authority.

To avoid grant monies being unreasonably withheld by applicants authorities will be allowed, with the prior agreement of the grant applicants, to pay contractors directly where the completed works have been approved.

Applicants will be required to use one of the contractors who supplied estimates accompanying the grant application unless circumstances make this condition impractical.

The tightening of the residence and "claw back" arrangements have not attracted much support. There is concern that the residence requirement will impede local authority efforts to bring empty properties back into use and have a detrimental effect on first time buyers and others seeking low cost housing with outstanding repair work.<sup>76</sup>

Some respondents feel that the existing claw back arrangements are adequate; others feel that there should be exceptions to the five year rule to take account of hardship cases, such as elderly grant recipients having to move into sheltered accommodation or near to their relatives. It is pointed out that it may not be possible to recover a grant payment where it is not reflected in increased equity in the property; this is particularly the case with DFG works. Overall, respondents seem to favour more flexible claw back arrangements which are at the discretion of each authority.

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<sup>76</sup>ADC/AMA response para 8.2

The ability to pay grant monies direct to contractors is welcomed; the ADC/AMA has questioned the necessity of having the prior agreement of the applicant before making a direct payment.<sup>77</sup>

## G. Transitional provisions

On the day after the new legislation comes into force applications for mandatory grant which have not been decided will be treated as applications for discretionary grants under the new system. Applications by landlords outside renewal areas which are undecided will lapse as authorities will have no powers to issue grants to landlords under the new system. However, if an application should have been decided, ie 6 months has elapsed since it was submitted, it will continue to be treated as an application for grant under existing legislation.

The local authority associations are of the view that sufficient resources should be made available to enable them to honour their existing obligations when the current grant system is ended:<sup>78</sup>

"The ADC/AMA Housing Finance Survey for this year suggested that 125,608 enquiries were under consideration at the start of the year. Many authorities already have large backlogs and valid applications for grants submitted more than six months ago. The date that the legislation comes into force is not yet known, but this backlog will no doubt have increased further by that time. The position will also be exacerbated by any steps taken to make potential enquirers aware that their rights to grant are about to be withdrawn...Without adequate resources, the resumption of area-based strategies will be considerably delayed and will not take place for a number of years in some authorities."

The ALG has said:<sup>79</sup>

"The timetable needs to be absolutely clear and unambiguous with a definite stopping point for dealing with existing applications. Otherwise those authorities with long waiting lists will be placed in an impossible position of either dealing with a frantic rush of mandatory applications as the deadline approaches, without the resources to fund the work, or of having a long waiting list for many years which would impede the use of discretion based on local priorities."

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<sup>77</sup>ADC/AMA response para 8.5

<sup>78</sup>ADC/AMA response para 3.5

<sup>79</sup>The ALG's response p.3

### H. General comments and alternative options

Respondents have criticised the proposals for not amounting to a strategy for tackling poor housing conditions in the private sector. The Chartered Institute of Housing's (CIH) response to the explanatory paper noted that, despite regular surveys of the housing stock, no assessment is made of the resource input needed to deal with the backlog of disrepair revealed, nor to calculate what proportion of resources is needed from the public as against the private sector. The point has been made that the proposals include no targets against which spending in this sector should be judged; the CIH has asked on what basis the policy is to be judged a success or a failure.

The explanatory paper prompted the following general response from the ADC/AMA:

"The Associations are disappointed that the wide ranging title of the paper is not matched by its content: rather it is an unimaginative, ad hoc response to the administrative difficulties created by the current system which ignores the wider crisis of which they are a symptom. The papers' proposals are narrow in scope and inadequate in detail. *Narrow* in that they fail to attempt any strategic assessment of the repairs needs of the sector and neglect to build on the more innovative proposals contained in last year's consultation paper; *inadequate in detail* in that they contradict other aims of Government policy and will cause serious practical difficulty. If the proposals are implemented in their current form, conditions in private housing will inevitably continue to deteriorate and many more people on low incomes will be condemned to remain in officially uninhabitable accommodation, with the associated consequences for related policy areas such as ill-health and area regeneration."

The Council of Mortgage Lenders has said:

"This consultation paper signals a further reduction in the public resources made available to assist the repair and maintenance of private properties even though there is known to be a significant unmet demand. Rather than meet demand, the consultation paper sets out the ways the Government will target the use of funds it is making available. Lenders recognise the constraints on public expenditure but would note that this change is an additional factor which will act to depress the housing market."

Several responses to the explanatory paper expressed disappointment over the absence of any proposals to secure the backing of private lenders in housing renewal or to develop a more imaginative approach to the problem.<sup>80</sup>

Leading writers in this field, Philip Leather and Sheila Mackintosh of the School for Advanced Urban Studies, University of Bristol, produced a report in 1994 which called for

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<sup>80</sup>See, for example, the IEHO's response to the explanatory paper

an urgent re-assessment of the objectives of public investment in older private housing.<sup>81</sup> Their case for developing a more varied set of policies to address housing renewal is reproduced below.<sup>82</sup>

The crisis in housing renewal has provided an opportunity for a re-examination of the direction and objectives of policy. The latest national housing condition surveys have revealed a continuing problem of unfit and disrepair on a substantial scale. In addition to this enormous backlog of problems, other properties will continue to fall into disrepair in the future. In the past, problems have been mainly concentrated in the pre-1919 housing stock but already many interwar dwellings are showing signs of disrepair or need modernisation. New issues are also emerging. The implementation of community care policies and the increasing proportion of older people who are home owners will mean that over the next decade more people will remain in their own homes in later life and will need assistance with repairs and adaptations to enable them to live comfortably and safely in the community. There are also likely to be more disabled people living in the community who will require adaptations to their homes. Greater awareness of the links between poor housing and ill health may place more pressure on local authorities to develop strategies to deal with dampness, condensation and inadequate heating systems in the private sector as well as in their own stock. It is likely that a significant number of older dwellings will become obsolescent and will require clearance. Finally, environmental considerations and high fuel costs will place increasing emphasis on the need for energy conservation measures.

All these issues point to a need for a much greater level of public investment in housing renewal, equivalent to that which occurred in the early 1980s, rather than the reduction that has occurred in recent years...In a real sense, renewal is at a crossroads. There is a choice between a continuation of the existing grant-centred approach in a context of inadequate and diminishing resources and steadily increasing problems, or the development of a new and more varied set of policies placing more emphasis on stimulating private investment and making better use of whatever public resources are available.

The report goes on to look at longer term policies for dealing with housing renewal; three objectives for these policies are identified:

- to ensure that public resources for housing renewal are spent as effectively as possible;
- to use public resources to lever in as much private money for housing renewal as possible, in the form of both private institutional and individual investment;
- to provide an adequate framework of regulations, incentives, and practical assistance to home owners.

Leather and Macintosh's suggestions for long term policy development include:

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<sup>81</sup>*The future of housing renewal policy*

<sup>82</sup>Ibid p.26

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### **Increasing borrowing by:**

- re-introducing MIRAS on loans for maintenance, repair, and improvement, for as long as it is available on loans for house purchase;
- introducing mortgage benefit payments to cover such loans;
- allowing landlords sideways relief so that expenditure on repairs could be offset against tax from sources other than rents.

### **Extra help for low income home owners:**

- equity-sharing loans under which a housing association or another intermediary would take a share of the ownership of an improved dwelling in lieu of interest payments from the owner;
- replacing the current system of capital grants to owners for repairs with grants to provide assistance with the costs of borrowing. Subject to a periodic test of resources to take account of changes in owners' financial circumstances;
- enable people in receipt of benefits to take out loans for essential repairs and improvements and to receive assistance with the cost via income support.

### **Savings and insurance schemes**

- develop the potential of insurance based schemes under which households purchase cover against various risks associated with repair costs and also mechanisms for saving to meet repair costs.

**Education, information and advice for owners to improve awareness of problems**

- regular government funded educational and public information campaigns;
- government financial support for adult education courses on repair and maintenance strategies and techniques;
- free or low-cost surveys to advise home owners on urgent repair needs and investment priorities;
- an extension of the home improvement agency network.

**Reform of the building industry**

- local authority promotion and underwriting of guarantee schemes and thorough vetting of the builders who provide them;
- extension of guarantee schemes to cover most types of building work;
- stricter enforcement of health and safety standards to prevent undercutting of qualified and competent builders by 'cowboys';
- practical support for builders in setting up and running businesses;
- provision of information on qualified or recommended builders by home improvement agencies.

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### Changes to the housing market, building regulations and lending requirements

- action by lenders to require that guarantees are obtained for work funded through loans;
- stronger regulations to require specialised work to be carried out by qualified contractors;
- extending the scope of the building regulations to cover a wide range of repair work;
- stronger measures to enforce the building regulations through an enhanced role for local authorities and through checks made at the point when properties change hands;
- more fundamental changes to the balance of responsibilities between vendors and purchasers, eg making vendors responsible for latent defects for a period following sale, incentives for owners to establish sinking funds for future repair costs and requiring lenders to specify that basic repairs should be carried out as a condition of lending.