



10 DOWNING STREET

From the Private Secretary

3 April 1985

The Prime Minister has now seen your Secretary of State's letter to the Lord President of the Council covering a revised draft of the Green Paper on home improvement policy. She was entirely content with the new draft.

Tim Flesher

Andrew Allberry Esq
Department of the Environment.

PRIME MINISTER

"HOME IMPROVEMENT - A NEW APPROACH"

Prime Minister:

Patrick Jenkin has met your points: agree to approve new draft as proposed

Following the meeting of Ministers in your room at the House on March 6, Patrick Jenkin and Nicholas Edwards have now produced a revised draft of the Green Paper on home improvement policy.

In the light of your point that the housing standards attracting public funds should not be too elaborate, the paper says that mandatory aid should go only to properties that are structurally dangerous, seriously damp, poorly lit, ill-ventilated or lacking water supply, kitchen, inside lavatory, bath/shower or drains.

The paper also proposes that the existing "10-point, 30-year" standard for discretionary assistance should be tightened. A new, six-point standard is recommended: fitness for human habitation; reasonable repair; hand-basin with hot and cold taps; sound wiring and lighting; adequate heating; 30-year useful life.

To improve targeting of aid and to save money, the paper proposes that assistance for both mandatory and discretionary works should be paid only to the poorest, on the basis of means-tests compatible with those for entitlement to housing benefits (the precise formula must await the outcome of the benefit reviews).

Grants would be paid to those qualifying for mandatory assistance. Equity loans would be paid, in place of the present grants, to those qualifying for discretionary assistance.

These changes reflect the conclusions of the meeting and we recommend that you should approve a Private Secretary's letter to Patrick Jenkin indicating that you are content with the draft.

CHRISTOPHER MONCKTON

CM.

2 April, 1985



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

- 2 APR 1985

Dear Willie,

PRIVATE SECTOR HOUSING IMPROVEMENT POLICY

You will recall that on 6 March the Prime Minister held a meeting to discuss this topic. Nicholas Edwards and I were asked to look further at the proposals in the light of that discussion, and to submit a revised draft of the Green Paper to H Committee colleagues.

I enclose a revised draft, which also takes account of the Chief Secretary's comments of 18 January. Significant changes are sidelined.

So far as the topics considered at the 6 March meeting are concerned I have taken the following action (the order follows that of the penultimate paragraph of Mr Turnbull's letter of 6 March):

(i) Work eligible for mandatory and discretionary assistance

I am proposing a modified standard of fitness for human habitation (see paragraphs 66 to 65 of the Green Paper and Annex II). I believe the simplest and most defensible course would be to offer mandatory help only towards works required to bring houses up to this standard. At present discretionary help is available to bring dwellings up to the 10 point/30 year standard. I suggest we replace this with a shorter and simpler '6 point standard' which would be a maximum (paragraph 7 of annex II to the Green Paper);

(ii) Grants and loans

The revised draft incorporates the proposals for equity-linked loans for discretionary help and grants where assistance is mandatory. The latter is, I believe, essential for properties in the very worst condition where urgent action is required. Local authorities would have to resort to widespread use of their powers of compulsion against owner-occupiers unless we offer encouragement in a form which will persuade most of them to take action voluntarily. I do not see any merit or advantage in further complicating the system by offering loans for mandatory work to some of those who pass the eligibility test. On the other hand I do not see any case for making help available - even for those in unfit houses - where owners fail that test;

(iii) The eligibility test

I have been asked to ensure that, so far as possible, the test which is used for these purposes is consistent with that to be used for Housing Benefit (though there will undoubtedly need to be some differences, to recognise that the objectives of the two systems are quite different). As this Green Paper needs to be published before the conclusions of the Review of Housing Benefit are announced, we cannot define the test apart from saying that it should be compatible with the test for housing benefit, and that we will settle the details later;

(iv) Publicly guaranteed loans

There is a reference to this in square brackets (para 35) but in the light of Christopher Monckton's advice to the Chief Secretary, dated 13 March, my clear preference would be not to include this paragraph.

I am copying this letter to the Prime Minister, Members of H Committee, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Minister without Portfolio, the Paymaster General and Sir Robert Armstrong.

I should be grateful for colleagues' comments as quickly as possible. We are increasingly being criticised for the long delay in making public our proposals; and I am keen to make progress so that we can be ready to legislate in 1985/6 if at all possible.

You are
Pat

PATRICK JENKIN

foreign off.

COPY 25 OF 25

CONFIDENTIAL

DRAFT GREEN PAPER: "HOME IMPROVEMENT - A NEW APPROACH"

INTRODUCTION

1. Since May 1979 the Government has introduced a range of new, radical housing policies centred on the encouragement of owner-occupation. 63% of households in England and Wales now own their own homes. A recent survey of non-owners found that among the 25-35 age group owner-occupation was the preferred tenure of 90% of those interviewed. Our housing is a national asset of the highest social and economic importance which will increasingly be in the hands of owner-occupiers. Home ownership offers opportunities for individuals to alter and improve their homes as they wish; they must also carry the primary responsibility for keeping their property in good repair.

2. This consultation document deals with the condition of the privately owned housing stock in England and Wales, both owner-occupied and tenanted, and with its maintenance, repair and improvement. The Government's proposals envisage that the building industry, the financial institutions and local authorities will all help individual householders to meet their responsibilities.

3. The Government has had the benefit of the views of the local authority associations and has taken into account representations from a wide range of bodies in carrying out its review. It would now welcome comments from these and other organisations on the proposals which are set out below. Comments should be sent to:

Room N7/09
Department of the Environment
2 Marsham Street
London SW1P 3EB

CONFIDENTIAL

or to:

Housing C Division
Welsh Office
Cathays Park
Cardiff CF1 3NQ

by [21 June 1985].

THE CONDITION OF OUR HOUSING STOCK

4. There are 12½ million privately owned dwellings in England and 800,000 in Wales. The majority of householders are better housed than ever before. In 1971 as many as 1 in 8 houses lacked an inside WC; 1 in 10 had no bath. By 1981 the proportions had fallen to 1 in 33 and 1 in 40. Features which a few years ago were regarded as luxuries are now commonplace; 57% of homes today have central heating compared with 23% in 1971.

5. When the Government carried out a survey of the housing stock in England in 1981 it found that the total number of unsatisfactory¹ private sector houses had fallen substantially since 1971. Even so there were 3.5 million unsatisfactory dwellings: 0.9 million regarded as failing to meet the minimum standard of fitness for human habitation; 0.7 million which lacked one or more basic amenities; and nearly 2.3 million which needed repairs costing more than £2,500. In all more than one in four private sector homes were unsatisfactory. The 1981 Welsh House Condition Survey found 87,000 privately owned dwellings to be unfit; 74,000 to lack one or more basic amenities; and 230,000 which were in need of repairs costing over £2,500; a combined total of 250,000 dwellings, or over a quarter of the stock. In one vital area the position was getting worse: the number of dwellings needing major repairs had increased by over 20% in both England and Wales since the stock was last surveyed in 1976.

6. An important factor in the condition of the private housing stock is its age: 37% of such dwellings in England and 56% in Wales were built before 1919. There is a high correlation between age and unsatisfactory condition.

¹ unsatisfactory dwellings for this purpose are those which were unfit, lacked basic amenities or needed repairs costing over £2,500 at 1981 prices.

CONFIDENTIAL

THE GOVERNMENT'S ACHIEVEMENTS

7. Since it came to office in 1979 the Government has given a high priority to the improvement and repair of private sector housing. It has launched a number of initiatives to encourage both the private and public sectors to make better use of available housing and resources. These have included important changes to the home improvement grant system. The Housing Act 1980 made repairs grants generally available for pre-1919 houses in need of major repair. Between 1975 and 1979 only 800 repairs grants were given in England. In the four years 1981 to 1984 260,000 such grants were paid. In Wales the corresponding figures were 500 repairs grants in 1975-79 and ^{43,000} 4,300 in 1981-84.

8. For 1982-83 and 1983-84 special arrangements were introduced under which the maximum grant rate for repairs grants and for intermediate grants (towards the installation of basic amenities) was raised to 90% for all applicants. Local authorities were offered additional resources to enable them to increase their grant spending. As a result expenditure in England, which had been as little as £90m in 1978-79, rose to £425m in 1982-83 and £911m in 1983-84, when 250,000 grants were paid. In Wales, expenditure of £11m in 1978-79 rose to £43m in 1982-83 and £102m (33,000 grants) in 1983-84. Spending in 1984-85 is estimated to have been £750m in England and £80m in Wales.

THE FUTURE

9. The primary responsibility for maintaining and improving private housing rests with the owners. Evidence from the 1981 English House Condition Survey, updated to take account of recent trends, suggests that, in addition to mortgages, rents, rates and other bills, the average household now spends £450 a year on improvement and repair work (including maintenance and decoration). For owner-occupiers, the figure is much higher - £620. In all, spending on such work by owner-occupiers and private tenants in England and Wales amounts to over £7½ billion a year. When investment by landlords and developers, and the money paid through grants, are added, the total spent on the maintenance, improvement and repair of private sector housing is about £9 billion.

CONFIDENTIAL

10. However, there is no room for complacency. Apart from housing acquired under the Right to Buy, the average age of the private sector stock is increasing. Moreover, as the 1981 House Condition Surveys showed, much remedial work that should be done is not done because the householder does not appreciate the extent or seriousness of the disrepair or because he is deterred by the disruption that would be caused and the uncertainty of finding a reliable builder. Paragraphs 13 to 24 below discuss these problems further and how the Government proposes that they should be tackled.

11. In addition to the encouragement of timely private investment, intervention by the public sector is justified in some circumstances, in particular where:

- a. households are living in unhealthy or unsafe conditions; or
- b. financial help is necessary for those who would not otherwise be able to carry out necessary improvement and repair work to unsatisfactory dwellings; or
- c. conditions across a whole area are so bad as to discourage individual owners from spending money on their homes.

12. Whenever the public sector does intervene it is essential that public money is spent in the most cost-effective way. Proposals for ensuring that help is available where people really need it are at paragraphs 25 to 45.

ENCOURAGING OWNERS TO HELP THEMSELVES

13. In general, owners are best placed to decide how much money to spend on their homes, and how it can best be used. But the 1981 English House Condition Survey showed that many people whose homes were in poor condition did not appreciate the extent of the faults nor the consequences of leaving them unremedied. Very few whose homes were judged by professional surveyors as unfit regarded their condition as "very bad"; most thought they were average or better than average.

14. Greater public awareness of the need for timely repairs - like replacing defective guttering and repointing brickwork - would have two benefits. It would:

- i. save householders from greater expense in later years; and
- ii. improve the condition of the housing stock.

CONFIDENTIAL

The Government urges the building industry, for these reasons and in its own interest, to consider ways of publicising the importance of carrying out maintenance work, and how to detect the repairs which are most commonly needed. There have been a number of useful initiatives, notably the series of Home Improvement Months sponsored by the National Home Improvement Council; but more could be done.

15. Even when they do recognise that work is needed, many householders are deterred from undertaking it by concern about the standard of workmanship. Sometimes owners act against their own best interest: the cheapest builder is not always the one to choose. More publicity needs to be given to advice such as the Office of Fair Trading's "7 Golden Rules" (included in their 1983 Report on home improvements) aimed at those intending to employ a builder.

16. The Government welcomes the initiatives taken by the building industry to introduce warranty schemes. The Federation of Master Builders has had a scheme in operation for some time which its members can offer. The Building Employers Confederation has introduced a scheme which all BEC members are required to make available to clients. By offering the householder a guarantee of good workmanship, warranty schemes increase the willingness of owners to carry out work to their homes. The Government hopes that warranty schemes will be improved and extended, and become widely used for major renovation work.

17. It is also important that work is carried out with a minimum of disruption. In England, over a third of owner-occupiers living in houses needing major repairs are old age pensioners. In Wales the figure is as high as 50%. Fear of disruption to their homes deters many elderly people from undertaking repairs and improvements. They need reassurance that the work will be carefully planned, and that everything will be put back in place.

18. For larger jobs, householders frequently need to borrow to finance some or all of the work. Where the house is being bought with the aim of renovating it the improvement cost is often included as part of the mortgage. In the last few years the lending institutions have shown themselves increasingly ready to lend on older houses in need of renovation. However, the majority of unsatisfactory dwellings have been occupied by the same household for more than 10 years. In these cases an existing mortgage will need to be increased or a new loan taken out. The amount of further advances for improvement and repair work has risen dramatically in recent

CONFIDENTIAL

years. Building societies alone lent £1,500m in this way in 1983, compared with £150m in 1973. The Government welcomes this trend; the availability of loan finance will do much to encourage owners to carry out renovation work. The Government's Green Paper on building society powers, published last July¹, outlines various proposals which would make it easier for households to obtain funds for home improvements and repairs. These include the possibility of building societies offering unsecured loans and second mortgages on property already mortgaged to another lender.

19. Some of the money being advanced is in the form of maturity loans. Under these arrangements the capital is repaid when the house is sold and only the interest is due meanwhile. Maturity loans are especially worthwhile for elderly owners who can use them to exchange a share of the equity for money to carry out repairs or improvements. The Government is keen to see the lending institutions provide and advertise maturity loans, and devise attractive loan packages for renovation work.

20. Housing conditions will only be improved if we make the best use of private sector expertise and finance. The Government intends to discuss with the building industry and the lending institutions ways in which this can be done.

AGENCY SERVICES

21. Helping households to identify when repairs are needed, publicising the best way of securing the services of a reputable builder and ensuring that loan finance is available will all help. But some owners will still find the prospect of carrying out major work to their homes a daunting one. In such cases more direct help is needed.

22. Agency services of various kinds are already available in some places to help such owners. These Agencies are organisations which have been set up by local authorities, housing associations, charitable trusts or trade associations to offer home owners practical help with their home improvements or repairs. Some Agencies offer a full building works service; but more commonly they act in an advisory capacity, helping their clients to identify the work that needs doing, contacting building firms on their behalf and arranging the necessary funding through grants or building society loans.

¹ 'Building Societies: A New Framework' (Cmnd 9316).

CONFIDENTIAL

23. The Government believes that such services will have an increasingly important part to play. The organisations involved, and the type of work they cover, will vary from place to place. The Government welcomes the steps which the private sector has taken to establish Agencies, particularly where they can tap private finance. Charitable organisations have set up services in several parts of the country, including the Ferndale Home Improvement Service in the Rhondda and Tyneside Housing Advice Centre in Newcastle. The National Home Improvement Council has begun pilot Neighbourhood Revitalisation Services in several areas. Even where Agencies have been the responsibility of local authorities and housing associations, building societies and banks have often been willing to earmark funds for improvement and repair loans in the area; sometimes they have seconded staff or provided show houses. The Green Paper on building society powers suggests that societies might themselves wish to offer Agency services.

24. Agency services have a particularly important part to play in increasing the level of renovation activity among those households who would otherwise be least likely to undertake work to their homes. Some Agencies will be operated and financed wholly by the private sector; in others some public sector involvement will be necessary. The Government intends to legislate to clarify the powers of local authorities and registered housing associations to provide Agencies. So far as funding is concerned, local authorities could be empowered to provide contributions towards housing association agencies operating in their areas, as well as having the power to fund services for themselves. In either case, however, the bodies concerned will be expected to minimise costs by securing help from the private sector and levying fees where appropriate.

FINANCIAL HELP FOR OWNER - OCCUPIERS

25. The policies set out above are aimed at increasing private spending on improvement and repair. But the 1981 English House Condition Survey found that 64% of owner-occupiers living in unsatisfactory property had household incomes of less than £4,200 a year; 37% would have needed to borrow at least 3 times their annual income to carry out all the work which was needed; 35% were headed by pensioners. In Wales over 40% of heads of households of unsatisfactory properties were pensioners; only 41% of heads of households were in full or part-time employment. Few such people will have sufficient savings to pay for all the work which is needed to their homes. Frequently they will be unable to afford the interest payments on a bank or building society loan. If disrepair is to be prevented and the condition of the housing stock is to be improved, the public sector will need to continue to provide help to overcome these problems.

CONFIDENTIAL

Who should be eligible for help?

26. The Government has given very careful consideration to ways of deciding who should be eligible for help in future. Determining eligibility simply according to the condition of the dwelling is not enough. Because the potential demand for help will always be greater than the public resources available it will not be possible - even if it were right - to give assistance to all who live in unsatisfactory houses. There is no need to offer help to those who would have undertaken the work anyway. In allocating the money which is available, priority should therefore be given to those whose means do not enable them to borrow on normal terms or who do not have enough savings to meet the cost of the necessary work.

27. For owner-occupiers, Rateable Value limits (at present £400 in London and £225 elsewhere) have been used since 1974 to determine eligibility, on the assumption that those living in unsatisfactory houses below these limits were least likely to be able to finance work to their homes unaided. But there is evidence that the system fails to direct money where it is most needed. Research carried out into a sample of grants given between 1981 and 1983 underlines these shortcomings. Some of the main results from this research (the Distribution of Grant Enquiries) are set out at Annex 1. The relatively poor targeting of grants towards those who most need them is caused partly by the reluctance of those on low incomes, especially the elderly, to apply for help. But the problem goes wider than that. There is evidence that as many as a third of those eligible for grants at present could in fact afford to finance from their own resources all the work which is needed; while up to 150,000 owner-occupiers at present ineligible for help could not afford any of the essential work. This is because there is little relationship between the Rateable Value of dwellings and the ability of owners to finance necessary repairs and improvements; this finding applies to all levels of Rateable Value. In their report, published in July 1984, the Public Accounts Committee drew attention to the need for further thought to be given to the extent to which priority groups are being reached.

28. The Government has therefore concluded that a new method is needed for deciding who should be eligible for help. A simple method would be one which relied wholly on "passporting"-making eligible only those in certain groups already identified by their entitlement to other forms of Government support. This is attractive in theory but does not serve the purpose: too many owner-occupiers who fall outside such groups need help and too many within them do not. The central issue is whether owner-occupiers can afford to finance from their own

CONFIDENTIAL

L

resources the work needed to their homes. The objective of any new system must be to direct assistance to those who are unable to do so. The only way this can be achieved is by taking direct account of the resources available to each owner to carry out essential repairs and improvements. The Government therefore proposes to introduce a system under which eligibility is determined by the financial circumstances of the owner-occupier's household. This will be fairer to those who need help; and fairer to those taxpayers and ratepayers who must provide it. The Housing Benefit system is under examination as part of the Social Security review and the Government's conclusions will be published shortly. It will make sense if tests for eligibility for help with repairs and improvements are compatible with (even if they cannot be exactly the same as) those^{SC} for entitlement to housing benefits. The overriding aim will be to ensure that as far as possible the system includes those who are unable to afford necessary improvement and repair work unaided, and excludes those who do not need help.

When should help be given?

29. At present, help is available in the form of four different types of grant. Some of these are mandatory - local authorities are obliged to give them if certain conditions are met. Other grants are discretionary - local authorities are free to decide when to offer them. Intermediate grants for houses lacking basic amenities are mandatory. Between 1971 and 1981 the number of private sector dwellings lacking such amenities in England fell from 2.1 million to 622,000; and, in Wales, from 129,000 in 1976 to 74,000 in 1981. The number of houses unfit for human habitation remained, however, virtually unchanged in both England and Wales. Mandatory repairs grants are available in some but not all circumstances where local authorities require owners to carry out work to make a house fit. However, such grants rely on the local authority initiating action in respect of the house. Out of 116,000 repairs grants given in England in 1984, less than 5% were mandatory.

30. The Government therefore proposes a simpler system. Help should be mandatory for any improvement or repair work needed to bring dwellings up to the proposed new standard of fitness for human habitation (see paragraphs 61 to 65 below and Annex II). This would mean that any owner-occupier who believed his house to be below the new standard could apply to the local authority for financial help. Where the authority was satisfied that the dwelling was below that standard; that the applicant met the eligibility test; and that renovation was the appropriate

CONFIDENTIAL

method of dealing with the dwelling, the authority would be obliged to contribute towards the cost of making the property fit for human habitation. This would apply also where the local authority served a notice on the property. There would be no Rateable Value limits, nor would there be any limits on the age or location of dwellings eligible for mandatory help.

31. The justification for financial help is clear where houses are unfit. The health and safety of those living in such property are at risk. Local authorities already have a duty to ensure that unfit houses are dealt with; this requirement will be strengthened under the Government's proposals (see paragraphs 66 to 68 below). But there is also a case for providing help where property is fit but in need of improvements or repairs. If the owner of such a house is unable to afford the work which is needed, it is likely to deteriorate further, possibly to the point where it does become unfit.

32. Under the present system, discretionary improvement and repairs grants are available in such circumstances. However, the existence of two different discretionary grants causes confusion and administrative complication. It is also undesirable that help is not available at all in some circumstances. The Government therefore proposes that there should be a single type of financial assistance covering any combination of repairs and improvements needed to put dwellings into reasonable repair and give them a 30 year life. Help would remain discretionary. At present, repairs grants are available only for pre-1919 properties; dwellings built up to 1961 are eligible for improvement grants. Although pre-1919 housing still makes up the bulk of property needing major repairs, the number of inter-war houses in poor condition increased nearly three fold between 1971 and 1981. In future, such help will be available for dwellings built before 1940, subject of course to the tests for eligibility, etc.

In what form should help be given?

33. The Government has carefully considered the respective merits of grants and loans as forms of assistance. Our primary aim is to help those who cannot afford to improve and repair their homes. A system of loans would not be incompatible with the proposed system of eligibility tests provided that the method and timing of repayment did not impose any financial hardship on the borrower. Over the years repayments of loans would not only reduce the cost to the taxpayer and ratepayer; by recirculating the money it would also enable more people to be helped for the

CONFIDENTIAL

same overall expenditure. Grants are an outright gift: it is proper that they should be restricted to circumstances where such a generous form of help is really needed to get bad property improved.

34. In all cases where help is discretionary, the Government proposes that it should take the form of loans. Because the eligibility test limits help to those with modest means, local authorities' existing powers to give loans will not be sufficient: loans will have to be made available on a basis which does not require the borrower to make regular payments out of income. The proposal therefore is that they should be provided interest-free but on an equity-sharing basis. Under such a system, the lender would, at the time the loan was paid, take a charge on the property. The charge would be for the amount of the loan as a proportion of the post improvement value of the dwelling; the amount to be repaid would then be that proportion of the house's eventual selling price. Annex III sets out in more detail how the system might work.

[35. An alternative to local authorities giving the loans themselves would be for banks or building societies to lend on these terms, with some new form of guarantee from the public sector. The Government intends to discuss with the lending institutions the practicability of such an arrangement.]

36. A loan system of this kind will enable owners on low incomes who live in unsatisfactory housing to carry out the work which their homes need, and which they would otherwise be unable to afford, without having to worry about paying anything towards the cost until the property is eventually sold. At that stage the owner or his executors will be in a position to repay the appropriate sum without financial hardship.

37. Mandatory help will be available only for those dwellings in the very worst condition which are unfit for human habitation and endanger the health or safety of their occupants. It is essential that such property is dealt with quickly. Wherever possible that should be by voluntary action on the part of the owners, rather than by recourse to the powers of compulsion which will continue to be available to local authorities. This means that it will be important to secure a high level of take up of help. For these reasons owners need to be given the maximum encouragement. The Government proposes therefore that grants should be available for all work necessary to bring dwellings up to the fitness standard. In

CONFIDENTIAL

those cases, subject to the arrangements proposed in paragraphs 6⁶ to 68 below, local authorities will invariably be obliged to give help to those who meet the eligibility test.

38. Where properties below the fitness standard are to be brought above that standard, the Government envisages that the arrangements would be as follows. An owner who passed the relevant eligibility test would automatically be eligible for a grant to make his home fit. If he wished to carry out additional work, and the local authority felt it appropriate not just to make the house fit but to renovate it to a higher standard and give it a 30 year life, the authority would be able to top up the mandatory grant with a discretionary equity-sharing loan.

Other aspects of the new system

39. The system proposed would enable the present rules on grant rates and eligible expense limits (EELs) to be greatly simplified. Grants or loans would be available on a single sliding scale, with the highest rates of grant reserved for those on the lowest income and for applicants with the highest costs of repair or improvement relative to their resources. EELs - the maximum total cost of work to any one property which can attract assistance - would also be simplified. There would be basically two EELs. One limit would be for mandatory grants; another would be for discretionary loans. There would, however, be higher limits in both cases in London.

40. Where grants or loans are provided it is essential that the work is carried out to an acceptable standard and represents good value for money. Measures are also needed to avoid abuse. The present arrangements do not fully meet these requirements. Though some local authorities keep lists of builders who carry out grant-aided work, applicants cannot be obliged to use firms from such lists. Indeed there is no legal requirement for the applicant to use the builder whose estimate was approved by the local authority - even though authorities are obliged to pay the amount of grant originally agreed, irrespective of the actual cost of the work.

41. The Government considered giving local authorities rather than individual householders responsibility for choosing the builder, letting the contract and supervising the work. This would mean very high administrative costs for authorities; it would also remove the contractual link between householder and

CONFIDENTIAL

builder, even though the former would be paying a proportion of the cost. The Government has therefore decided against this solution, but intends instead to take action in two areas:

- 9
- i. by continuing to allow applicants to choose the builder but making local authorities responsible for satisfying themselves as to the quality of contractors. Authorities will be given a duty to reject applications where the builder whose estimate is provided is not, in their judgement, a suitable person to carry out the work. One indication of suitability might be that the firm offered a warranty scheme (see paragraph 16 above). The Government intends to discuss this approach with the building industry and the local authority associations;
 - ii. by ensuring that each applicant employs the builder on whose estimate the offer of grant or loan was based. Local authorities will be given the power to withhold assistance from anyone who, without good reason, uses a builder other than the one whose estimate was approved.

42. Local authorities will still be able to approve assistance for do-it-yourself work where they believe the applicant is competent to carry out the repairs or improvements to a satisfactory standard. DIY work will attract help only towards the cost of materials used.

42A. These new arrangements will not affect outstanding applications submitted before 1 April 1984 in response to the Government's grants initiative (under which 90% rates of grant were generally available for applications made between 12 April 1982 and 31 March 1984). Transitional arrangements will also be introduced to allow local authorities to deal with applications made from 1 April 1984 under the existing system.

HELP FOR LANDLORDS AND TENANTS

43. So far as the private rented sector is concerned, the Government proposes that tenants with regulated tenancies should be eligible for help on the same basis as owner-occupiers - ie using a test based on the financial circumstances of the household. A similar test would not be appropriate for landlords. Instead, assistance to landlords would, except for Houses in Multiple Occupation (HMOs), be limited to dwellings let on regulated tenancies with registered rents.

CONFIDENTIAL

44. Landlords and tenants meeting these criteria would be eligible for mandatory grants. These would be available to make dwellings fit, or, in the case of HMOs, to install missing basic amenities and provide means of escape from fire and fixed fire precautions. There would be no clawback of grants from tenants, or HMO landlords. For other landlords grants would automatically be reclaimed, but only where the dwelling concerned was sold with vacant possession within 5 years.

45. The Government envisages that equity-sharing loans would be available to private landlords meeting the criteria set out in paragraph 43, as well as owner occupiers. The terms of the loans would be the same in both cases. It would not be possible to offer such loans to tenants; they would have no house to sell. Tenants would therefore not be eligible for help to improve or repair houses above the fitness standard.

HELP FOR THE DISABLED

46. The Government seeks views about the possible systems for assisting housing adaptations for the disabled, set out at Annex IV.

FINANCIAL HELP FOR DEVELOPERS

47. It would not be appropriate to use arrangements such as these for grants or loans in cases where property is being converted or renovated for sale by developers. Instead, the Government proposes to introduce a variant on the Improvement For Sale scheme. Under these powers local authorities will be able to give grants to developers in cases where the proceeds from the sale of the property are insufficient on their own to provide an adequate financial return.

48. The arrangements will be designed to offer a quick and cost-effective way of getting empty local authority property and property in statutory improvement areas improved and brought into use. The scheme needs to be simple while ensuring that the public sector cost is kept to a minimum. The amount which the local authority can pay will be subject to an absolute ceiling per dwelling. There will also be controls to ensure value for money and to take account of the size of projects. The local authority's agreement will be necessary to the final selling price, and the grant paid to the developer will be adjusted in the light of this. The developer will bear the risk that the work itself will cost more than originally foreseen. It would be possible in addition to require improved dwellings to be offered for a certain period to existing public sector tenants and those on waiting lists.

CONFIDENTIAL

AREA IMPROVEMENT POLICY

49. Area action has an important role as part of a strategy for improving the condition of the housing stock; it will continue as a central plank in the Government's policy. The declaration of an area can do a great deal to increase private spending by reassuring the inhabitants and others, such as the lending institutions, that its future is secure. Areas also provide a way of concentrating public sector help so that it has the maximum effect.

50. There are at present 560,000 houses in 1,936 statutory improvement areas in England - 375 Housing Action Areas (HAAs) and 1,561 General Improvement Areas (GIAs). In Wales there are 4⁸,000 houses in 1³20 areas. The number of houses in potential areas is even greater - 1.4m in 1981. Some HAAs and GIAs have been conspicuously successful. In HAAs reaching their 5th year in 1980 77% of dwellings needing major works to them had been improved. But some have been less successful, and overall the condition of HAAs merely held steady between 1976 and 1981 (though similar areas which had not been given HAA or GIA status actually deteriorated). Sometimes this was because local authorities declared inappropriate areas - the houses, and the surrounding environment, must be capable of being improved. In other cases too little money and manpower was set aside. Local authorities must accept that area improvement policy needs careful planning and a substantial commitment of resources. It is vital to ensure the cooperation of the lending institutions, and to be prepared to give declared areas priority in allocating public sector funds.

51. The Government proposes that in future the main purpose of areas will be to increase local confidence and attract private funding (though local authorities will continue to be able to carry out compulsory acquisitions, subject to Ministerial approval). The arrangements for declaring areas will be drastically simplified. It is not necessary to have two types of area: the characteristics of areas declared as HAAs and GIAs have become increasingly similar; and the powers available to local authorities are now virtually identical. There will therefore be a single type of area - a Housing Improvement Area (HIA). Although HIAs will be expected to act as the focus for schemes involving the co-ordinated repair of blocks of dwellings and for other kinds of financial help, they will not (apart from IFS for developers) be restricted to HIAs and the rules governing local authority assistance to householders will be the same there or elsewhere. There will be transitional arrangements to cover the move to HIAs.

CONFIDENTIAL

52. The legislation will set out the broad criteria which HIAs must meet, including a minimum size; a minimum proportion of dwellings needing substantial and structural repairs; and a maximum proportion of local authority housing. HIAs should also be areas where social and environmental problems exist side by side with poor housing. If areas meet these requirements, local authorities will be able to declare them as HIAs. The Government would probably need a power of veto over declarations, as it has at present with HAAs, unless Exchequer contributions cease to be available for spending on environmental works (see paragraphs 77-79 below). HIAs will be time-limited; the Government has in mind 7 years.

ENVELOPING AND BLOCK REPAIR

53. There are benefits in spending public money on the renovation of houses in a single street or neighbourhood rather than spreading the same amount of resources across a wider area: the impact is greater, both on the local environment and on the confidence of owners. Concentrating help in statutory (and non-statutory) improvement areas has been one way of taking account of these benefits.

54. More recently, techniques have been developed whereby local authorities bring about the renovation of the external fabric of entire blocks or terraces of dwellings which have deteriorated beyond the scope of routine maintenance. The object is to secure quick, coordinated repair which produces a significant impact on the general character of the area as well as achieving economies of scale. Enveloping is one such approach, at present involving 100% public sector financial support. So far, 55 enveloping schemes have been approved in England covering 5,373 dwellings and 8 in Wales covering 919 dwellings. Progress with enveloping has, however, been hindered by the unsatisfactory nature of the existing statutory powers to carry out such works.

55. Another approach has been to group individual repairs grants into a single contract, with owners contributing to the cost. Several authorities have been successful in carrying out such schemes, often called 'limited enveloping' or 'block repair'.

CONFIDENTIAL

56. The Government proposes to introduce legislation to provide a general power for local authorities to institute schemes for the external repair of groups or blocks of privately owned dwellings. The legislation will provide that, where possible, owners should contribute towards the cost: this gives better value for the public sector resources involved, and it is desirable in principle that owners should have a financial stake in the work which is carried out to their homes. Authorities operating 'block repair' schemes have found it possible to secure contributions, even in areas where incomes are low.

57. So far as possible the Government wishes to give local authorities a free hand to carry out schemes where local circumstances make this appropriate and they have the agreement of the owners concerned. The legislation will therefore allow local authorities to undertake such projects without seeking individual approvals from the Government, providing they meet certain criteria. These will cover:

- i. the minimum size of scheme and maximum number of empty properties;
- ii. a requirement that the great majority of owners affected should be eligible for home improvement assistance;
- iii. a condition that 10% of the cost of work to each dwelling should be obtained from the owner or occupier, though authorities will be allowed to undertake schemes where a small proportion of owners is in such financial hardship as to be unable to afford to meet any of the costs; and
- iv. the cost of the scheme, including the relationship between the cost to the local authority and the increase in value of the dwellings;

Schemes not meeting the criteria will need to be submitted for consideration by DOE or the Welsh Office.

58. Projects will be restricted to work to the exterior of the dwellings: they will not cover other work within the curtilage (for example the rebuilding of boundary walls) nor internal work. Local authorities will be able to help finance such work, but this help will be subject to the proposed rules set out in paragraphs 25 to 45 above and to overall limits on the amount of public investment in individual properties.

CONFIDENTIAL

59. Schemes will be expected to have an impact on the surrounding area, but the powers will not be limited to statutory improvement areas.

60. As all or almost all the owners will be contributing towards the cost, the formal responsibility for letting the contract could rest with them rather than the local authority, though in such cases there would be a single contract and the authority would need to act as the managing agent and offer advice and help to the owners. The alternative would be for local authorities themselves to be legally responsible for letting the contract, following full consultation with owners. To enable owners to contribute 10% of the cost, local authorities will need to arrange with building societies and banks for loans - often maturity loans - to be available.

MINIMUM HOUSING STANDARD

61. Ever since 1868 there has been a minimum housing standard - conditions below which no household should be expected to live. Where dwellings are in such a bad state as to put their inhabitants at risk, the public sector needs to intervene to ensure that they are either brought up to an acceptable standard, or cease to be used. Since 1957 the minimum standard in England and Wales has been the fitness standard. Under that standard, local authorities have to assess whether a house is suitable for occupation, taking into account nine factors: repair, stability; freedom from damp; internal arrangement; natural lighting; ventilation; water supply; drainage and sanitary conveniences; and facilities for the preparation and cooking of food and the disposal of waste water.

62. At the time the fitness standard was framed it was clear that many houses failed to meet its requirements by a wide margin. As the number of outright slums has been reduced, the proportion of houses which are on the borderline between fitness and unfitness has increased. Nowadays, with fewer houses lacking basic amenities, the decision is often a very difficult one. To help local authorities the Government intends to set a new fitness standard and to offer advice to local authorities in administering it.

63. In Scotland the fitness standard was replaced in 1974 by the tolerable standard. Under this standard local authorities are still required to consider houses against a list of criteria but the property is automatically below the

CONFIDENTIAL

standard if it fails to meet the requirements in one or more respects - there is no need for authorities to try to reach an overall judgement about its condition. The system to be adopted in England and Wales will follow this approach.

64. The Government believes that a policy of raising the minimum standard to match rising social expectations would be inappropriate. Being unfit for human habitation implies the local authority taking action to improve or demolish the property - if necessary against the wishes of its owner. People should not be subjected to such powers unless the property is demonstrably bad, to an extent where health or safety is endangered. The Government therefore proposes that the new fitness standard in England and Wales should be broadly the same in content as the present fitness standard. However:

- a. it will include requirements for a fixed bath or shower, and that the WC should be within the dwelling; and
- b. it will not include a general requirement concerning the internal arrangement of the dwelling.

The new standard is set out in full at Annex II.

65. Advice will be prepared for local authorities on the interpretation of the new standard. The assessments of individual dwellings should be as objective as possible: the advice will include recommendations designed to help authorities to adopt similar standards in considering such matters as dampness and natural lighting.

ACTION AGAINST UNFIT DWELLINGS

66. Where houses are unfit for human habitation they should be dealt with as quickly as possible. This does not always happen. In 1983-84 only 24,000 properties in England and 4,600 in Wales, regarded by local authorities as unfit, were subject to compulsory action to secure their renovation, closure or demolition. In future local authorities will be required to carry out regular inspections of their areas with a view to assessing the number and location of unfit houses. Local house condition surveys will be one method of doing this.

CONFIDENTIAL

Where houses are found to be unfit authorities will be required to take action to secure their renovation or closure within a period of not more than 12 months from the date at which they are declared to be below the standard.

67. Local authorities need to decide whether renovation or demolition is the more appropriate course for unfit houses. In making this choice the present legislation requires them to judge whether or not the house can be improved at "reasonable cost". There has been a substantial amount of case-law on the definition of this term over the years. In the case of rented property it is generally taken that reasonable cost relates to the tenanted value of the dwelling. Where this value is low, renovation frequently seems uneconomic. However, once a closing order has been made and tenants rehoused, the value of the house can rise significantly - to an extent where renovation is regarded as appropriate.

68. The Government proposes that these arrangements should be revised. In future local authorities will be required to take account of the range of possible options for a dwelling or area in deciding between renovation and demolition. A Departmental Code of Guidance will set out the economic and social factors which local authorities should consider in reaching their decisions. The test of reasonable cost will not be applied. Authorities will rather be required to consider the relative merits of available options. Property owners will continue to have a right of appeal against proposals for compulsory action; they will be able to use a failure to have regard to the Code to argue that orders affecting them should not stand.

CLEARANCE

69. In most cases renovation will offer a more cost-effective solution than demolition, as well as being in keeping with the wishes of the occupiers. The days of large-scale slum clearance are over. Most 19th century slums have been dealt with: the number of dwellings suitable for inclusion in clearance areas was halved between 1971 and 1981. Increasingly, the unsatisfactory houses which remain are individual properties. Some of these need repairs; others require improvements to bring them up to a modern standard. But some still need to be demolished.

CONFIDENTIAL

70. There is some evidence that the pendulum has swung too far against demolition. The 1981 EHCS found that there were still 300,000 houses in potential clearance areas, but only 10,000 houses were demolished in England in 1983-84; in Wales 300 were cleared. The rate of clearance is still falling. It is short-sighted and wasteful to spend large amounts of money to keep houses which will never provide satisfactory accommodation.

71. But where demolition is the most cost-effective solution it will be necessary to proceed with greater sensitivity than in the 1960s, when great areas of old houses were often laid waste. The EHCS showed that two thirds of the houses in potential clearance areas were in groups of less than 10 dwellings. Often the sites were interspersed with basically sound housing which could and should be retained. To do this will mean careful planning of the arrangements for decanting, selective clearance and redevelopment, especially if, as is highly desirable, a sense of community is to be retained.

72. To provide a good mix of replacement housing, and to keep down public expenditure, private developers will need to be involved to the maximum possible extent. The Government proposes that local authorities should be

- (a) given a statutory duty to seek the involvement of the private sector in redevelopment schemes; and
- (b) empowered to offer pump-priming finance to developers where the cost of clearing and redeveloping the land is more than the price which can be obtained for new housing built on the site.

The arrangements for such grants will be similar to those already set out in paragraphs 47 and 48 above for the proposed 'IFS for developers' system. They will be aimed at small clearance sites where the value of existing housing in the neighbourhood is low. The price at which the land is sold to the developer will be fixed by the District Valuer. Local authorities will need to appraise schemes carefully to ensure that developers' costs are reasonable and that the selling price is the maximum that the market will bear. The Government will consider limiting the scheme initially to a few pilot areas, in order to assess the administrative problems which may arise.

CONFIDENTIAL

73. The Government also proposes that the arrangements for compensating those affected by clearance should be simplified; in future all owners will be entitled to market value compensation as of right. In most cases, however, even market value compensation will not be sufficient to enable an owner-occupier to buy another house in reasonable condition. Many households will be unable to afford to borrow on normal terms to make up the difference: in 1981 almost half the households in England living in unfit dwellings had no member in paid employment. The Government therefore proposes that local authorities should be able to give additional financial help towards house purchase, probably in the form of an interest free loan, to owner occupiers and tenants on low incomes who would have been eligible for help with improvements and repairs and who have lived for at least 2 years in houses which are to be demolished. The loan would be repaid when the house they moved to was sold. The cost of such assistance will not need to be taken into account in making the original choice between renovation and demolition. The amounts involved will however be relevant to the authority's own financial planning and should be considered in that context.

OTHER COMPULSORY POWERS

74. Apart from housing below the fitness standard, compulsory powers against private housing (other than HMOs) are not justified except where a nuisance is being caused to neighbouring property or to passers-by. At present action in these circumstances is taken under the Public Health Act 1936. For the future there are two possibilities: either this power could continue, or section 92(1)(a) of the 1936 Act could cease to apply to housing and be replaced by a specific housing power. The choice reflects a difference in philosophy: the Public Health Act assumes that neglect which is so severe as to create a nuisance should be a criminal offence. Under housing powers an offence would not be committed and a grant or loan could be available towards the remedial work which was required. On balance the Government prefers the latter course, but would welcome comments from those most closely concerned.

75. All compulsory powers will be subject to a single set of procedures, following the pattern presently used for repair notices under the Housing Act 1957 but covering both improvements and repairs. The owners and occupiers of property affected by the powers will be given full opportunity to appeal against notices serviced. Owners will not be able to serve purchase notices.

CONFIDENTIAL

PUBLIC EXPENDITURE

76. The Government will continue to decide annually the amount of public spending on housing which the country can afford. It was never the Government's intention that expenditure on private sector housing improvement should continue indefinitely at the levels of the last 2 or 3 years. The level of spending on mandatory grants will be largely outside the control of local authorities. Authorities will then be able to decide how much of the remaining resources available to them to spend on loans and on other methods of improving private sector housing. The proposals set out in this consultation document are aimed at ensuring that the public money which is spent is used to produce the maximum benefit.

EXCHEQUER SUPPORT FOR LOCAL AUTHORITY SPENDING

77. At present the Government, through specific Exchequer support, pays a large proportion of the cost of local authority spending on private sector housing improvement and slum clearance. These contributions have been used as a method of influencing authorities' spending patterns - particularly by increasing the level of support towards home improvement grants. The existence of such contributions has enabled individual local authorities to increase spending on grants at very little cost to their ratepayers. For the future, one possibility would be to continue to support such spending in this way. It would, however, be inappropriate and excessively complicated to pay such contributions towards equity sharing loans or local authority interest payments in respect of them: authorities would normally expect to receive back in due course more than their initial expenditure on such loans.

78. The alternative would be to provide Exchequer support for spending on slum clearance and private sector housing improvement wholly through block grant. This would be more in keeping with the Government's general wish to leave local authorities to decide how to spend the resources available to them. It would also reduce the workload both of local authorities (who have to draw up the claims) and Departments (who have to check them). Support through block grant alone need not imply a change in the overall level of Government support for local authority spending, since the reduction in the specific Exchequer contribution could be matched by an increase in the amount available for distribution as block grant. If

CONFIDENTIAL

this option were chosen, the Government would need to discuss with the local authority associations how authorities' Grant Related Expenditure assessments should be calculated for these items of expenditure and the implications for expenditure targets, if any.

79. The Government would welcome views on the two possibilities.

THE NEXT STEPS

80. The Government would welcome comments from local authorities, the lending institutions, the building industry and other interested bodies on its proposals. It will be discussing the details with those most concerned, with the intention of introducing legislation when the opportunity arises.

81. The policies now being established provide the blueprint for improvement policy over the remainder of this century. The measures proposed are forward-looking and positive. The cornerstone of policy must be that owners are primarily responsible for the condition of their houses, though they should be given appropriate help and encouragement in shouldering that responsibility. Where public sector intervention is called for it should be designed to secure better value for the public money available. Within the constraints imposed by the need to secure better value for money, the statutory framework should be simplified wherever practicable so that it can be understood by those who are affected and administered efficiently. The Government believes that its proposals achieve these aims.

DISTRIBUTION OF GRANT ENQUIRIES

A. ENGLAND

1. In autumn 1983 the Department of the Environment carried out a study - the Distribution of Grant Enquiry (DGE) - to establish which people and properties received home improvement grants, the condition of the property before and after improvement or repair works were carried out, and the influence of grant availability on the decision to repair or improve. The study enabled comparisons to be drawn between the population who obtained grants and those people who according to the 1981 English House Condition Survey (EHCS) were potential grant recipients¹. Data obtained by the DGE are generally representative of grants paid between 1981 and June 1983.

2. Results from the DGE are highly relevant in considering the future of the grant system. Some of the main findings relating to owner occupiers (but excluding grants for adaptations for the disabled) are set out below. The full DGE results will be published in due course.

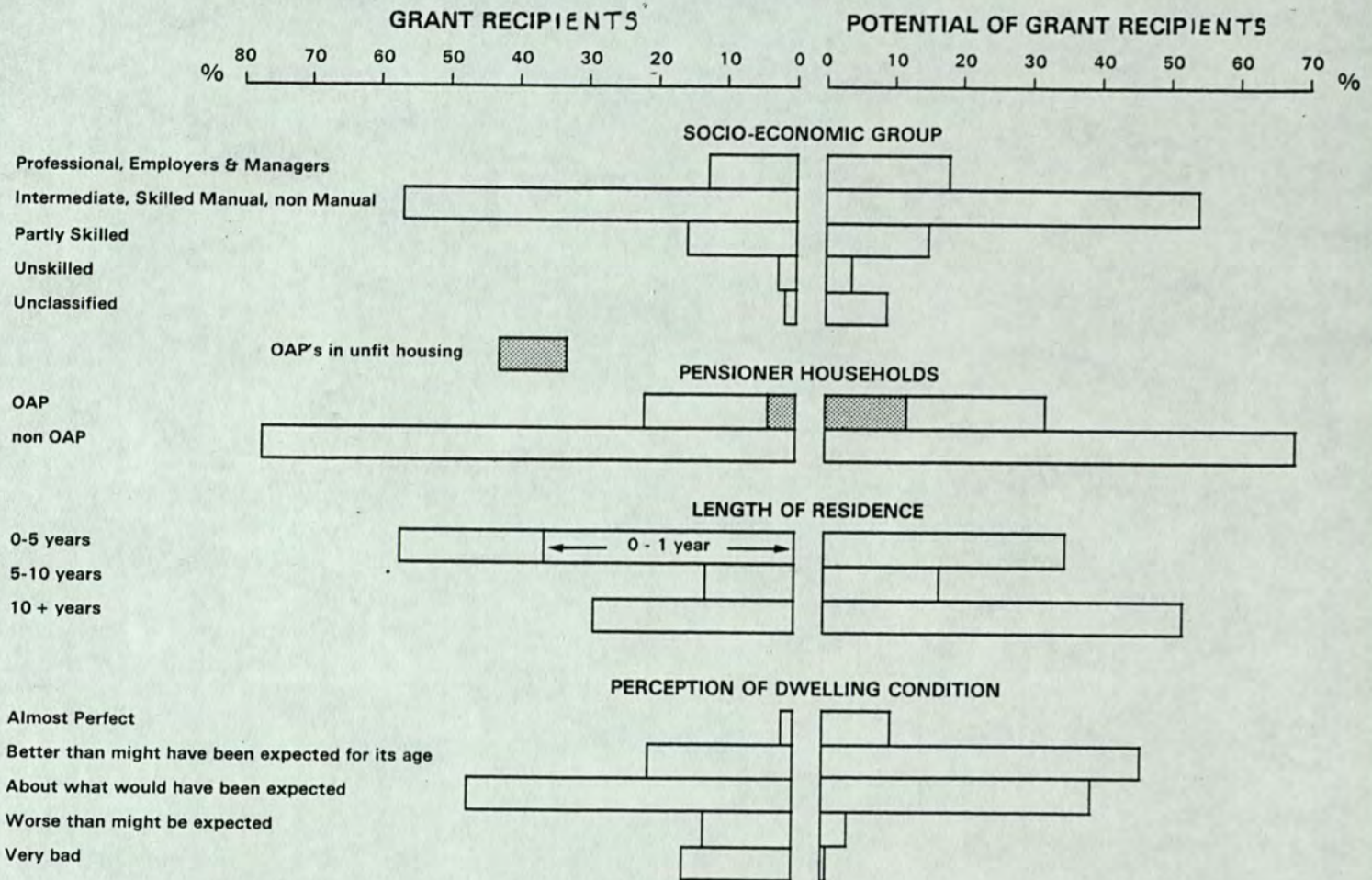
Grant Recipients

3. Grants recipients are not too dissimilar to potential recipients although there is scope for improved targeting, Figure 1.

¹ Potential grant recipients are defined as those owner occupiers whose dwellings would justify grant aid by virtue of condition and where the dwellings are within the current age and rateable value limits. The EHCS estimated there were some 1.6m owner-occupied dwellings in this category.

CONFIDENTIAL

Figure 1 : GRANT RECIPIENTS



Contrary to anecdotal evidence, professional and managerial classes were not shown to be over represented as grant recipients. But elderly households accounted for only 20% of recipients despite the fact that over one third of potential recipients were of pensionable age. And the elderly who had grants tended to live in better housing conditions than elderly potential recipients. The under-representation of the elderly as grant recipients helps to explain the wide difference between the average incomes of recipients and potential recipients. The average income of recipients, (household head plus partner) was about £7,000 pa (1982 prices) - approximately the same as the national average, but substantially higher than potential recipients whose average household income was £3380 (1981 prices).

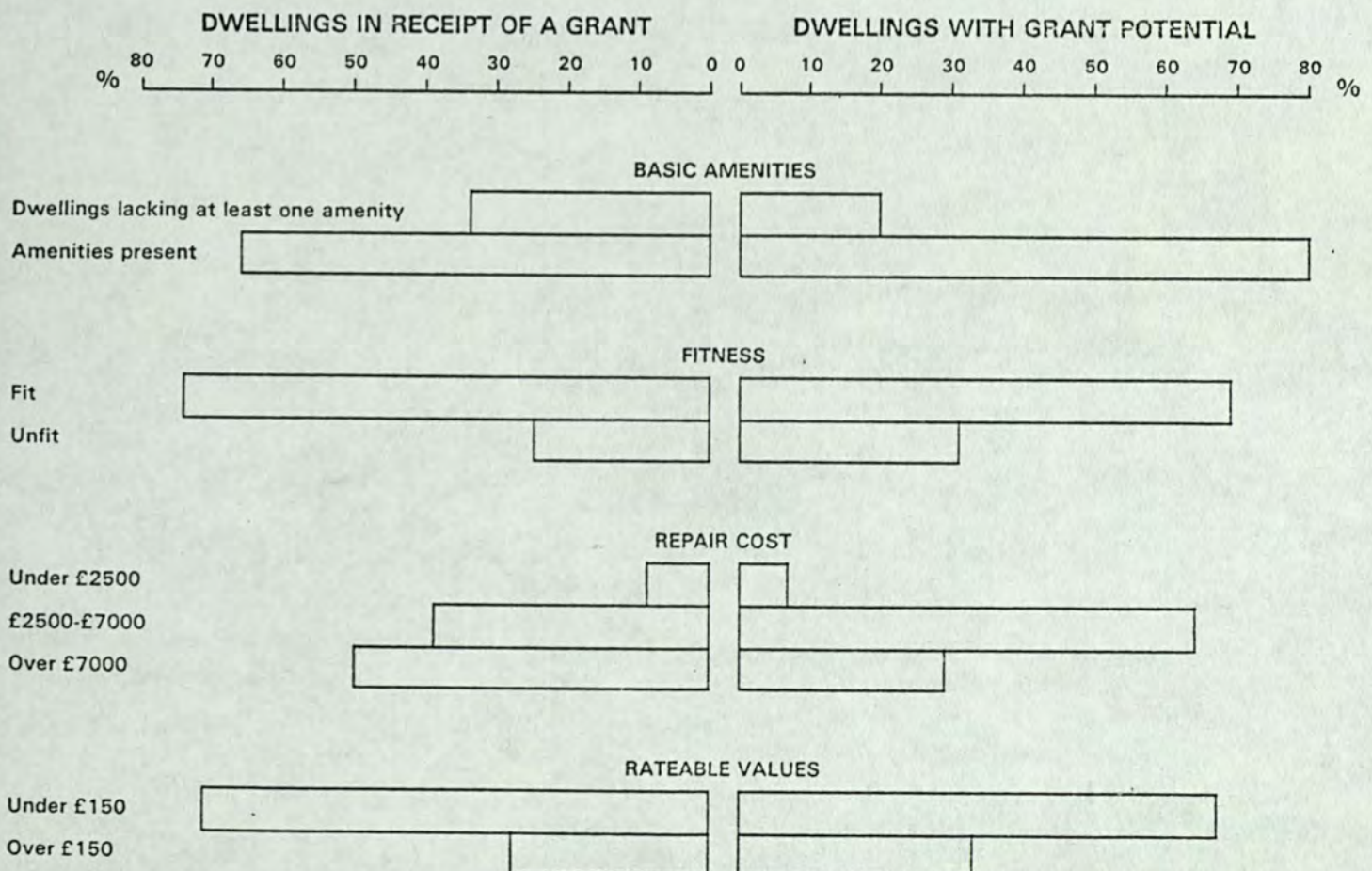
4. Grant aided work was more likely to take place when a property changed hands rather than being undertaken by someone who had lived in their home a long time. Purchase of property to improve or repair played an important role in improving the condition of some of the worst stock. One-third of the properties bought immediately prior to grant aided work taking place were unfit and half lacked at least one basic amenity. Taking on a property in need of repair and improvement provided a valuable step into owner occupation. Over 60% of people who took on a house to improve or repair were first time buyers; 50% of all purchasers are first time buyers.

5. As might be expected, people who obtained grants were more perceptive and concerned about the condition of their property than potential grant recipients, Fig 1. Over one third of recipients had undertaken some work to their house before they applied for a grant.

Dwellings on which Grant is paid

6. Targeting of grants had been effective in providing amenities and directing resources to dwellings in serious disrepair (Fig 2). However, the grant system picked up fewer unfit dwellings than might be expected.

Figure 2 : DWELLINGS IMPROVED BY GRANT



CONFIDENTIAL

7. The three types of grant were directed to different sectors of the stock. Improvement grants concentrated on the worst houses: 40% went to dwellings which were unfit; 60% to houses with repair costs in excess of £7000: and half to houses lacking at least one basic amenity. Repairs grants went to dwellings in relatively better condition: just over 10% were unfit and 40% had £7000 + repair costs. By definition all intermediate grants provide basic amenities: they went to unfit houses in 25% of cases and dwellings with repair costs over £7000 in 40% of cases.

8. Grants generally were given for dwellings which commanded low market values. This was partly due to their type, the majority being small terraced houses built before 1919, as well as their condition. 70% of grant-aided dwellings had rateable values below £150. Where a property had been bought immediately prior to improvement or repair work being carried out, the average purchase prices was £16,000 - substantially less than the national average of £25,600 (1982 4th quarter ¹) and £2460 below the average for older terraced houses.

Works Carried Out

9. In over one third of cases the local authority inspector said that work needed to be carried out in addition to that identified by the grant applicant. Grant aided work concentrated on the essential work such as repairs to the structure of the property and the provision of basic amenities. Grants resulted in the installation of at least one basic amenity in one third of cases. If only improvement and intermediate grants are considered this increases to two thirds. Repair work was undertaken on roofs and walls/chimneys for 70% and 65% of dwellings respectively. In contrast less than 20% of grants provided for the installation of central heating (if only improvement grants are considered, central heating is installed in just over one third of cases).

10. The majority of grant recipients were satisfied with their accommodation following grant aided work although over one third felt there was still work to be done. Improvement grants provided the most complete job, only 10% of these recipients considered further work to be necessary compared with 40% of other grants recipients. However, little of the work still required related to the dwelling's structure, with perhaps the exception of external walls and damp proof course where further work was considered necessary in 15% of cases. Most of the other work still to be done related to plasterwork and internal fitments.

¹ Figures from Nationwide Building Society

CONFIDENTIAL

Sources of Finance for Grant Aided Work

11. Grant percentages given by local authorities do not fully reflect the recipient's level of contribution to the total cost of grant-aided works. Not all work carried out was considered eligible by local authorities; and costs often exceeded eligible expense limits. This was particularly true for improvement and intermediate grant recipients. On average such grants contributed less than 60% of the total cost of work whereas the average rate of grant quoted by authorities was 72% and 86% respectively. For repair grants quoted grant rates more closely corresponded to the effective rates received by recipients. Grants contributed 76% to total costs.

12. Almost half of recipients managed to finance their share of costs using savings alone and a further 10% used savings and other sources of funds. Of all recipients over one third resorted to a mortgage or loan for all, or part of their share of the costs. Where money was borrowed, banks and building societies were especially likely to be used, each accounting for 40% of borrowings. Relations or friends were lenders in 10% of cases.

Role of Grant

13. The DGE sought to establish how far the availability of grant had influenced householders' decisions to buy and to renovate the houses in which they lived. Although respondents gave consistent information, these results need to be interpreted with caution, particularly where people were answering hypothetical questions about their actions had grants not been available.

14. Most people said they were aware of grants when they decided to do the work but less than 15% said grants were the main reason for carrying out the work. The condition of their property was such that some work would have had to have been done. Grant availability did play a greater role in the timing of the work: almost one third of recipients cited this as a reason for carrying out the work at that particular time. This was the case particularly where the main reason for the work was a leaking roof or general repairs.

15. Where people are buying a property which is known to be in need of improvement or repair, it might be expected that grant availability would play a substantial role in the decision to do so. Two thirds of those who had bought poor

CONFIDENTIAL

condition property were aware that grants were available before they decided to buy but only half of this group felt that grants influenced their decision.

16. Taken at face value these results and the fact that three-quarters of recipients said they would have done at least some of the work even if they had not had a grant, suggest that people are not unduly influenced by grant availability in their decision to improve or repair their house. However, this underestimates the importance of grants. It is clear that, in many cases where recipients said they would have done work, either less work would have been done or it would have taken longer to complete, or both. Roofs would not have been repaired in one third of dwellings and roof timbers, walls and chimney stacks would have been left untouched in 40% of cases. In over half the cases where people would have carried out at least some of the work, completion of that work would have taken at least five months longer than it would with a grant.

17. One quarter of the people who said they would have done some work unaided claimed they would have found the money from savings. Over half said that they would have financed it with a mortgage or loan. However on the basis of the information which they supplied about their income, savings and mortgage commitments it is highly questionable whether all those who said they would have done some work could have afforded to do so. About 40% of all recipients would have done at least some work without grant and probably would have been able to find the necessary funds. Over one third, whilst saying they would have done some work, would have been unlikely to obtain the necessary finances.

B. WALES

18. A Distribution of Grant Enquiry was carried out at the same time in Wales. Many of the findings were similar to those in England but there were some important differences. The following paragraphs highlight the major results for owner-occupiers in Wales.

19. The characteristics of grant recipients were broadly similar to those of heads of households of substandard dwellings in Wales, although 55% of recipients were in full-time work compared to 41% of the target population (as identified in the 1981 Welsh House Condition Survey). Of those in work, professional and managerial classes represented ^{14%} 17% of recipients compared to 6% of the target population. ^{About 30%} 33% of all grants went to OAPs whereas OAPs made up 45% of the heads of households of the target substandard stock.

CONFIDENTIAL

L 20. Most grants went to households with low incomes. The average reported household income of recipients was £5,200; 80% had incomes of less than £8,000. ^{72%}~~50%~~ of grant recipients had savings of less than £1,000 and only about 7% had savings of over £4,000. Over half (54%) financed part or all of their share of the costs from savings while a third borrowed to pay part or all of their share.

21. Improvement and Intermediate grants tended to go to dwellings in the worst condition while Repairs grants were more likely to go to dwellings in relatively better condition. ⁶~~28~~% of Improvement grants and ⁹~~38~~% of Intermediate grants went to unfit dwellings while for Repairs grants the figure was 20%. In all, ³~~24~~% of grants went to unfit properties and a further 23% went to properties which were fit but lacked amenities. Another ⁴~~28~~% of grants went to fit properties with all amenities which were in need of repairs over £7,000. Thus over 70% of grants went to these substandard dwellings; this figures rises to ~~over~~ 90% if a repair threshold of £2,500 is used. Grant aided dwellings tended to have a low rateable value: under £150 in 90% of cases.

22. Some 90% of the recipients said that they knew of the existence of grants when they decided to do the work. About a quarter of recipients chose to undertake the work at that particular time because of the existence of grants. Very few recipients considered that the availability of grants alone was a factor in undertaking the work; usually recipients seemed to identify the need to repair or improve their property and then looked at the methods of financing.

23. About 70% of recipients said that they would have undertaken at least some or all of the work without the aid of a grant. However the survey suggests that, taking account of income and borrowing potential, about 60% of grant recipients would have found difficulty in financing the total cost of the works without a grant.

HOUSING STANDARDS**I. The standard of fitness for human habitation**

1. The present statutory minimum standard of housing in England and Wales is one of fitness for human habitation. This standard is contained in Section 4 of the Housing Act 1957 (as amended). Where houses fail to meet the standard, local authorities are required to intervene to ensure that they are dealt with either by renovation or, if this is not possible at reasonable cost, by demolition or closure.

2. A minimum standard will continue to be needed to ensure that people do not live in dwellings which endanger their health or safety. However, the Government considers that changes to the fitness standard are desirable, chiefly in order to make it more objective. A house fails to meet the fitness standard now "if and only if it is so far defective in one or more matters that it is not reasonably suitable for occupation in that condition". This requirement introduces a large subjective element into the consideration by the Environmental Health Officer and the local authority. In the past this was less of a problem than it is today. When the 1957 Act standard was introduced most of the houses which were unfit for human habitation by modern standards had clearly been so ever since they were built. There are far fewer such properties today. Increasingly, dwellings which were once acceptable are falling below the minimum standard as a result of structural deterioration.

3. For the future, therefore, the Government proposes to revise the standard, as well as making some changes to the way it is used. It considers that the most appropriate course is to adopt in England and Wales a new fitness standard along the lines of the existing Scottish 'tolerable standard'. As with the Scottish standard a dwelling will automatically be below the new fitness standard if it fails in one or more respects to meet the requirements set out. The proposed standard is as follows:

"A dwelling shall be regarded as fit for human habitation if, in the opinion of the local authority, it:-

- (i) If free from dangerous structural disrepair or instability.

CONFIDENTIAL

- (ii) Is free from dampness so pervasive as to be a threat to the health of the occupants.
- (iii) Has adequate natural lighting and ventilation in all main rooms.
- (iv) Has an adequate piped supply of wholesome water available within the dwelling.
- (v) Has within the dwelling satisfactory facilities for the preparation and cooking of food including a sink with a supply of hot and cold water.
- (vi) Has a W/C, for the exclusive use of the occupants, suitably located within the dwelling.
- (vii) Has a fixed bath or shower provided with a satisfactory supply of hot and cold water.
- (viii) Has an effective system for the drainage and disposal of foul, waste and surface water."

4. The new fitness standard would be the standard below which local authorities were required to intervene to ensure dwellings were renovated, closed or demolished. Where renovation was appropriate, dwellings below the tolerable standard would be eligible for mandatory assistance.

II. The target standard

5. There has been a 'target' standard for the condition of the stock for many years. Since 1974 this has been the "10 point/30 year standard". Dwellings renovated with the aid of discretionary improvement grants have generally been expected to meet this standard which implies that the property is in good condition and can be expected to have a further useful life of at least 30 years.

6. The Government intends to continue with a simplified version of this standard as the condition which dwellings are expected to be in after an equity-sharing loan has been paid (though authorities will have the option of requiring instead that dwellings are merely put into reasonable repair, where attainment of the full

CONFIDENTIAL

standard would not be an economic proposition). However, for the first time it is proposed that the standard should also be the maximum level towards which help can be paid.

7. The proposed new 'six point standard' for these purposes is as follows:

"A dwelling shall be held to meet the six point standard if it

- (i) is fit for human habitation;
- (ii) is in reasonable repair;
- (iii) has a wash-hand basin with an adequate supply of hot and cold water;
- (iv) had satisfactory electric wiring and artificial lighting;
- (v) has adequate facilities for heating; and
- (vi) is likely to have a useful life of at least 30 years."

EQUITY SHARING LOANS - HOW THE SYSTEM MIGHT WORK

1. The householder would apply to the local authority for help with work to his house. Provided his financial circumstances indicated that he was, in principle, eligible the authority would inspect the property to assess what work needed doing.
2. If the loan were approved, the applicant would be told that, when the work to which the loan related had been completed, the authority would register a charge against the property. Where the property was already the subject of a bank or building society mortgage, the authority's would be a second charge.
3. When the work was completed to the local authority's satisfaction, there would be an independent valuation of the property. The local authority would use this valuation as the basis for assessing its equity share. The charge would be for a percentage of the value of the dwelling. The percentage would be the amount of the loan itself as a proportion of the property's post-improvement value. For example, if the loan was for £3000 and the post-improvement value of the house was £30,000 the local authority's equity share would be 10%.
4. The householder would not be required to repay the loan, or pay any interest on it, until the house was sold. At that stage he would need to clear the charge in order to be able to sell with good title. When the property was sold in due course, the amount to be repaid would be the percentage of the house's value which had originally been fixed. So, if the local authority had taken a 10% equity share of a house which was then sold for £50,000, the amount due would be £5,000.
5. When the loan was being repaid on the sale of the property, the authority would not usually require an independent valuation of the dwelling. It would, however, have the right to insist on such a valuation if it felt that the house was being sold for less than the full market price. In such circumstances the householder would be required to pay the appropriate percentage of the independently-assessed market value.
6. Where the owner chose, and could afford to do so, he would be permitted to repay before the house was sold. In such a case the amount to be repaid would be the relevant percentage of the current value of the property, as determined for that purpose by an independent valuer.

CONFIDENTIAL

7. If, after the work for which the local authority loan had been given, the owner decided to undertake further improvements to his home, and felt that these were likely to increase its value, he would be given the opportunity of having a further valuation carried out at that time and of ensuring that this increase was not taken into account by the local authority in assessing the amount which was owed on the equity-share loan. For example, in a case where it was found that the work proposed would increase the value of a house, in which the local authority had a 10% equity share, from £38,000 to £40,000, the authority would reduce its equity share from 10% to 9½%. When the house was sold, the owner would pay the local authority only 9½% of the sale price, rather than 10%.

ADAPTATIONS FOR THE DISABLED

1. Since 1974 the home improvement grant system has been used to provide financial aid to disabled people who, as a result of their disability, require structural alternations to their homes. (Social Services authorities are responsible for non-structural features such as the provision of aids and equipment.) In England, the last five years (1979-1983) have seen 25,800 grants given for this purpose, with 2,000 such grants in Wales.
2. This system has never been entirely satisfactory. The shortcomings stem from the fact that the home improvement grant system is based on the condition of the property rather than the physical needs of the occupant. Grants for the disabled are frequently made for dwellings which would not normally be eligible for home improvement grants. The Government has therefore been considering ways in which the needs of the disabled can best be taken into account in the future.
3. The Government believes that, where disabled householders need ordinary improvements or repairs to their homes, the rules should be exactly the same as for other applicants requiring financial help to enable them to carry out such work. Disabled householders would need to meet the proposed eligibility test; if they did, help would be available in the form of mandatory grants to make dwellings fit, or discretionary equity-linked loans to renovate them above that standard.
4. However, where disabled householders need structural adaptations to their homes as a result of their disability, the costs of undertaking such work are additional to those which are normally needed to keep property in reasonable condition. Frequently, such adaptations do not result in a matching increase in the value of the property (indeed, they may sometimes reduce its value). It would not, therefore, be appropriate to require help for the disabled to take the form of equity-sharing loans.
5. Instead, the Government proposes that help with adaptations for the disabled should continue to be in the form of grants. Such grants could be mandatory for work needed to ensure that basic amenities were accessible to the disabled person,

CONFIDENTIAL

whether this meant providing new amenities (for example a downstairs WC) or improving access to existing amenities. Grants would be discretionary for all other adaptations. The Government does not envisage any test on the financial circumstances of the household where such help is given, though the local authority would have to be satisfied that the work proposed was essential, and was the most cost-effective way of solving the problem, before it approved the grant.

6. One possibility would be for these grants to be linked with the main system of help with improvements and repairs. If this were to be the case, however, a number of special provisions would be needed to take account of the particular requirements of the disabled. These would include, for example, relaxing the age limit on dwellings eligible for discretionary help. It would also be necessary to ensure that help for the disabled was available even where the dwelling was above the proposed 'six point standard' when the grant was approved; it would be for consideration whether dwellings should be required to meet any overall standard after the work had been completed.

7. Alternatively, a wholly separate system could be provided. This would have some benefits: it would give greater flexibility and would probably be the only way of giving grants towards the adaptation of dwellings under construction. A wholly separate system would, however, need to be given sufficient publicity to ensure that those likely to benefit were aware of its existence.

8. The Government would welcome comments on the best way of providing help for adaptations for the disabled in future. Further consultation will take place in due course on the details of the new system.

RESTRICTED

cc 100



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

2 pp's
N332.
N 2/4

John Moore Esq MP
Financial Secretary
Treasury Chambers
Parliament Street
London
SW1P 3AG

2 April 1985

EMPTY HOUSING OWNED BY NATIONALISED INDUSTRIES

I have seen Patrick Jenkin's letter to you of 19 March.

Following the discussion at E(DL) on 20 November we agreed to provide detailed information on the stock of empty houses held by the NCB to his Department every six months. I am unclear whether his suggestion now is that we should replace this by a similar once-yearly survey in the IFR, or that we should augment it by inclusion in the IFR of similar figures but analysed in a slightly different way, together with an estimate of numbers of disposals in future years. Whilst I would have little objection to the former proposal the latter would undoubtedly involve the Board in substantial extra work and would not, I think be justified. I would question whether it is really sensible to upset the existing arrangements so soon after they were established.

Given the small numbers of houses which the BGC and the Electricity Supply Industry own compared to the NCB and Local Authorities, and the disproportionate amount of work which would be involved, I doubt whether it would be worth delving into their empty houses in great depth and seeking the detailed information Patrick Jenkin proposes.

Copies go to the Prime Minister, members of E(DL), other Ministers in charge of Departments and Sir Robert Armstrong.

PETER WALKER

RESTRICTED

Housing : Bliuy #4

02 APR 1963

