



# Crumbling Castles?

Helping owners to repair  
and maintain their homes

*Philip Leather*

*March 2000*



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# Contents

<b>SUMMARY</b>	<b>4</b>
<b>1 INTRODUCTION</b>	<b>8</b>
<b>2 IS THERE A PROBLEM OF POOR HOUSING CONDITIONS?</b>	<b>11</b>
<b>3 DO POOR HOUSING CONDITIONS MATTER?</b>	<b>22</b>
<b>4 A CRITIQUE OF CURRENT POLICIES</b>	<b>27</b>
<b>5 A NEW FRAMEWORK FOR TACKLING POOR CONDITIONS</b>	<b>37</b>
<b>6 CONCLUSIONS AND RECOMMENDATIONS</b>	<b>53</b>
<b>REFERENCES</b>	<b>57</b>

# Summary

## IS THERE A PROBLEM OF POOR HOUSING CONDITIONS?

This report presents the findings of a programme of research on poor housing conditions and housing renewal policy sponsored by the Joseph Rowntree Foundation.

Although most people in Britain at the start of the new millennium live in decent housing, a significant minority live in homes which are in disrepair, or lack modern facilities such as an affordable heating system. Around 1.8 million dwellings in Britain are officially 'unfit for human habitation'. There are strong reasons to believe that these problems will get worse rather than better in the medium and longer term. The ageing of the dwelling stock, the increasing proportion of very old people who are owner-occupiers and rising levels of instability in jobs and personal relationships are likely to lead to an increase in the numbers of people who will find it difficult to keep up with the repair and maintenance needed by their homes.

Certain dwelling types - smaller pre-1919 terraced houses without front gardens; large old homes divided into flats and bed-sits; flats in unpopular estates bought via 'right to buy' - and certain localities - the inner areas of northern and Midlands cities and towns; the South Wales valleys; former mining areas; declining coastal resorts - will bear the brunt of decline.

## DO POOR HOUSING CONDITIONS MATTER?

There are a number of reasons why the state should intervene to deal with poor housing conditions, but we need to be clearer about the case for intervention, especially when difficult choices have to be made.

First, successive governments have accepted that households should have the right to housing which reaches a minimum standard in terms of condition, amenities and energy efficiency. The current backlog of disrepair is unacceptable and there is a need to re-affirm this objective.

Second, there is a statutory obligation on the state to deal with very poor conditions and it will often be more cost-effective to intervene in a preventative way at an earlier stage. At present, the 'fitness standard', which is the trigger for intervention, is too subjective and ill-defined and there is a need for a sharper and more discriminating standard which picks out serious problems requiring urgent action.

Third, there is a growing awareness of the impact of poor housing conditions on health, which provides an increasingly important justification for state intervention.

Finally, housing conditions are an important element of broader policies aimed at regeneration, tackling social exclusion, the provision of care in the community, and environmental sustainability.

## THE WEAKNESS OF CURRENT POLICIES

Current levels of public investment or policy action, whether through grant aid, enforcement action, demolition, or other channels, are inadequate to tackle the scale of current problems. Grant aid is rationed, enforcement activity is too low and demolition of obsolete housing is almost at a standstill. The policy tools we are using were designed to operate with higher levels of public funding in a context where the problems of low incomes, deprivation and social exclusion were less serious and intractable. Although help is carefully targeted, the outcome is a lottery under which renovation policy delivers help to a fortunate few, but little else to a much larger group of households with similar problems.

A rigid national legislative framework prevents the use of local discretion to develop new mechanisms which are more suited to the needs of local areas.

There is an understandable reluctance to move away from the provision of capital grants for those on low incomes to repair and improve their homes, to less generous measures requiring a higher level of private investment. Instead, resources are rationed ever more tightly and demand is managed through longer waiting times - fiddling while Rome burns. We need a wide-ranging review of policy and a new, more realistic, framework for dealing with poor housing conditions.

## A NEW FRAMEWORK

As a basis for effective housing renewal policies, we need a clear and coherent strategy for the future of the national housing stock. The first step is to develop a clear set of objectives relating to the condition of private sector housing, covering how the government will deal with the present backlog of disrepair, and future problems which are predicted to emerge; the different ways in

which owners will be assisted to deal with house condition problems and the roles of public and private investment; and how many dwellings we may expect to replace in coming decades.

The national strategy will need to make clear the links between housing renewal investment and a range of wider policies. It will need to be consistent with regional and local strategies.

Given continuing pressures on public spending, it will be essential to use public resources as effectively as possible. This means spreading resources more thinly to help more of those in need and to attract more private investment. Options to achieve this include:

- targeting resources on a smaller number of local authority areas, or specific neighbourhoods;
- targeting resources on the private rented sector, which has the greatest concentration of condition problems;
- making grant aid conditional upon a significant level of private investment by applicants - and ongoing maintenance investment;
- giving only small grants for short-term solutions, in order to spread resources further;
- replacing capital grants with financial assistance with loan charges, which are means-tested as at present;
- making demolition a less expensive option, by acquiring by agreement and placing more obligations on the owners of vacant and unwanted dwellings to persuade them to sell;
- making small loans for repair with legal and administrative costs kept to a minimum, or guaranteeing loans to attract commercial lenders into this market;
- developing arrangements between loan providers and mainstream mortgage lenders to refinance loans and hence recycle capital for further lending;
- increasing the resources available for flexible tenure to enable those who cannot borrow to fund repairs by selling equity;
- removing legal and related obstacles to the provision of small loans by commercial lenders at minimum cost;

## CRUMBLING CASTLES?

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- promoting schemes to encourage low income households to save for future maintenance costs or helping them to gain access to emergency repair and other insurance-based schemes;
- providing local authorities, registered social landlords (RSLs) and new community-based financial institutions with the legal framework to develop policy tools and mechanisms to spread public resources further and draw in more private investment.

Resources are not the only constraint on investment in repair and improvement, and there is a need to provide home-owners with encouragement and support with repair, maintenance and improvement work to their homes. Home improvement agencies offer a valuable service to vulnerable groups, but there is a need for the provision of less intensive services to other groups. These should include general information and advice on repair and maintenance, home repair surgeries, home surveys, help with diagnosis of problems and basic DIY tasks, 'handyperson' services, tool loan schemes, lists of reputable builders, and other services. Awareness could also be fostered by regular local campaigns on repair and maintenance issues.

More flexibility is needed to enable RSLs to work with local authorities and tailor their activities to meet particular objectives in relation to private sector renewal. Possible roles include:

- partnership working with local authorities to deal with renewal problems in particular neighbourhoods;
- directly providing repair and maintenance services to home-owners for a fee;
- extending the role of home improvement agencies to provide a wider range of services;
- helping private landlords to meet their obligation to repair their properties by taking over their management;
- providing flexible tenure or equity loan arrangements.

There are potential roles, too, for mortgage lenders in stimulating more private investment in housing renewal, including: participation in measures to raise awareness; development of new survey products; further development of equity release mechanisms and repair and improvement loans; and partnerships with local authorities and RSLs to provide capital for onward lending for repair and improvement purposes.

Recent moves to deal with the 'cowboy' sector of the building industry are to be welcomed, but these need to be followed up with measures to improve training so that builders in this sector are multi-skilled and better able to work in a satisfactory way in people's homes, minimising disruption and disturbance from building works.

In the longer term, some broader reforms to the housing market might also be necessary to induce owners and buyers to take a more thorough view of the need for repair and maintenance. These include: requiring vendors to make a full survey available to potential purchasers (as the Government has recently proposed); making sellers responsible for latent property defects; and requiring lenders to take more account of disrepair. There may also be a case for more extensive use of powers to compel owners to maintain their homes to a minimum standard, especially in the private rented sector. Realistically, however, measures of this kind are unlikely to prove acceptable in the short or even medium term.

There may be a need for mechanisms that help households which clearly cannot afford repair and maintenance costs to sell part or all of their equity to a social landlord and remain in the property as tenants, so that repairs can be carried out.

Despite deregulation of rents in 1988, the private rented sector still contains concentrations of housing in poor condition. The Government's proposals for licensing houses in multiple occupation (HMOs) are to be welcomed as a positive step towards improving conditions in

this sector, but there may be a need to extend these to the non-HMO parts of the private rented sector, where conditions are poorest.

## RECOMMENDATIONS

The proposals set out above are wide-ranging and longer term. In the short term, the following recommendations are made:

- 1 The government should amend legislation to replace the present system of capital grants, either by grant aid to assist with borrowing costs, or by smaller grants conditional on association with borrowing (or investment by the applicant from another source) and provision for ongoing maintenance. As at present, this assistance should be based on an applicant's financial resources.
- 2 Within this overall framework, legislation should permit local authorities to develop policies which are best suited to local circumstances.
- 3 The legislation should enable the Housing Corporation and RSLs to play a major role in the renewal of private sector housing.
- 4 The government and local authorities should, in partnership with lenders, remove obstacles to the commercial provision of small loans for repair and maintenance; and to the direct provision of loans targeted on low income households by local authorities, RSLs, or new financial institutions.
- 5 Local authorities should draw up realistic strategies for the renewal of private sector housing in their areas, based on an accurate assessment of needs and resources.
- 6 Local authorities should use their discretion to develop renewal policies which make the best use of public funding, and attract in as much private investment as possible.
- 7 Local authorities should take steps to promote awareness of repair and maintenance responsibilities and sources of funding for work, and to provide practical help to home-owners in identifying problems, securing funding, and carrying out work.
- 8 The government should take the necessary steps to ensure that a complete national network of home improvement agencies is available to assist vulnerable groups with repairs, improvements and adaptations to their homes.
- 9 The government should introduce legislation to require the licensing of houses in multiple occupation, and of categories of private rented housing where it can be demonstrated that conditions are generally poor, in order to secure minimum standards of condition and management.
- 10 The government and local authorities should urgently review the framework of powers and mechanisms available to enable them to deal with poor conditions and widespread market failure in areas of older private housing.

# 1 Introduction

Poor housing conditions were the original spur to state intervention in housing in the nineteenth century, and action to deal with substandard housing has remained an important component of policy ever since. In the 1930s and the first decades after World War II, the worst of the remaining slum housing in Britain was demolished, and subsequent state policy has concentrated on repairing and upgrading the remaining older stock.

The transfer of millions of older dwellings from the hands of private landlords to individual home-owners, ever-rising property values, the willingness of building societies to make mortgage finance readily available to purchase older properties, a ready supply of young first-time buyers with the resources and energy to carry out renovation, and generally increasing prosperity, have all ensured a continuing level of private investment in upgrading and modernising older dwellings in the latter years of the century.

So most people in Britain, at the start of this new millennium, live in homes which are wind- and weather-proof, warm enough in winter, and which pose no serious threat to their health or safety. Most have modern kitchen and bathroom facilities and incorporate some measures to reduce energy consumption.

Yet house condition problems remain, and new problems are emerging. Whilst most people are well-housed, a significant minority lives in dwellings in disrepair. In 1996 around 1.8 million dwellings in Britain were officially unfit

for human habitation or below the Scottish tolerable standard, and the backlog of repairs was over £37 billion (Department of the Environment, Transport and the Regions, 1998; Scottish Homes, 1997; Northern Ireland Housing Executive, 1998; Welsh Office, 1999).

The effects of climate, and general wear and tear, will continue to ensure that buildings need regular maintenance and periodic repair. As the country's dwelling stock ages, repair problems are emerging in sectors of the stock which were previously sound – the inter-war stock, for example, is now around 70 years old and major components increasingly need replacing. Lastly, the unwelcome return of exploitative private renting is also leading to a decline in the condition of some dwellings in inner city neighbourhoods.

Despite the general increase in the capacity and willingness of owners to invest in their homes, a minority of home-owners have continued to struggle to keep up with the work that needs doing. 'Right to buy' has created a new cohort of owners, many of whom lack the income or savings to tackle repairs and maintenance in the longer term. The overall ageing of the home-owner population and increasing longevity are creating another large group who may lack the resources for dwelling upkeep. And lastly, the flexible labour market and increasing instability in personal relationships are making it harder for younger people – once the main 'engine' for upgrading the older stock – to devote their energies and resources to renovation.

All this suggests that there is a continuing need for government to intervene in some way to tackle poor housing conditions. But current policies are not up to the task because:

- policies were developed in the context of a much higher level of public investment in private housing renovation than is currently available or is likely to be available in the foreseeable future;
- the existing mechanisms, such as renovation grants, help a small and shrinking number of those in need while doing nothing for a much greater number in similar circumstances and others who might help themselves if they received a lesser level of support;
- policies fail to make use of the resources owners themselves have in terms of unmortgaged home equity, which would stretch limited public funds further;
- tenants tolerate standards of service in the private rented sector which businesses in other areas of commerce would not be allowed to get away with;
- local authorities fail to intervene quickly when urgent action is needed, and hence allow properties to deteriorate in ways which often mean that the public purse will eventually incur much higher costs in dealing with them.

Put simply, current policies are not keeping up with problems and are not ensuring that resources are spent wisely; nor are they ensuring that home-owners themselves invest wisely and on the scale that is required. A radical rethink is needed.

### THE JRF RESEARCH PROGRAMME INTO HOUSING CONDITIONS AND RENEWAL

Concern at the growth of low-income home-ownership in the older housing stock, the ageing of the population, the declining level of public

resources for housing renovation, and the dearth of innovation in government policy led the Joseph Rowntree Foundation to initiate a programme of research into poor housing conditions and housing renewal policies in 1995. The Foundation's parallel concerns with area regeneration, social and community care, and environment and sustainability also suggested that housing conditions remained an important issue which could also impact on problems in those areas of policy. Poor conditions in the social rented sector require different forms of action, and were excluded from the focus of the programme.

Fourteen research projects in two phases aimed first to evaluate the impact of past policies and to clarify the nature and causes of poor condition problems; and second to review the existing and potential roles of government, local authorities and the private sector in renovation policy, the potential for new approaches and funding mechanisms, and ways of making the best use of public sector resources.

#### THE STRUCTURE OF THIS REPORT

The findings from these studies have now been published, but to draw them together and put forward proposals for reform, the Foundation commissioned this report.

The report is structured as follows. A summary of the main findings and recommendations preceded this chapter. Chapter 2, 'Is there a problem of poor housing conditions?', looks at the nature and extent of poor housing conditions at the beginning of the twenty-first century and at how these might change in the future. It argues that a significant residual problem of poor conditions remains and that measures to stimulate investment and secure better targeted or better quality work would benefit a majority of home-owners. Chapter 3, 'Do poor housing conditions matter?', considers how far poor conditions in private housing should be a matter for state intervention and argues for a clearer

## CRUMBLING CASTLES?

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rationale to guide policy. Chapter 4, 'What are we doing about it? A critique of current policies', examines the range of policies for housing renovation and their limitations, and argues that the current approach is not sustainable or sensible given the limited amount of public funding which is available and the scale of the problems which we face. Chapter 5, 'A new framework for tackling poor conditions', considers a wide range of measures: to reform housing markets; to stimulate greater awareness of the need for, and the costs of, repair, maintenance and improvement; to make it easier for home-owners to determine their spending priorities; to ensure that the building industry provides a cheaper and better quality service; and to make better use of public funding to lever in as much private and individual investment as possible. Finally Chapter 6, 'Conclusions and recommendations', draws the report together and makes recommendations on ways of reforming private sector housing renewal policy.

## 2 Is there a problem of poor housing conditions?

There is little doubt that most homes today are better served than ever before in terms of amenities like kitchens, bathrooms, central heating and double glazing, and that more is spent on decoration and furnishing. Public interest in interior design is at a record level, as evidenced by the plethora of television programmes on this topic. But not all homes and households have shared in these improvements, and there is evidence of a continuing backlog of basic disrepair in building elements which have a less direct bearing on comfort, status and aesthetic appearance - such as roofs, chimneys, gutters, and external woodwork. There is also evidence that problems are concentrated in particular areas and sectors of the housing stock.

### IS THE STOCK IMPROVING OR DETERIORATING?

Although the UK is fortunate in having a series of national sample surveys which look at housing conditions in great detail, it has proved extremely difficult to pin down firm answers even to basic questions such as these: is the condition of the nation's housing stock improving or deteriorating, and how might conditions change in coming years?

Judging the condition of housing is complicated by the many dimensions to quality – including space standards and aesthetic appearance, as well as physical condition. Some aspects of a building are difficult or impossible to measure, others are hard to detect, and others are hard to weigh against one another. Which is in worst condition,

for example - a dwelling with a leaking roof, or one with dampness in ground floors and walls? In addition, deciding what needs doing to remedy a problem is often a matter of judgement. There may be several solutions, all of which remedy the problem, some for just a week and some for the foreseeable future. Even if we use the cost of repair or improvement as a common currency, different solutions carry different costs – and how do we know the costs until we tackle the work?

Amenities and facilities like showers or heating systems are perhaps easiest to measure, although even here there are difficulties – the quality of double glazing or central heating, for example, can vary greatly. The spread of basic amenities across the stock is the one clear success story of the last few decades. In 1967 three million homes in England (around one in six) lacked an indoor WC, but thirty years later only 40,000 are without this facility and instead we are measuring the number of homes which lack a second WC, or central heating, a modern kitchen and bathroom, or off-street parking.

But beyond this it is far more difficult to assess progress. The basic minimum measure of *dwelling unfit for human habitation* (known in Scotland as *dwelling below the tolerable standard*) is an obscure indicator beset by definitional changes which is fatally prone to subjectivity in its interpretation and so indiscriminating that over 1.5 million dwellings – many perfectly acceptable to owners and mortgage lenders – fail the standard. It is of little value in telling us what is happening to the stock or where the most serious problems lie. In

Table 1: The backlog of disrepair in private sector housing, England 1996

Type of repair cost	Cost per dwelling (£)			Aggregate cost (£ million)
	Owner-occupied	Private rented	All private	
All comprehensive (longer term)	3,620	5,030	3,790	60,500
All current observable	1,850	3,250	2,020	32,200
Urgent current observable	1,250	2,370	1,380	22,100
Number of dwellings in sector (000s)	14,066	1,894	15,960	

Source: Department of the Environment, Transport and the Regions (1998)

England in 1996, some 7 per cent of private dwellings were unfit for human habitation (Department of the Environment, Transport and the Regions, 1998).

Beyond unfitness, the wider concept of disrepair offers greater scope for a detailed assessment of changing conditions but this too is dogged by changes in definitions and problems with the measurement of costs. In England in 1996, some 20 per cent of dwellings had outstanding current repair costs of £3,000 or more, and 10 per cent had costs of £5,000 or more (Department of the Environment, Transport and the Regions, 1998).

### The repair backlog

Most of the evidence we have on poor housing conditions comes from periodic snapshots which reveal the backlog of problems at the point when they were carried out but which cannot be compared over time or between countries. In England we are also unable to make comparisons between local authority areas. Realistically, a backlog of disrepair is always likely to be found by any survey of stock condition, for very good reasons. At any one time some dwellings which have recently had investment will be in good condition while others which have suffered a period of neglect will show some disrepair, which may soon be remedied. But how much disrepair is 'normal' or acceptable, and how much is enduring and intolerable for those who must live with it, a prelude to more serious problems if it is not tackled promptly?

We have no agreed view of what is an acceptable backlog of disrepair. Looking at the backlog of current observable repairs to privately owned dwellings, the cost in England in 1996 was over £32 billion (Table 1). The cost of comprehensive repairs (which includes work likely to be required in the next ten years) was over £60 billion. One way to assess the scale of this is to compare repair costs with market value. The 1996 current repair backlog of £32 billion represented about 3 per cent of the total market value of the stock, a relatively small proportion, but a significant sum in cash terms (just over £2,000 per dwelling). The cost of comprehensive repairs was about 6 per cent of value.

However, repair costs were not distributed evenly across all dwellings. Data is not available for 1996, but in 1991, 4 out of 5 private dwellings had current repair costs of less than 5 per cent of dwelling value, 1 in 10 had costs between 5 and 10 per cent, and 1 in 10 had repair costs of over 10 per cent of value. So we can conclude that for most dwellings the backlog of repair is small and acceptable but for around 10 per cent, it is of concern and for a further 10 per cent it is very high in relation to value. Average repair costs as a proportion of value for privately rented dwellings were much higher (8 per cent) than for owner-occupied dwellings (3 per cent) and 1 in 4 privately rented dwellings had costs exceeding 10 per cent of value.

One further important point from Table 1 is that over two-thirds of backlog repairs (£22 billion) are urgent repairs, that is, repairs which must be undertaken immediately to prevent further significant deterioration. It is hard to see how there can be any acceptable backlog of urgent repairs.

**Who is affected?**

The national house condition surveys provide a wealth of data on the households most likely to experience poor conditions and the dwellings which they occupy. *The state of UK housing* (Leather and Morrison, 1997), a fact book prepared as part of this JRF research programme, provides fuller details. Table 2 shows some key findings for England in 1996 which are typical of the situation throughout the UK.

On average 14 per cent of households lived in poor housing, that is housing which was either unfit, in substantial disrepair or requiring essential modernisation. Those most likely to live in poor housing were:

- ethnic minority households, particularly Pakistani and Bangladeshi households
- young households aged 16 to 24
- unemployed households
- households aged 75 or more
- households employed part time
- lone-parent households
- those resident in their homes for 30 years or longer
- those in full-time education
- private rented sector tenants generally

The common characteristic linking most of these groups is poverty. There is a strong association between poverty and poor housing conditions in private sector housing. People on low incomes can only afford to buy low value dwellings which are often in poor condition. Frequently they cannot afford to repair and maintain their homes, so conditions deteriorate further. In the private rented sector the picture is more complex because of local shortages of housing and other factors, but broadly tenants on low incomes can only

**Table 2: Household characteristics associated with poor-condition housing,\* England 1996, all tenures**

Household characteristic	% living in poor housing
All households	14
<i>Household type</i>	
Lone person aged 60 or more	19
Lone parent with dependents	18
Lone person aged under 60	18
Large adult household	16
<i>Age of oldest person</i>	
16-24	29
75 or more	20
<i>Ethnic group</i>	
Pakistani/Bangladeshi	35
Black	23
Indian	19
<i>Length of residence</i>	
30 years or more	27
Less than one year	16
<i>Other groups</i>	
Ethnic minority under 60	26
In full-time education	25
Unemployed under 60	25
Employed part time under 60	19
Long-term sick	16

Source: Department of the Environment, Transport and the Regions (1998)

\* Poor housing was either unfit, had urgent repair costs of over £48 per square metre, or required essential modernisation to kitchen, electrical fixtures and wiring, or space heating.

afford to rent poor quality housing and housing benefit does little to alter this relationship.

Other significant factors linked to poor condition are a lack of awareness or understanding of condition issues, a lack of interest in them or other priorities for spending (for example

## CRUMBLING CASTLES?

amongst mobile young people), or an unwillingness to face disturbance, perhaps because of health problems (especially amongst older people or long-term residents). In the private rented sector, landlords may fail to invest because they cannot secure an adequate return, because they are aiming to maximise short-term returns, because they lack the expertise to organise repairs or access to capital to fund them, or because they can let properties without having to improve standards.

Table 3 shows the dwellings most likely to fall into disrepair. Dwelling size is a major factor affecting repair costs, but after this has been taken into account by expressing costs in terms of £ per square metre, dwelling age is the main influence, despite what has been spent by owners over the years in repairing and upgrading many older dwellings. Vacant dwellings have exceptionally high costs, although it is not clear whether they are vacant because they are in poor condition, or vice versa. Flat conversions (as distinct from purpose-built flats) also stand out, largely because most conversions are of older dwellings.

Data on the local distribution of dwellings in poor condition is very limited in England. The English House Condition Survey does not provide local data. Local authorities make an annual return giving details of unfit dwellings (Figure 1), but the basis of these estimates varies from place to place. Accepting this limitation, areas with the highest concentration of unfit dwellings include inner London; rural areas in the South West, the West Midlands and the North; and the Midland and northern conurbations. The most recent Welsh House Condition Survey reveals concentrations of unfitness in the South Wales valley authorities, Cardiff, Newport and rural west Wales. In Scotland, the national survey does not produce local results but local data suggests that problems are most severe in rural areas in the north and west and in the social rented stock in urban areas. In Northern Ireland, problems are concentrated in rural areas in the south and west. More detailed data from local surveys suggests that there are both concentrations of poor

**Table 3: Dwelling characteristics associated with disrepair, England 1996**

Dwelling characteristic	Median repair cost (£ per square metre)
All dwellings	6.50
<i>Dwelling age</i>	
Pre-1919	18.00
1919-44	11.10
1945-64	7.10
Post-1964	1.50
<i>Dwelling type</i>	
Converted flat	20.70
Older semi/terrace	17.50
Older detached house	16.20
Inter-war semi/terrace	11.00
High-rise flat	7.70
Low-rise flat	5.50
Bungalow	3.80
Newer semi/terrace	2.20
Newer detached	1.20
<i>Occupancy</i>	
Vacant	20.90
Occupied	6.30

Source: Department of the Environment, Transport and the Regions (1998)

housing in particular neighbourhoods (often but not exclusively inner city areas) and a broader scattering of individual poor condition dwellings.

### Turnover

It is important to know whether there is a steady level of turnover in the sub-standard stock as dwellings deteriorate and are then renovated, or whether some dwellings remain in poor condition, subjecting their occupants to an extended period of discomfort, or worse.

The 1996 English House Condition Survey gives some indication of turnover in poor conditions

Figure 1: Percentage of unfit private sector dwellings by district, England 1998

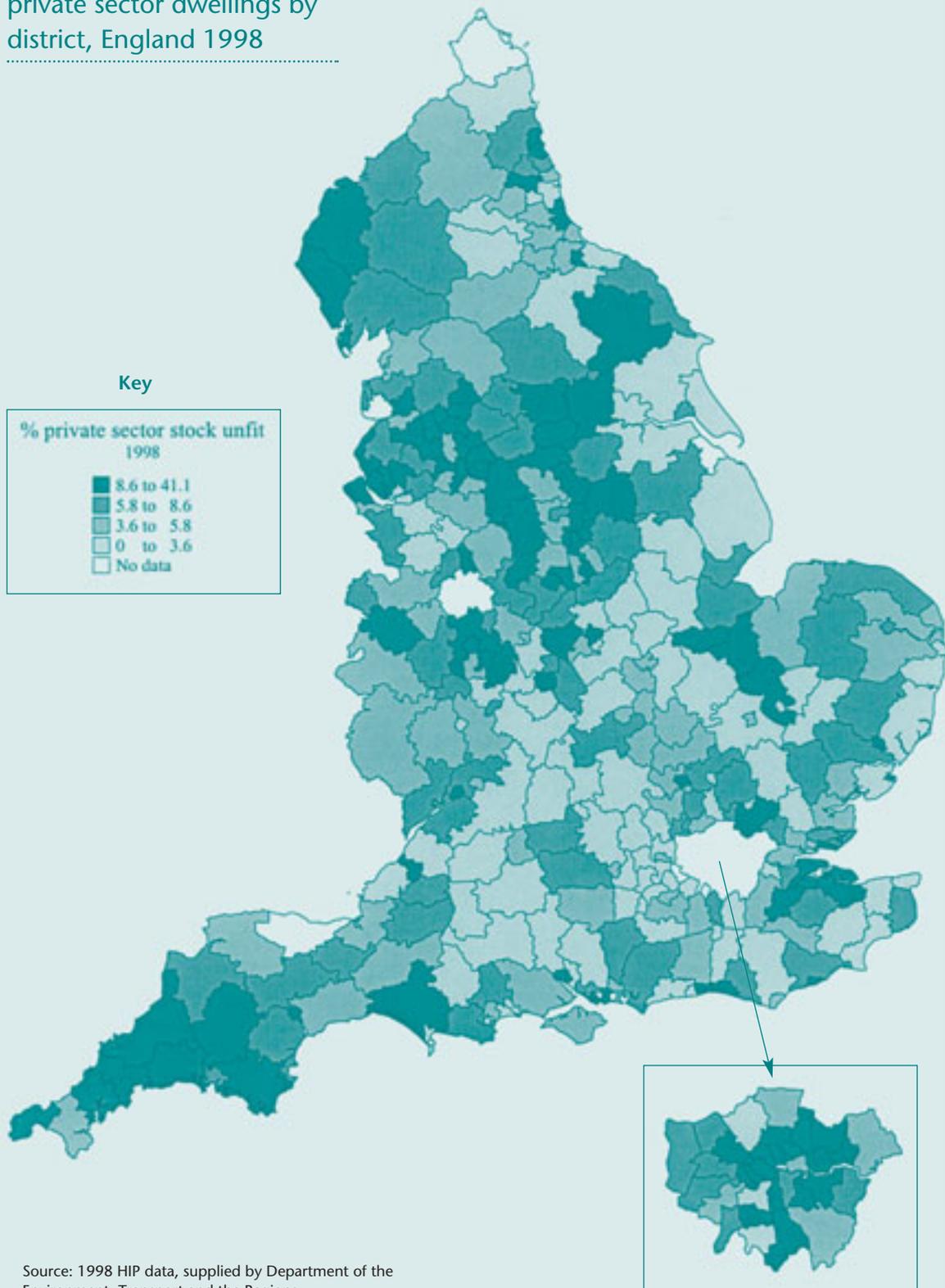
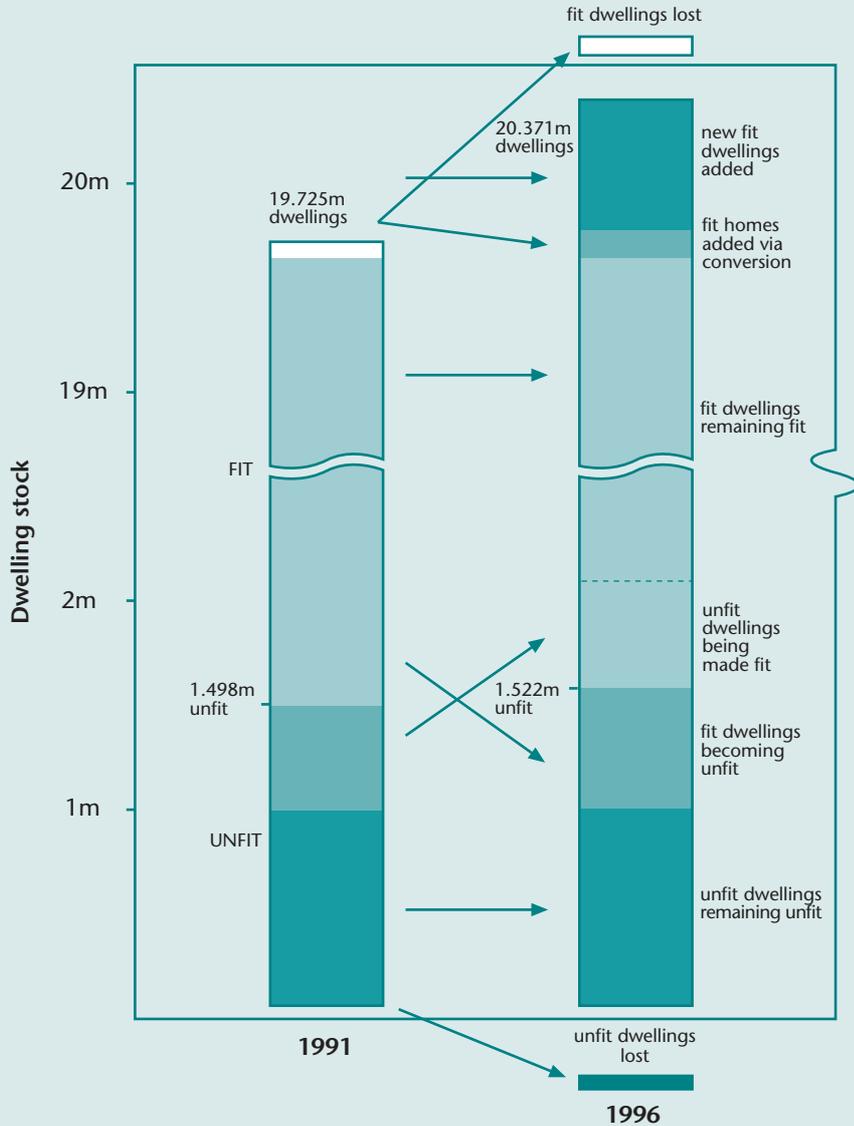


Figure 2: Change in unfitness, England 1991-96



Source: Department of the Environment, Transport and the Regions 1998

across all tenures. Figure 2 (taken from Department of the Environment, Transport and the Regions, 1998) shows that whilst around 1.5 million dwellings in England were unfit in 1991 and the same number were unfit in 1996, half a million of the former were made fit while another half million fit dwellings became unfit in the intervening period.

This means that, allowing for a small amount of demolition, around 1 million dwellings remained unfit throughout the five-year period. In other words, some two-thirds of unfit dwellings (5 per cent of the total stock) failed to move out of this category. Anecdotal evidence suggests that these dwellings are mainly concentrated in the inner areas of the conurbations and larger cities, and in former mining areas like the South Wales valleys or the Nottinghamshire coalfield. It also suggests

that pre-1919 terraced houses, and a smaller number of large detached houses now occupied as flats or bedsits, are strongly over-represented in this category.

So there is both good news (many unfit dwellings were quite quickly tackled by their owners or local authorities) – and bad news (there is a residual core of problem dwellings in the stock). This analysis also highlights a fundamental point - for policies to be effective in tackling poor housing conditions, understanding the processes which are bringing about poor housing conditions is far more important than developing measures of the backlog of disrepair.

**PROCESSES AFFECTING HOUSE CONDITION**

Our understanding of the factors which influence house condition change is relatively limited, although studies within this programme of the investment behaviour and attitudes of home-

owners have contributed to a clearer general picture (Davidson, Redshaw and Mooney, 1997; Leather, Littlewood and Munro, 1998).

**Physical deterioration**

Dwelling condition is the outcome of two main processes: physical deterioration and human activity. Dwellings deteriorate over time as a result of the effects of exposure to the elements. Table 3 demonstrated that repair costs increase with dwelling age.

But this is an average picture. The process of physical decline never, or rarely, goes on unchecked throughout the life of a dwelling. Expenditure on regular maintenance, minor repairs, and major periodic renovation reduces repair costs. Figure 3 shows an illustrative example of a dwelling experiencing decline, followed by major renovation, further decline, then less radical renovation, accompanied by a series of more minor repairs and regular maintenance. The nature and quality of initial

Figure 3: Illustrative profile of dwelling repair costs over time

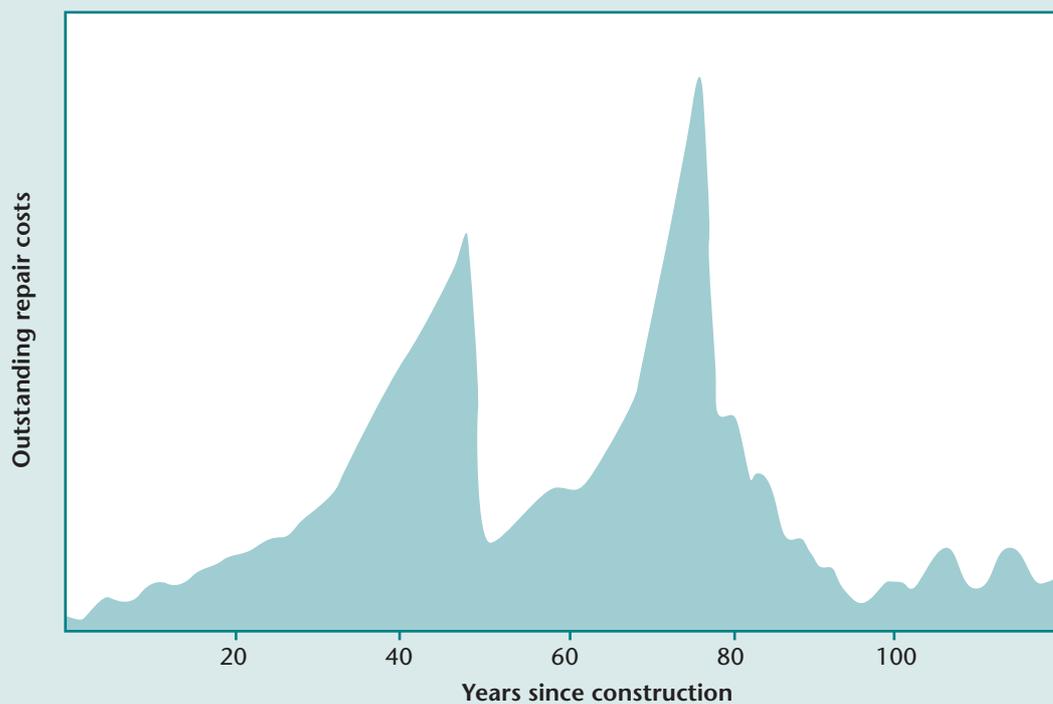


Figure 4: Lifecycle, length of occupancy and repair and improvement

Household lifecycle	Length of stay/ occupancy path	Repair and improvement behaviour	Pressure points
Young household	Recent mover	Most active period. At minimum will personalise and customise; at maximum will undertake complete programme of refurbishment	Marginal owner. Foolhardy purchase/ investment choices. Undeveloped contact networks
Household with children	Longer established occupier	Diminishing work requirements; tackle problems as they arise	Competing spending priorities. Protecting children from disruption/mess
	Potential mover	Works to improve saleability	Potential renovation costs associated with subsequent property
'Empty nester' pre-retirement	Looking to the long-term	Gets house 'finished'; works that will reduce future maintenance. Works to meet outstanding aspirations	Decision on whether to move or stay put
Older household	Long-term occupant	Ongoing diminution of amounts of works undertaken; very little aspirational work; even responsive repair work neglected	Cash poor, losing contact networks, diminishing DIY capacity, unwilling to face disruption
Household dissolution /death	Dwelling recycled to new generation, with degree of renovation depending on condition		

construction and of the materials used also influence the rate of decline. So Table 3 tells us that there is a backlog of repair generally, which by definition is more likely to have accumulated in the older stock. The factors which influence investment (or more importantly non-investment) come into play alongside this.

We can illustrate this by looking at the question of how long dwellings can be expected to last.

Some older dwellings are relatively sought after and highly valued. A relatively small number of dwellings have lasted a very long time, and a much greater number built in the last two hundred and fifty years or so seem likely to be preserved for the foreseeable future. This can be achieved by repair and maintenance and by the replacement over time of some or even all of their building elements. It might also be facilitated by technological advances. But there are many other

old dwellings, and some much newer dwellings, which no-one would expect to survive until, say, the end of this century, and some which we would gladly see the back of. In other words, physical processes of deterioration are far less important in determining dwelling life and the processes of renewal and replacement than human intervention determined by a range of social and economic factors. Physical factors – for example, the extent to which a dwelling is energy efficient or capable of adaptation to current lifestyles – are only important to the extent that they influence human decisions.

### Investment by home-owners

In looking at owner-occupiers' behaviour in relation to repair and maintenance, a model developed by Leather, Littlewood and Munro (1998) provides a starting point (Figure 4). Length of residence is one dimension. Typically, a household moves into a dwelling and in the early stages carries out substantial amounts of work to remedy defects, and to achieve an acceptable level of comfort and aesthetic appearance. Further investment may follow on a lesser scale, but the amount of work declines until the household moves, when new occupants repeat the process. Disregarding investment on improvements and cosmetic elements, any basic repairs or upgrading works to amenities are most likely to take place in the early occupancy period. So long as there is frequent turnover of occupancy, repairs are dealt with in a reasonably timely fashion if not at the point when they are first needed.

Another dimension to the model can be added by taking into account the stage in the lifecycle of the households involved. Newly formed young households may be willing to devote considerable time and effort to repair, maintenance and improvement, including DIY work, although in some cases they may lack the financial resources to do all that is required. In the past, such households were a major force in renovating cheaper older dwellings, sometimes with the aid of local authority grants. However, if younger households are highly mobile as a result of

unemployment or unstable employment, or committed to other priorities such as leisure and recreational activity, or if their relationship is of short duration, they may not invest in their property.

Slightly older households with children may be generally less willing to invest in major repairs because of the disruption involved, or less able to do so if their income has been reduced. They may be more willing to invest in improvements to increase comfort for themselves and their children. They may still be fairly mobile while children are small, but increasingly less willing to disrupt schooling arrangements as children grow older.

Further on in the cycle, households where children have left home may have a better understanding of the need for repair and may seek to tackle work that will reduce future maintenance. Others may move at this stage to a more manageable home.

Lastly, old age is a period where the amount of work undertaken declines, with very little cosmetic work, and when even responsive repair work may be neglected as a result of declining income and diminishing DIY capacity.

The first dimension of the model implies a cycle of investment and decline associated with mobility, but the second gives some clues to circumstances when this cycle may break down. These include:

- where a household, especially an older household, remains in residence for a long period, there is potential for the development of serious disrepair problems;
- where a young household is unable to afford necessary repair work, because they have insufficient income or savings, their mortgage payments are too high to allow them to afford further borrowing, or they have no equity to secure further borrowing;

## CRUMBLING CASTLES?

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- where a household is in insecure employment which prevents further borrowing or saving to carry out repair, or reduces the household's confidence in their ability to remain in home-ownership;
- where relationship instability or breakdown, and an increasing propensity for people to live alone, undermines the capacity to meet mortgage payments regularly, accumulate savings, or take on further borrowing to finance repairs.

These are all scenarios which can be expected to lead to under-investment in repair and maintenance. It is significant that in every case the number of households affected can be expected to increase in the future. Projections have shown that a major increase in the number of home-owners over retirement age is due in the next decade (Forrest, Leather and Pantazis, 1996), leading to an increase in the number of households with retirement incomes insufficient to keep up with the repair of their homes. An added dimension is the ageing of the population of middle-aged households who bought their homes under the 'right to buy' in the 1980s and early 1990s, many of whom have low incomes and limited savings. The problems faced by this group will become most serious in around ten years' time, when these households reach their mid-70s.

Likewise, reviews of future employment prospects anticipate increasing numbers of people in poorly paid or insecure employment, while demographic projections anticipate a continuation of current trends towards greater relationship instability and more individuals living alone (Ford and Wilcox, 1998).

### Poor conditions in the private rented sector

Developments in the private rented sector – often closely intermixed with owner-occupied housing in older housing areas – also point to an increase in the numbers of dwellings in disrepair. The 1990s have seen a major expansion in the

number of people purchasing dwellings for investment and private renting. In some cases investors have tackled repair and maintenance diligently, but others have taken a more exploitative approach with an emphasis on securing the maximum short-term return from rental income and minimising investment in the dwelling (see, for example, Groves, Morris, Murie and Paddock, 1999). At the bottom of the housing market, housing benefit may well have played a part in attracting investors, whilst in other areas the expansion of higher education and changing student preferences have fuelled demand. Studies have also suggested that in some areas, policies to eliminate antisocial and criminal behaviour amongst social rented sector tenants have also increased the demand for private rented accommodation (Nevin, Murie and Leather, 1998; Lowe, Spencer and Keenan, 1998).

There has also been a growth in involuntary private renting in some northern cities where children or others inherit older dwellings in relatively poor condition and find themselves unable to sell on as a result of limited demand. Often such landlords lack any experience of the landlord function and may live some distance away from the dwelling which they rent out. The expansion of these segments of the private rented sector is likely to contribute to an increase in poor housing conditions in the future.

### Low demand in the private sector

In some localised neighbourhoods, mainly in northern cities, the growth of private renting has contributed to high vacancy levels, widespread and serious vandalism, and even in a few extreme cases dwelling abandonment and demolition. Often, the areas which have experienced this problem most severely include areas which have been the focus of intensive local authority or housing association led renovation investment in the past. Nothing could better illustrate the importance of social and economic factors in determining what is invested in dwellings, how they are used, and the value which the market attaches to them, and the importance of

understanding these factors in order to devise effective policies to deal with the problems which have emerged.

### CONCLUSIONS

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There is, then, a significant amount of poor-condition housing remaining in the UK. There is also clear evidence that, overall, the dwelling stock has improved in terms of basic amenities, double glazing, central heating, and other facilities which are relatively easy to identify. Trends in disrepair are harder to pin down, but there is an unacceptably large backlog. Problems are confined to a relatively small proportion of the housing stock, crudely between 10 and 20 per cent in total, depending on the indicator used. They are found concentrated in certain areas and types of dwelling, and scattered across the stock as a whole.

There are strong reasons to believe that these problems will get worse rather than better in the medium and longer term as the dwelling stock and the population of home-owners age in parallel, as 'right to buy' purchasers age, as more owner-occupiers find themselves in uncertain employment, and as more live alone or in shorter term relationships. It is also likely that certain dwelling types (smaller pre-1919 terraced houses without front gardens, large old houses divided into flats and bedsits, 'right to buy' flats in unpopular estates) and certain localities (the inner areas of northern and Midlands cities and towns, the South Wales valleys and other former mining areas, declining coastal resorts) will bear the brunt of decline.

The poorest condition dwellings in these areas already form a hard core which is more likely than the rest of the stock to remain neglected for an extended period. These are also areas where a collapse in property values and in the demand for owner-occupied housing is likely to occur on a more extensive scale than at present.

So, there exists poor housing conditions in the private sector, and these will increase in the future unless we take action. But is this a matter for public intervention or something which should be left to private owners to deal with? The next chapter sets out the case for continuing and active policies to deal with poor conditions in private housing.

# 3 Do poor housing conditions matter?

It is reasonable to ask whether the condition of the housing stock, particularly the privately owned stock, is a matter for government policy and if so whether it matters enough to justify public intervention.

## THE CASE FOR STATE INTERVENTION TO DEAL WITH POOR HOUSING

A number of reasons have been put forward for state intervention to tackle poor conditions in the privately owned housing stock:

- people should not have to live in poor conditions;
- the state must take action to meet statutory responsibilities;
- we need to conserve the stock for future generations;
- poor housing affects health;
- by improving housing money can be saved in other ways;
- public funding for renovation will draw in private investment;
- improvements to housing can play an important part in regenerating run-down areas;
- improvements to private housing help to sustain home-ownership;
- improvements to private housing will contribute to environmental objectives, especially in relation to Agenda 21.

### People should not have to live in poor conditions

It might be considered socially unacceptable for people to live in poor physical conditions and that action should be taken to remedy problems

where those experiencing them wished this to happen. This is implicit in the government's current key objective for housing policy: 'to offer everyone the opportunity of a decent home and so promote social cohesion, well-being and self-dependence' (Department of the Environment, Transport and the Regions, 1999).

However, the questions of what standard would trigger intervention, and the nature of that intervention, remain to be resolved. Potentially, action could involve the provision of financial help to enable a household to remain *in situ*, assistance to move to better quality housing, or the use of powers to compel owners to invest their own resources.

### The State must take action to meet statutory responsibilities

A number of statutory responsibilities require government (or more commonly local authorities) to intervene to tackle poor housing conditions, notably the requirement to take action to deal with unfitness whenever this is identified. If the state eventually has to meet the costs associated with a poor-condition dwelling when it finally becomes unfit for human habitation – by giving a grant, by acquiring and demolishing a dwelling, or by re-housing the inhabitants – it may make sense to act at an earlier stage, when these costs are lower.

The obligation on local authorities to ensure that minimum standards are met is unlikely to disappear. The original public health reasons for intervention remain valid, and many other criteria – for example relating to energy conservation –

have emerged in the subsequent period. With widespread owner-occupation, it is more rather than less likely that owners will expect the state to intervene in any situation where deteriorating conditions threaten public health, housing market stability, and property values.

However, there is a question as to what the minimum standards which justify action should involve. This depends in part on their role. The present fitness standard evolved in very different circumstances, and was intended to deal with private rented rather than owner-occupied housing. It was also developed in a climate where there were higher levels of state investment in private housing renewal than at present or in the foreseeable future. At present, the standard is tacitly ignored in most cases, and this undermines the whole point of having it. The current Department of the Environment, Transport and the Regions review of the fitness standard may produce a new approach which both broadens its scope and introduces a better approach to prioritisation. But this leaves open the question of how a minimum standard can be policed effectively, perhaps without the help of grant aid.

### **We need to conserve the stock for future generations**

Quite frequently a broader concept of 'stewardship' of the national housing stock is invoked to justify state intervention. The focus of this approach is on the dwelling rather than the household, with intervention justified in order to protect the dwelling stock overall and conserve it in good condition.

This justification for intervention implies that investment should secure long-term and durable results and also that there should be an emphasis on ongoing maintenance. It has been implicit in many approaches to housing renewal, including enveloping and group repair, where renewal is organised and perhaps funded by a local authority in order to secure high quality work and where the needs or views of the current occupants are secondary.

This approach is difficult to reconcile with high levels of home-ownership, reduced levels of public spending, and an emphasis on private investment, as individual owners may wish to take a shorter term view of appropriate levels of investment in repair, maintenance and improvement. However, there are still strong grounds to argue that government should develop a strategic plan for the future of the housing stock, in the same way that it plans to meet future housing needs, which would incorporate targets for reducing disrepair, upgrading dwellings to modern standards, and replacing dwellings which cannot meet standards or for which there is no demand.

### **Poor housing affects health**

The links between poor housing conditions and health, safety, security and general well-being are often difficult to demonstrate conclusively, but there is a growing body of evidence which highlights health problems associated with housing (see Wilkinson, 1999 for a review of recent developments). These problems generate costs for individuals which may fall on the state, and costs which do fall on the state related to health and social services.

The potential for making savings in health and social care spending by investment in housing is a strong justification for state intervention, an argument increasingly recognised by some health and social service authorities which are providing funding for particular types of repair or improvement. An obvious example is poor or unsuitable housing conditions experienced by older people which might force some into residential care or prevent them leaving hospital or residential accommodation. However, such savings are often very difficult to demonstrate convincingly, and even if savings can be demonstrated, a degree of 'joined-up' thinking is required to achieve them and this is often lacking.

### **Improving housing can save money in other ways**

There are circumstances where other state responsibilities – for example, the provision of housing for homeless people – can be dealt with more cost-effectively through state intervention in the improvement of house conditions in the private sector. In recent years this argument has been used to underpin strategies to provide grant aid to private landlords which is linked to agreements to let to nominated tenants, to support programmes to bring empty properties back into use, or to renovate flats over shops.

### **Public funding for renovation will draw in private investment**

Public investment can be used to draw in or generate private investment, either by individuals or by companies or institutions. This was one of the features of the pre-1990 renovation grant system, with grants limited to a certain percentage of the costs of building work. In the earlier stages of this policy, grants were fixed at 50% in order to give owners an incentive to invest their own resources, but the proportion of costs funded by grant gradually increased in order to attract more take-up from those on low incomes. This incentive effect of grant aid was seriously eroded by the changes to renovation grant provision introduced by the 1989 Local Government and Housing Act, under which the majority of grants cover 100% of the costs of eligible work.

It has also been argued that concentrating public investment (through renovation grants to home-owners, acquisition and demolition of private housing, environmental improvements, or funding for the refurbishment of local authority or housing association stock) in specific areas gives owner-occupiers confidence in the future of an area. This may be the case but it is extremely difficult to establish conclusively. It could be argued that renovation grants act as a disincentive to other owners to invest. In general, incentives whose effect can be measured (such as grants which require an owner to contribute) are

more likely to convince policy makers than those which cannot.

### **Improving housing can play an important part in regenerating run-down areas**

More generally, it is argued that housing grants, group repair or area-based renewal can play a part in urban regeneration strategies. By showing confidence in an area through investment in the housing stock, individuals and corporate bodies may be persuaded to invest in a variety of ways. These go beyond investment in repair, improvement and maintenance by individual home-owners to include new housing built for sale or rent on brownfield sites. They can also include broader forms of investment in the built environment, job creation, and the provision of shops and other facilities. In relation to housing, increases in property values in or around a renewal area should both enable and persuade home-owners to invest more.

Early initiatives to regenerate areas of older housing focused fairly narrowly on the refurbishment of the housing stock and limited environmental improvements in small areas of 200 to 300 dwellings. By setting up Renewal Areas in England in 1990, the government recognised that a wider approach was needed if investment in housing was to contribute to economic and social regeneration objectives, but they included no specific sources of funding to achieve these objectives and Renewal Areas have become somewhat marginalised in the hierarchy of regeneration initiatives.

More recently, regeneration policy has focused on job creation, economic regeneration, community development, environmental improvements and measures to combat crime, together with investment in remodelling local authority estates, rather than on investment in housing. This reflects a view that these interventions are more likely than investment in housing alone to produce sustainable outputs. Whilst this is undoubtedly the right approach, regeneration

programmes need to include provision for dealing with poor condition housing because of its potential impact on quality of life, health and well-being, and educational achievement.

### **Improving private housing helps to sustain home-ownership**

Some commentators have argued that the priority given to private sector housing renewal in the 1980s, when other housing programmes were severely cut back, stemmed from the view that this helped to sustain otherwise vulnerable home-owners in the sector, or attracted some households who might otherwise have felt that they could not afford home-ownership, especially 'right to buy' purchasers and some first-time buyers. During the boom in repair grant provision in the early 1980s it is feasible that this was the case. Some Scottish authorities may also, in a climate of greater grant availability, have used grant aid to assist 'right to buy' purchasers with major improvements. Otherwise it is doubtful whether the scale of provision of public funding would have had this impact. At current funding levels this is no longer a feasible argument to support public intervention.

### **Improving private housing will contribute to environmental objectives, especially in relation to Agenda 21**

Much of the older housing stock has a relatively low level of energy efficiency and direct measures to enhance this, or indirect measures of repair, maintenance and improvement, will contribute substantially to reducing energy usage.

## **CONCLUSIONS**

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A variety of justifications underpin public intervention to deal with private sector housing conditions. The most fundamental is that all households should have the right to live in housing which reaches a minimum standard in terms of physical condition, amenities, and energy efficiency.

Government housing policy gives notional priority to the objective of providing decent housing conditions for all households, but in practice this has little impact on policies at local level. A substantial backlog of poor conditions has been allowed to persist, perhaps on the grounds that many problems are eventually remedied by private investment. But as the previous chapter showed, there are strong grounds for doubting whether this is the case. There is a need to re-affirm this objective and to take its implementation seriously.

A statutory safety net exists to deal with dwellings which deteriorate badly and it will often be more cost effective (and humane) for the state to intervene with preventative work at an earlier stage. The safety net itself is under review and any changes are likely to reduce the range of circumstances under which the state must intervene; but substantial numbers of dwellings will fall below the standard and require intervention and, as the previous chapter argued, it is reasonable to expect that the number of sub-standard dwellings will increase in the future. In contrast to the present fitness standard, a new minimum standard focusing on dwellings with the most serious problems must trigger immediate and vigorous action to remedy the problems.

Growing awareness of the impact of poor housing conditions on health provides an increasingly important justification for state intervention in housing. It has led social services and health authorities to take an increasing interest in housing conditions and to provide funding to initiatives designed to impact on health. In the same way, Agenda 21 and other commitments to reducing CO<sub>2</sub> emissions have brought funding into renovation to tackle energy efficiency. These are secondary and narrower justifications for intervention to deal with poor housing conditions but they are of increasing importance as they draw in funds from other programmes.

In dealing with wider regeneration issues, the condition of the housing stock has become a secondary concern, of less importance than issues

## CRUMBLING CASTLES?

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of economic and social regeneration, measures to tackle crime, to improve safety, health and education, to manage neighbourhoods, and to develop the potential of local communities. This is undoubtedly the right way to tackle regeneration. However, there is a need to reassert the importance of providing decent housing conditions within broader regeneration programmes - not as the main focus for investment, but as an important component which can impact on quality of life, health and well-being, and educational achievement.

Poor housing conditions, then, do matter both to those who experience them, and to society as a whole. But what are the most effective ways of intervening to improve housing conditions in the private sector? Is the only practical solution to provide financial assistance to owners as policies have done in the past? How much could be achieved by simply raising awareness of the need to prepare for and tackle condition problems promptly and by providing other forms of practical help? Or is there a need to place more emphasis on the responsibilities of owners and to make more use of compulsion to ensure that poor conditions are tackled promptly, in order to save the state from incurring expenditure at a later stage? The next two chapters look first at past and current policies for housing renovation and second at the components of a new framework for tackling poor housing conditions.

## 4 A critique of current policies

In this chapter we examine current policies for state intervention to deal with housing conditions in the private sector. Currently, housing renewal policies relating to the private sector are implemented through a mixture of controls and financial benefits. The main features are:

- a defined minimum standard, the fitness standard (in Scotland, the tolerable standard), combined with powers to require the closure, demolition or repair of dwellings which fail the standard. These are only used sporadically by most local authorities, in part because of the resource costs, but also because of an unwillingness to use them against owner-occupiers unless grant aid from public resources is available to assist them with the cost of the work;
- similar powers in relation to dwellings in serious disrepair;
- special legislation relating to dwellings occupied by more than one household, covering common parts, services and facilities, and fire regulations. As with measures to deal with unfitness and disrepair, this legislation is enforced to varying degrees by different local authorities. Recently, initiatives have begun to emerge to persuade the owners of such dwellings to become involved in voluntary accreditation schemes, while the Government has proposed a compulsory licensing scheme for a sub-group referred to as 'houses in multiple occupation';
- powers enabling (but not requiring) local authorities to provide various forms of grant aid for the repair, improvement and adaptation of privately owned dwellings, subject to a means test. The resources available for grants have declined substantially in recent years and many local authorities have large backlogs of unmet demand;
- funding to support housing associations in acquiring and renovating sub-standard privately owned housing;
- funding to cover part of the running costs of a network of home improvement agencies providing practical assistance to vulnerable home-owners in carrying out repair, improvement, maintenance and adaptations;
- powers for local authorities to declare Renewal Areas as a focus for renewal activity (Housing Action Areas in Scotland), although there are few additional powers or funds available in these areas. Again these powers are under-used because of the long-term resource commitment which is required;
- similar powers to declare Clearance Areas;
- ad hoc initiatives including the former Urban Programme, City Challenge and Single Regeneration Budget, which to varying degrees incorporate measures to address private housing renewal;

## CRUMBLING CASTLES?

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- planning and building regulation controls also exert some influence on renewal activity, although this is very limited.

In addition:

- most mortgagees and those who take out house structure insurance have an obligation to keep their dwelling in a state of good repair, but such clauses are not enforced.

These mechanisms provide a mixture of controls and enforcement action, financial incentives, and mechanisms for more proactive local authority intervention.

### CONTROLS AND ENFORCEMENT ACTION

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In theory, controls relating to housing renewal are strong, and include the capacity to carry out works in default and recover the costs through a legal charge on the property. But in practice such powers are used on a very limited scale and usually in combination with grant aid to sweeten the pill. In 1996/97, for example, only 2,000 dwellings were demolished or closed because they were unfit and only 8,500 notices were served in England on owners of unfit dwellings requiring them to undertake repairs, of which about half involved a mandatory grant, with a further 1,600 notices served to prevent dwellings from becoming unfit. The majority of notices were served on private landlords, especially landlords of houses in multiple occupation. This action represents a tiny proportion of the estimated 1.5 million unfit dwellings in England in 1996.

The level of enforcement action is limited partly by the legal complexities associated with taking action against owners, partly by the staff-intensive nature of such action, and partly by political limitations on the acceptability of compulsory action. Where compulsion is used, to enforce repair works for example, it is only likely to be used against private landlords and even here the preference is for persuasion rather than compulsion. There are few examples of local

authorities which have decided to take active enforcement action against owner-occupiers to require them to repair their properties.

### FINANCIAL INCENTIVES

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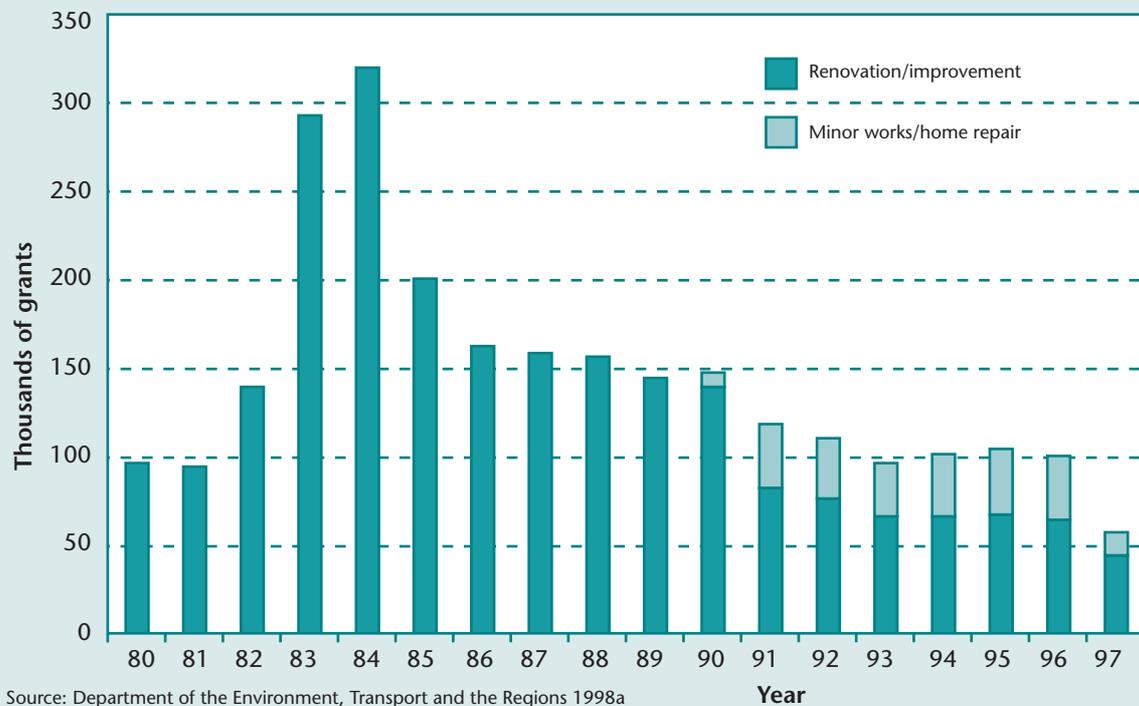
Grants to home-owners are the main financial incentive available to encourage them to invest in repair, maintenance and improvement. There are no longer any tax incentives to encourage owner-occupiers to invest, for example by allowing them to set the costs of work done or the interest charges on repair or improvement loans against tax obligations as there are in some European countries (Oxley, Golland, Hodgkinson, and Maye, 1999). Furthermore, repair and improvement works are fully rated for VAT purposes whereas new construction is exempt.

Grants to assist home-owners with repairs and improvements have a long history but in recent years their function has changed and their availability has declined sharply. There are strong reasons for challenging their long-term effectiveness and the extent to which they provide value for money to government in seeking to achieve its housing objectives.

Grant aid started life as an incentive to private owners to invest. It covered 50 per cent of the costs of work and required owners to match this from their own resources, although subsequently the percentage contribution required from owners was reduced in many circumstances. The condition of a dwelling, rather than the characteristics of the owner, was the main factor in determining eligibility. This remains the case in Scotland.

Elsewhere in the UK, grant eligibility is now linked to an applicant's financial resources. Grant aid is determined by an assessment of what an owner can afford and in three out of five cases covers all of the costs of work (Department of the Environment, Transport and the Regions, 1998a) rather than requiring the owner to make a contribution. Grants targeted specifically at older people or those on low incomes (minor works

Figure 5: Grants to home-owners for repairs and improvements to dwellings, Great Britain 1980-97



assistance and home repair assistance) and on people with disabilities (disabled facilities grants), rather than on property renovation, now take up a significant proportion of available resources. Grants have become a form of welfare benefit rather than an incentive to invest.

There are other reasons why grant provision does not act as an incentive to owners to invest. The means test for grant eligibility does not take account of accumulated home equity, so that middle aged and older people, who have the most potential to draw on this asset to finance repairs, have no incentive to do so if they have a low income. More broadly, by its very existence, grant aid might therefore be a disincentive to individuals to invest their own resources, so long as there is some likelihood of receiving help. Practitioners from some local authorities which in the past have had large grant programmes argue that this has brought about a 'grant dependency' culture in their areas which is now proving an obstacle to efforts to stimulate more private investment.

In parallel with the change in the function of grant aid, a squeeze on resources for private sector renovation began, first in England but more recently across the rest of Britain (Figure 5). Throughout most of the last two decades, the demand for grant aid has outstripped supply. The level of provision of renovation (and predecessor) grants fell throughout the 1980s, stabilised at a lower level in the mid-1990s, and more recently fell further in 1997. Although the decline in the 1990s was offset to some extent by the introduction of minor works assistance (now home repair assistance) grants, these average only £700, compared with the average renovation grant of over £8,000.

To set this in context, in 1996 there were 2.2 million households living in poor housing in the private sector in England alone. Not all would be eligible for grant aid, but if only half were, it would take almost 50 years to provide them with a renovation grant at current rates of progress. With resources at such a low level, provision resembles a lottery. Households with similar

## CRUMBLING CASTLES?

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characteristics in properties with similar disrepair problems have widely differing chances of receiving a grant, depending on which authority they live in, or where they live within the authority. Those who are fortunate receive a relatively large capital grant to undertake building work, but those who are not rarely even receive advice on alternative sources of funding.

Yet there are grounds to suggest that even fewer grants will be available in the future. In Scotland, the Chartered Institute of Housing has demonstrated that the resources devoted to private sector grants have fallen by two-thirds between 1995 and 1997 after ring-fencing was removed from budgets (Chartered Institute of Housing, 1998). Similar earmarking of resources in England and Wales is shortly to end and if the Scottish experience is repeated, resources for private sector grants will inevitably fall in coming years.

Finally, questions have also been raised about the long-term effectiveness of grant aid in securing improvements to housing conditions (Leather and Mackintosh, 1994; Groves and Niner, 1998). Looking back at samples of dwellings which had received grant aid over a period of 15 years, Leather and Mackintosh found evidence of rapid deterioration of conditions after receipt of grant in some properties, a lack of subsequent maintenance, and a significant number of properties which had received successive grants. In Birmingham, Groves and Niner found that properties which had been subject to partial improvement or had received individual grants were likely to have lapsed back fairly quickly into poor condition. As many grants only covered some outstanding repairs, and as owners could not afford, or were not motivated, to carry out other types of work, or to maintain those works which had been carried out, further deterioration was not surprising. Grant aid was merely dealing with symptoms rather than with the underlying causes of under-investment – low incomes, inadequate savings, a lack of awareness of problems, and difficulties in organising effective solutions.

Overall, grants to home-owners are a form of intervention which is no longer justifiable in terms of both effectiveness and value for money. Even if the level of resources available were increased to improve the rate of provision, it is arguable whether this would be the best use of scarce public resources. There is a strong case now for giving serious consideration to alternative approaches which would spread resources further and be more effective. We return to this issue in Chapter 5.

## LOCAL AUTHORITY INTERVENTION

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### Area-based renewal

Many practitioners now doubt the value of providing grants to individual home-owners but considerable support remains for area-based housing renewal policies (Renewal Areas in England and Wales, and Housing Action Areas in Scotland) (see, for example, Department of the Environment, 1996; Austin and Young, 1997). Area-based housing renewal mechanisms aim to concentrate public resources for renovation in defined neighbourhoods. But the rationale for area-based housing renewal also needs scrutiny.

One argument in support of this approach is that the concentration of public investment has more impact than scattered grant provision. This then stimulates home-owners to invest more of their own resources. It is also argued that public investment generates confidence amongst owners either in some general way, or more specifically because it stimulates property values. Maclennan (1987) showed that public investment in the renewal of Glasgow's East End increased public confidence and stimulated private investment, including investment in repair, maintenance and improvement by individual owner-occupiers.

But we could equally argue that while public investment, especially grant aid, may make people feel better about living in an area, it is as likely to deter owners from spending their own money, since if they wait, state funding will eventually be provided – a variation on the grant

dependency problem described above. Evidence from a study of area renewal in Birmingham within this programme (Groves and Niner, 1998) suggests that general housing market price movements, such as the 1987-89 boom, or specific local factors such as strong demand from Asian households or from students for housing in a particular neighbourhood, are far more important than grant aid in increasing property values. In any event, increasing property values are not necessarily a positive factor, since they oblige households moving into an area (who are far more likely to invest in repair and improvement than long-standing residents) to devote more of their income to house purchase, leaving less for renovation. Increasing property values may also lead to 'gentrification', which may have other negative effects.

A second argument to support area-based approaches to renewal is that it is administratively more effective to work through areas in a systematic way than to scatter resources widely. Priorities can be defined and followed and there is a clear future programme so that owners know when their turn for help (whether through grant aid or in some other form) will arrive. Related environmental improvements or other forms of investment in new facilities can also be co-ordinated.

One problem with this is that house condition surveys often show that the worst housing conditions are more scattered than an area approach would permit, so that many better condition dwellings in the selected areas receive treatment before poorer condition dwellings located elsewhere, while some which do not fit neatly into area boundaries may never receive treatment at all.

A more serious objection, paralleling the broader objection to the current system of grant aid, is that under present policies most potential Renewal Areas will not receive investment for a very long period, during which conditions will have deteriorated seriously. Many of those local authorities which declared Renewal Areas in the

early 1990s have refrained from further declarations, and the rate of new declarations has slowed in the last five years. In the absence of a major boost in resources, the equity and the cost-effectiveness of concentrating investment on small numbers of households in specific local areas can certainly be questioned.

### **Demolition of poor condition housing**

The level of demolition of poor condition housing is currently so low that, as has been memorably observed, a dwelling built today will have to last for as long as the Egyptian pyramids have done (Figure 6).

Whilst the life of some dwellings may extend over many centuries, there is a growing consensus that many dwellings in the UK housing stock do not provide a satisfactory living environment and would not do so even with considerable investment, because they are too small to accommodate modern expectations in terms of amenities, lack services and facilities, are badly arranged, are incapable of being made energy efficient, or because they have irredeemable deficiencies in the external environment around them. Hence the rate of dwelling demolition should be substantially higher than it is at present.

Current mechanisms to assess appropriate options for investment seem to favour renovation in most circumstances, yet there are many examples of situations where renovation investment appears to have been wasted or to have had little impact on the demand for housing in particular areas. Many of today's renewal initiatives are revisiting previous efforts, or producing outcomes which may deal with building fabric problems but fail to address wider deficiencies in the external environment. An increasing proportion of housing demolition is of local authority stock for which there is little demand, rather than the poorest condition private stock.

But it would be very difficult to increase the level of demolition without a substantial increase in public resources for private sector renovation.

## CRUMBLING CASTLES?

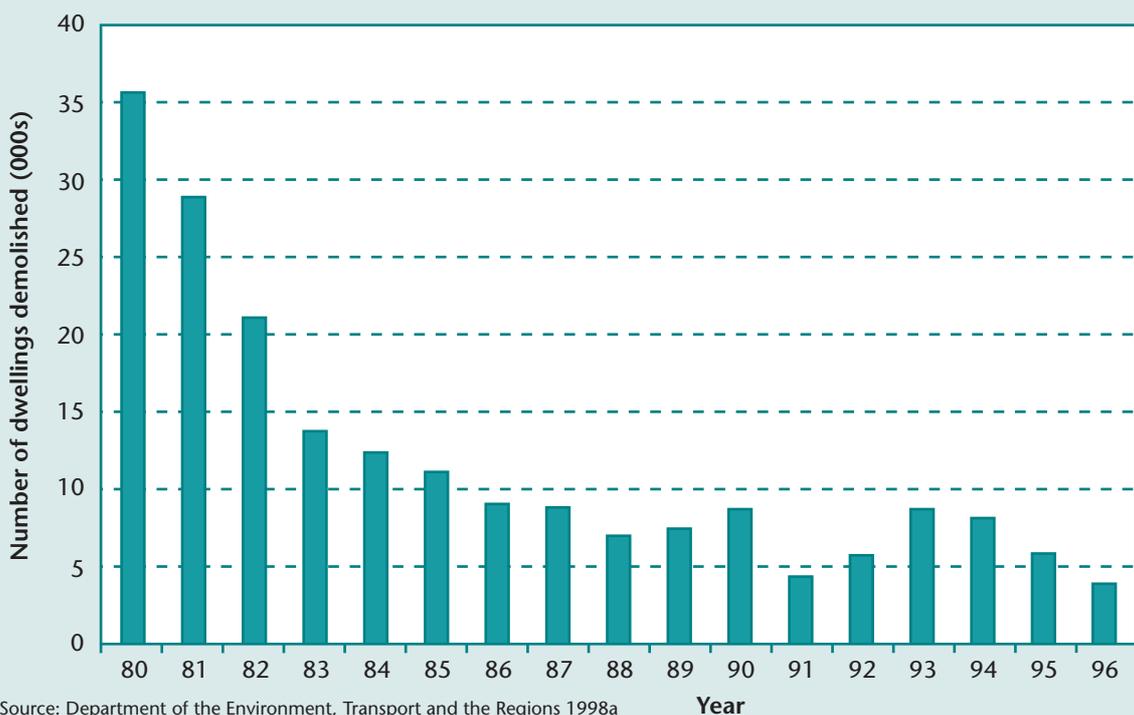
Under the large-scale clearance programmes of the 1960s and 70s, compensation levels were far less generous than they are now, with many landlords paid only site value for their properties. Today, owners, who are likely also to be occupiers, expect market value compensation together with allowances for disturbance.

Furthermore, market values even in low-price areas remain far higher than common sense would suggest. It is alleged that in some areas speculators invest in cheap properties that seem candidates for demolition. Those who are informed know that they can extract a higher price from local authorities if they then sell voluntarily. All this makes large-scale clearance extremely expensive – in crude terms, every dwelling cleared reduces the number of renovation grants provided by four or five times, even in low-price areas. For the same reason, new initiatives such as the relocation grant introduced in 1996 are expensive to implement on any significant scale.

In essence there is currently a policy vacuum in relation to the longer term future of the housing stock. This is all the more surprising given the high profile of debates on meeting housing needs arising from future household formation. The ability of urban areas to provide a better living environment and hence attract a higher proportion of the population is likely to be as dependent on demolition and redevelopment as on the renovation or conversion of the existing built environment. Yet we lack any strategic national policy on the replacement of the dwelling stock. In the absence of this it is not surprising that we cannot develop new mechanisms to achieve our objectives.

The emergence of high vacancy rates, low demand and sharp falls in property values, and consequent rapid physical and environmental decline in some local housing markets in the north and the Midlands makes the development of a clear and realistic policy framework increasingly urgent. The existing framework,

Figure 6: Demolition of dwellings, Great Britain 1980-96



under which local authorities use cumbersome compulsory purchase powers to acquire poor condition properties at relatively high unit costs, is simply not a practical option to deal with more widespread market failure. We need to take strategic decisions about the future of particular neighbourhoods, introduce measures to regenerate those areas which remain viable, and find ways of managing the decline of others.

### **Raising awareness and providing advice and practical assistance to home-owners**

With the decline in grant resources, a small number of initiatives have been developed by local authorities or other agencies to provide help to home-owners in identifying and tackling repair problems using their own resources. Home improvement agencies such as Care and Repair or Staying Put play an important role in providing help to home-owners in diagnosing the causes of house condition problems, finding reliable builders, organising finance to pay for work, and supervising work on site, but the service they offer is staff- and time-intensive and inevitably targeted on only the most vulnerable households.

Research under this programme by Groves, Morris, Murie and Paddock (1999) has identified initiatives in around 40 local authorities in England. The services provided vary but may include:

- leaflets, booklets and videos to raise awareness of problems and provide advice on tackling simple repair and maintenance tasks directly. These may be circulated to all households, or to specific groups such as grant recipients or people living in priority areas, or less proactively made available at local authority offices and advice centres;
- locally based advice and information centres, perhaps utilising existing area offices of the local authority or other provider - places where people can call in and obtain leaflets or verbal advice on repair and maintenance problems;

- local advice 'surgeries' on specific repair or improvement problems, held in local offices or at community centres;
- local classes, sometimes run in conjunction with Further Education institutions, to raise awareness of the need for repair, or to provide skills to diagnose common problems or deal with simple DIY tasks;
- free or reduced cost surveys to diagnose the causes of problems, advise on solutions and spending priorities, and provide indicative costs;
- tool loan schemes to provide low-cost access to the tools required for DIY work;
- provision of lists of competent builders, although some local authorities are reluctant to use terms like 'recommended' or 'approved'. The government is also leading an initiative in partnership with the construction industry to combat 'cowboy' builders, which includes proposals to make Constructionline (a database of contractors used by public sector agencies) available to private households. Many insurance companies also nominate builders to carry out work which may be covered by structural insurance policies;
- handyperson schemes to carry out very small jobs directly (free of charge or at a small cost) for priority client groups such as older or disabled people.

In some areas, local authorities have developed a number of these initiatives into overall packages.

The evaluation of these initiatives by Groves, Morris, Murie and Paddock (1999) concluded that they generate a significant volume of additional investment, improve the quality of work carried out, and increase the proportion of spending devoted to essential repair works. The main factor constraining an expansion in the numbers of schemes is funding, as in most cases it has proved impossible to generate significant income from charges to clients for services provided. Special funding sources such as Single Regeneration Budget projects had been important in many areas.

## CRUMBLING CASTLES?

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In another project within this programme, McLean (1999) examined the extent to which repair services could be provided by local authorities, housing associations or tenant management organisations (TMOs) to 'right to buy' owners or other owners in areas near to local authority estates. Although there is great potential here only a small number of cases exist at present.

### THE ROLE OF OTHER AGENCIES IN HOUSING RENEWAL

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#### Registered social landlords (RSLs)

RSLs have had a long history of involvement in housing renovation. This was greatly expanded over the 1974-88 period by the availability of Housing Association (now Social Housing) Grant which enabled RSLs to acquire and renovate dwellings purchased from private landlords and owner-occupiers. In particular, RSLs made major contributions to the implementation of Housing Action Areas and the renovation of other areas of older housing in inner cities throughout Britain.

With the advent of private finance many RSLs found acquisition and renovation projects for private sector dwellings too risky. In addition, the increased costs of acquiring private sector dwellings and reduced opportunities for the purchase of larger portfolios from private landlords made such projects less financially viable. Opportunities for involvement in new build on brownfield or greenfield sites and in the renovation of local authority stock also increased (PIEDA, 1995), and RSLs played an important part in redeveloping former housing, industrial or derelict land in some Renewal Areas in the 1990s (Austin and Young, 1997).

The legacy of past activity has left some RSLs as major landlords in many inner city areas. A key problem now is to secure funding for the re-improvement of properties which were refurbished in the early years of the programme when standards were lower. More seriously, some RSLs are also experiencing major difficulties in letting older rehabilitated properties in some

neighbourhoods where the level of overall demand for housing is weak.

RSLs and the Housing Corporation are currently considering their future roles in relation to urban regeneration and housing renewal, and Chapter 5 considers this issue further.

#### Home improvement agencies

Home improvement agencies have been one of the success stories of housing renovation over the last two decades (Leather and Mackintosh, 1992). This is reflected in the level of government support for schemes, which continues to increase. In 1999/2000 well over 200 schemes will receive financial support across the UK and over 250 schemes are currently in operation.

Agencies initially played a key role in helping older people to carry out small-scale repairs and improvements to their properties outside the mainstream grant system, using a mixture of funding. This included charitable sources, loan finance, and indirect subsidy through employment training schemes. Since 1990 they have moved more towards assisting local authorities with the delivery of renovation, disabled facilities and minor works grants, which now account for the majority of the jobs they are involved in. The main emphasis remains on helping older people, although people with disabilities are also receiving an increasing amount of help from agencies.

This focus on grant-aided work, and the limited services available to provide help to other client groups, supports a criticism that home improvement agencies have failed to maintain the level of evolution and innovation that they achieved in the past. A few of the most innovative agencies have broadened their role. New developments include: work carried out on behalf of health authorities and social services departments to support their clients; work that assists people with disabilities; schemes to deliver energy efficiency grants and loans; handyperson schemes; projects to speed up discharge from hospitals; advice on welfare benefits and moving-

on options; and less staff-intensive forms of maintenance advice to a wider client group.

Some schemes have also attempted to broaden their client base to include other vulnerable groups, such as private tenants in poor condition housing. The potential for extending the 'home improvement agency' approach further, through the development of locally based independent organisations offering advice and support to home-owners, is substantial and we return to this in Chapter 5.

### **Mortgage lenders**

Arguably, mortgage lenders have a strong interest in encouraging repair and maintenance to the dwelling stock, both to protect their own investments and more generally to ensure that market values are sustained and that owners re-invest in their properties. There was a significant increase in the nature and extent of mortgage lenders' involvement in housing renewal in the 1980s, through indirect sponsorship and through direct involvement with local authority renovation programmes (Building Societies Association, 1985), but lenders have stepped back from any interest in this issue over the last decade, with limited exceptions. The increase in competitive pressure in the lending market as a result of deregulation has largely dictated this. Lenders rely on investment, generated by the self-interest of owners, and on insurance, to protect themselves against potential losses. Lending criteria now focus mainly on the creditworthiness of the borrower rather than the condition of the property.

Evidence of greater differentiation in house prices between areas (often on a local scale) and the emergence of areas of private housing with low demand and falling values may persuade lenders to take more interest in housing condition in the future. One lender, for example, has recently introduced a new form of survey designed to enable purchasers to make better-informed decisions on house purchase taking into account anticipated repair costs.

A study within this programme (Bradford Network, 1999) looked at the role of lenders in more detail. It confirmed that lenders would only participate in initiatives to promote housing renovation or to provide new financial mechanisms if it was in their commercial interest to do so. However, some regionally-based smaller lenders saw the provision of additional forms of help to customers (including advice on repair and maintenance) as a means of positioning themselves in the market and competing with larger lenders.

### **Other private sector organisations**

As well as lenders, a range of other private sector organisations could potentially have an impact on private sector repair, maintenance and improvement but do not do so at present. These include surveyors and related professionals, building materials manufacturers, builders' merchants and DIY stores. The National Home Improvement Council, which represents many such organisations, lobbies government and promotes investment in repair, maintenance and improvement through the press and in other ways. Individual local authorities and home improvement agencies have sometimes obtained sponsorship from the private sector. But in general the potential contribution of these organisations remains largely untapped.

## **CONCLUSIONS**

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A wide range of policy tools are available to local authorities and partner organisations to secure the renovation of private sector housing, but it is clear that the overall level of activity, whether through grant aid, enforcement action, demolition, or other policies, is inadequate to tackle the scale of current problems.

The policy mechanisms on which we rely to deal with today's housing renewal problems were designed to operate in a context where the level of public resources available to assist private owners was significantly higher than it is at present, where problems of low incomes and deprivation were less serious and intractable, and

## CRUMBLING CASTLES?

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where our understanding of the complexity of dealing with urban regeneration was less sophisticated. Yet the prospects for any increase in public funding for private sector housing renewal are limited and, with the advent of a single capital allocation, spending in this area will have to compete more directly with the needs of the social rented sector and with other policy areas.

In response to this situation, individual local authorities have developed systems either to target their assistance on those most in need or to concentrate their activities on specific locations where there is some chance of making an impact. As a result, renovation policy delivers help to a fortunate few, but little else to a much larger group of households who may experience similar problems.

Levels of enforcement activity are small, and in most areas neglectful owners face little risk of action to compel them to undertake repairs. Demolition is almost at a standstill. Except in a few areas which have developed their own initiatives, no advice is available to those who fall outside the scope of grant programmes on the need for repair, maintenance and improvement and the ways to go about determining priorities, assembling resources and carrying out work. There is a lack of realism about the overall prospect for resources which prevents us from making the best use of what is available.

There is a continuing lack of local discretion to develop the mechanisms which best suit local areas. Housing renewal problems differ greatly from one area to another, and in the past most of the best initiatives have emerged at local level. Yet the national framework of renovation policy allows little freedom for authorities to develop radical new approaches. The emphasis may vary, but the policy tools do not.

We could continue with present policies, but ration resources ever more tightly to manage demand through longer waiting times or by using measures to prioritise or reduce the amount of

grant aid per household. This approach brings identifiable benefits, but could be argued to be fiddling while Rome burns. Nor do present measures do much to stimulate private investment to deal with the problems which public funding cannot tackle – indeed they may do the opposite. If progress is to be made, we need a wide-ranging review of options for securing more investment in the private sector housing stock. Chapter 5 now turns to consider these options.

# 5 A new framework for tackling poor conditions

Chapter 4 reviewed the existing framework for private sector housing renewal policy. Present policies were developed in a climate where more public resources were available for housing, and with reduced resources they focus help on too narrow a range of households, dwellings and areas. Whilst it is desirable to target resources on those most in need, present policies leave many people with similar levels of need without help. One solution would be to invest a great deal more public money in renovation through an extension of grant aid, but it is unrealistic to expect this in the present policy context.

It is doubtful whether existing policies produce appropriate results. Rather than encourage owners to accept an ongoing responsibility for the maintenance of their property, and assist them to prepare to meet these costs, to take preventative action when necessary, and to target their resources on the most important priorities, current policies effectively discourage owners from taking on responsibility for these matters. Enforcement and compulsion are rarely used, but neither are owners encouraged or enabled to deal with poor conditions. Instead of facing up to the possibility that there are households who cannot realistically afford the longer term costs of repair, maintenance and improvement, policies imply that grant assistance will be available to those in need. Yet for most households an adequate level of assistance will never be forthcoming.

Radical reforms to housing renewal policy are therefore essential:

- first, an overall plan is needed to guide decisions at a strategic level;
- second, we need policies which make the most effective use of public funding;
- third, the main responsibility for repair and maintenance lies with owners and we need to persuade and assist them to invest more through new financial mechanisms;
- fourth, we need to help owners to secure value for money through the provision of advice and practical assistance;
- fifth, RSLs, home improvement agencies, mortgage lenders and other private organisations have important parts to play and need to be encouraged to do so;
- sixth, there is an urgent need for measures to enable the construction industry to provide a more professional service in the domestic repair and maintenance sector;
- and finally, there may be a need for a more fundamental look at the operation of the housing market and at the use of controls and compulsion – imposing obligations on landlords and even owners to reduce the longer term need for public expenditure.

This chapter now turns to look at these areas in greater detail.

## A NATIONAL HOUSING RENEWAL STRATEGY

As the basis for effective housing renewal policies, **it is essential to develop a clear and coherent strategy for the future of the national housing stock.** The emerging problem of market failure and falling house prices in some areas of older housing highlights the weakness of our current approach. There is simply no policy framework to deal with this problem. We have no long-term

view about the future of the older housing stock to guide us. Do we leave the market to operate unchecked? Do we invest to renovate the properties which are affected, at any cost? Will this work? Do we take the opportunity to acquire and demolish? How do we co-ordinate the interests of the various public bodies involved? At present individual local authorities must take the responsibility and find the resources – yet this is a strategic issue of sub-regional, regional and even national concern.

**The first step is to develop a clear set of objectives relating to the condition of the private sector housing stock.** While the responsibility for the repair, improvement and maintenance of private dwellings rests primarily with the owners, government has, and is likely to retain, responsibilities to step in to deal with poor conditions. These general objectives need also to be translated into specific priorities, policies and targets.

**Policies and targets are needed** to demonstrate:

- how the government will deal with the present backlog of dwellings which fall below the standard;
- what it expects future trends in condition to be and how it is acting to prevent the emergence of future problems which will require expensive state intervention;
- how minimum standards will evolve to take account of established evidence and new findings on the links between housing and health, social care, education, regeneration, environmental sustainability and other issues;
- how many dwellings we may expect to replace in coming decades, which elements of the stock have a long-term future, which are regarded as inappropriate by today's standards, and how these will be replaced;
- the different ways in which owners across the income spectrum will be assisted to deal with house condition problems and the match between needs and resources.

**There are clear links between housing renewal investment and a range of wider policies including community care, urban regeneration, planning and sustainability, and the drive to tackle social exclusion, which a national housing renewal strategy should address.** How far, for example, will house condition problems constrain community care policies and what can be done to limit this? How does housing renewal investment impact on measures to maximise the use of brownfield sites and make urban areas more attractive to new households? Do urban regeneration policies require that housing renewal investment should be concentrated in particular areas or withdrawn from others?

**The national strategy on housing renewal will need to be consistent with regional and local strategies.** Governments have rightly placed emphasis on local strategies for housing renewal which take into account the variety of different problems at local level (Department of the Environment, 1996), so the national strategy will need to be strongly influenced by what is proposed at local level. Housing conditions in the north of England, for example, differ so much from conditions in the south that it will be essential to ensure that local perspectives are properly taken into account. However, it may be necessary for government to take difficult decisions about the future of some segments of the housing stock which individual authorities would find difficult. In addition, it is for central government to take an overall view about the necessary level of resources for housing renewal and the distribution of these resources.

At present there is a major disjunction between the national picture of housing renewal problems (which cannot be disaggregated to local level) and the aggregate picture presented by local authority assessments. This arises partly from difficulties in ensuring consistency of standards between national and local house condition surveys and partly because some local authorities use other data sources. **The government should either accept local estimates or take steps to resolve**

**differences where these are most significant, in order to build up a more accurate local picture of the pattern of poor housing conditions.**

There is a case for re-examining the role of the national house condition surveys and local sources of condition data. A smaller scale national survey providing consistent information on repair costs could provide government with a measure of progress in relation to its overall house condition objectives, and an indication of the key physical, social and economic factors linked to poor housing conditions.

It is unlikely that local surveys will ever paint a consistent picture of the problems, so it may be better for local authorities to focus on assembling accurate local data on key variables related to poor condition at district and neighbourhood level, such as the age and type profile of the stock, and the demographic and social characteristics of occupants. By linking this local data with the analysis of factors linked to poor condition at national level, more consistent relative measures of poor condition could be produced. Local authorities could also assemble their own data for implementation purposes, relating to more traditional indicators (such as unfit).

### USING PUBLIC RESOURCES MORE EFFECTIVELY

For the foreseeable future, pressures on public spending will continue to restrict or reduce the resources available for the renovation of private housing. Measures to merge capital resources into a single block at local authority level are not likely to provide relief in the majority of areas. Political pressures to improve the delivery of directly provided public services, and the continuing responsibilities of most local authorities as landlords, are bound to ensure that other problems – such as the enormous backlog of spending needed to deal with repairs and improvements to the local authority stock – take priority over spending on private sector housing renewal. **For this reason it is absolutely vital to**

**ensure that public resources for housing renewal are spent as effectively as possible.**

Effective spending in this context means spending which makes the greatest contribution to the provision of decent housing for the maximum number of households. It does not necessarily mean spending which secures a long- or medium-term improvement in property condition in a relatively small number of neighbourhoods. As Chapter 4 showed, the present policy framework is not achieving this.

A number of approaches have been put forward to utilise resources more effectively:

- Whilst retaining the present system of capital grants, resources for private sector grants and demolition programmes, and to support enforcement action, could be targeted more closely on a smaller number of local authority areas with the greatest concentration of private sector house condition problems. Revenue funding support would also need to be adjusted. This would have the benefit of enabling housing renewal policies to link into broader regeneration initiatives more closely. However, households in serious need that lie outside priority areas would receive little or no assistance. At best this is a partial solution which would leave the basic weaknesses of the present policy framework untouched.
- Again working within the present policy framework, resources could be focused on Renewal Areas. However, the same objections apply. In addition, the government would need to take powers to control the pattern and rate of declarations, both to limit action by some authorities and to stimulate others into action. Furthermore, there are many housing renewal problems which are not necessarily amenable to area-based action. Hence this is also an unsatisfactory option.
- Resources could be more strongly concentrated on group repair schemes rather than individual

## CRUMBLING CASTLES?

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grants. Again, this concentrates funding strongly on a limited number of properties and areas at the expense of others in need. Given current uncertainties about the strength of future demand for older housing in some areas, and the opportunity cost of using resources in this way, we would need to think very carefully about committing substantial amounts of public resources to solutions of this kind.

- The level of enforcement action could be stepped up and grants could be targeted on poor conditions in the private rented sector where the worst and most dangerous conditions are found, especially amongst houses in multiple occupation (HMOs), or other forms of dwelling shared by groups of single people such as students. The current review of the fitness standard is likely to result in greater prioritisation of problems in this sector, whilst other measures are under consideration to establish a licensing scheme for HMOs and to encourage voluntary accreditation to improve the quality of privately rented housing more generally. However, this approach would absorb a high proportion of available resources as the unit cost of repairs and improvements would be very high for HMOs and other large dwellings, and other bottom-of-the-market private rented dwellings which had suffered neglect over a long period. There are also strong arguments for compelling landlords to make their properties safe and to keep them in reasonable repair, and for requiring them to meet these costs from rental income, which are discussed further below.
- We could return to a modified version of the pre-1990 grant system and require owners to make a substantial contribution to the costs of work in all cases - for example by re-introducing a standard 50 per cent contribution. This would enable more grants to be provided from the current level of resources. But one of the main problems with the pre-1990 system was that the poorest households - who could not afford their contribution - did not benefit. So any such approach would have to be linked to mechanisms to provide owners with help in raising their own contribution. Some options for this are discussed in the next section.
- Grant provision could be restricted to the provision of help with short-term solutions to only the most basic house condition problems. With declining resources, the provision of such grants may be the way in which the present system will inevitably evolve, unless more radical solutions are adopted. Local authorities could use their discretion to remodel renovation grants for this purpose. Alternatively, home repair assistance, a cash-limited small grant available to those on income support and to older people, could be extended. This approach would enable local authorities to provide assistance to a greater number of households from the current level of resources, but it would often offer poor value for money, as some problems would quickly recur, and in some cases short-term works would be impractical or almost as expensive as longer term solutions. This approach also fails to do anything to help households to carry out more comprehensive renovation work using their own resources or to deal with their problems in other ways.
- Acquiring and demolishing dwellings which are physically (or socially and economically) obsolete is an expensive and time-consuming process. Barely 1,000 dwellings were demolished as a result of poor conditions in England in 1997/98. Yet there is an increasing problem of vacant private sector dwellings, especially older terraced properties, in northern and Midlands cities. In the short term we need to give local authorities more powers to enable them to act quickly to deal with obsolescent properties, and to review compensation arrangements to reduce unit costs and deter speculation. Relocation grants are too expensive if problems are widespread, but the principle of harnessing compensation for investment in housing is right. Housing Corporation funding for RSLs to play a more significant part in demolition activity will be important. In the longer term, it will be essential to fund ways of managing decline, taking dwellings out of use,

demolishing them, and re-using sites which are less expensive to the public purse.

Some of these options would deliver help to a greater number of households, but they provide only partial solutions. Others might achieve more visible outputs in a smaller number of areas or neighbourhoods, but would do little for those outside these areas. We need ways of levering in more private resources for housing renewal to stretch public funding much further, or to complement smaller grants. The next section looks at ways in which this might be achieved.

### LEVERING IN MORE PRIVATE RESOURCES FOR HOUSING RENEWAL

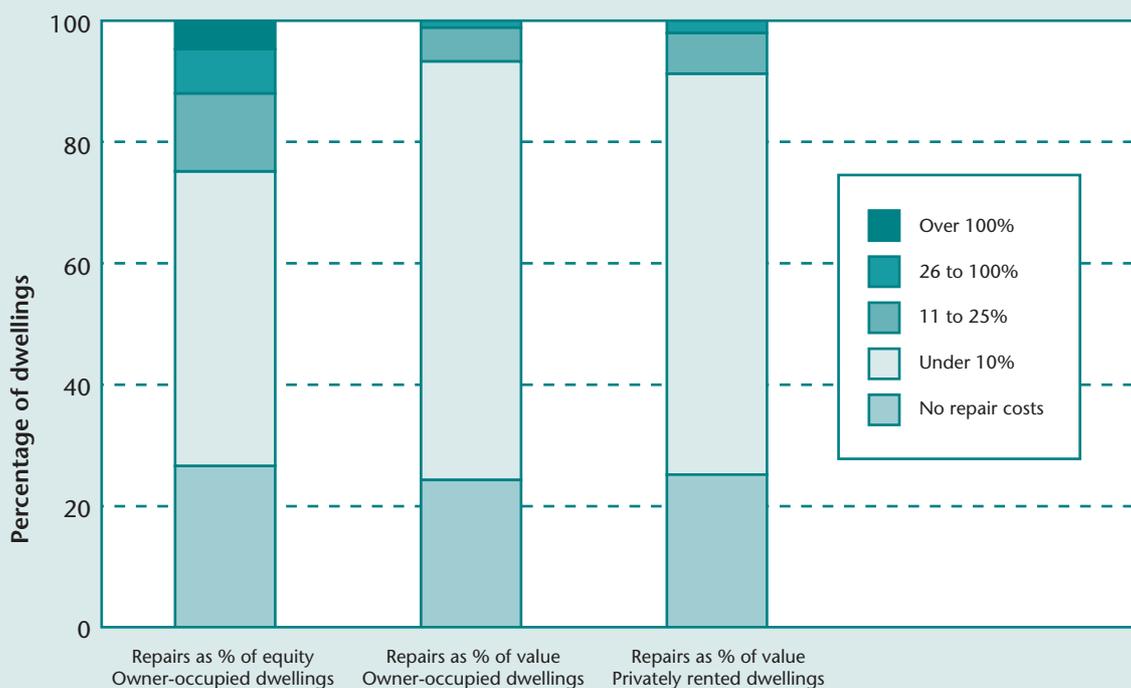
#### Encouraging more borrowing

The majority of repair, improvement and maintenance in private sector housing is carried out by private owners, using their own resources, and as Leather, Littlewood and Munro (1998) showed, most investment is on relatively small-

scale works, funded largely from income or savings. To persuade owners to invest more in basic repair work and to tackle larger jobs, and to enable those on low incomes or those without savings to undertake renovation, we need to help owners to borrow against the equity tied up in their houses. Many households have more than enough equity to meet the most important repair costs. Figure 7 shows the relationship between comprehensive repair costs, home equity and dwelling value in 1991. Comprehensive repair costs exceeded 25 per cent of unmortgaged equity in only 12 per cent of owner-occupied dwellings, and in the private rented sector only 2% of dwellings had comprehensive repair costs exceeding 25% of value.

But some cannot afford to meet the costs of borrowing. So **new mechanisms are needed to provide assistance with the repayment costs of loans or to develop other forms of borrowing under which repayment costs are deferred or eliminated:**

Figure 7: Repair costs compared with unmortgaged equity and dwelling value, England 1991



Source: 1991 English House Condition Survey, special tabulation

## CRUMBLING CASTLES?

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- The present system of capital grants to home-owners could be replaced or supplemented by revenue grants to assist with loan interest charges. As an alternative to grant aid, local authorities could give means-tested assistance to owners towards the costs of commercial loans obtained from existing financial institutions to meet the costs of essential repair work.
- The amount of assistance provided would be based on net income, taking other housing costs into account. As grants would take the form of smaller periodic payments (which might increase, decrease or cease entirely depending on changes in income) instead of one large capital sum, the current level of public funding could be used to fund a much greater amount of renovation investment than at present.
- Current arrangements to meet interest charges on loans for repair under the income support system could be extended to cover a wider range of repair, maintenance and improvement needs and to assist those on other means-tested benefits, those mainly dependent on the state retirement pension, and people in low-paid employment. There is also a case for including an allowance within income support for owner-occupiers, to assist with basic repair and maintenance costs; this would parallel assistance given to tenants through housing benefit.
- There would be circumstances under these arrangements where a household did not have sufficient equity to obtain a commercial loan. In these cases, local authorities or RSLs could be empowered to make a loan secured by a second charge on the property, up to 100 per cent of post-works value, or to provide unsecured loans to cover the costs of works not reflected in value. Commercial lenders might be involved if local authorities were to provide guarantees, and if it was clear that borrowers could repay the loan.
- Proposals for flexible tenure (see, for example, Terry, Anderson and Leather, 1999) could be used to assist households experiencing difficulties in affording repair, maintenance and improvement, as well as to help those who cannot afford mortgage repayments. Equity-sharing loans, under which qualifying households would receive a loan for repair, improvement or maintenance purposes but assign a share of the value of their house to the lender in lieu of repayments were proposed by the government as long ago as 1985 (Cmnd 9513, 1985) but were perhaps ahead of their time. Providing loans would be as expensive to the public purse in the short term as providing grants, but as loans were repaid, resources could be recycled to increase the pool of funds available. Mortgage lenders could provide loan finance, perhaps by refinancing packages of loans under some form of partial guarantee, to further increase the amount of resources available.
- For those who have no outstanding mortgage, and especially for older people, equity release mechanisms offer further potential. Efforts to develop new mechanisms for equity release are proceeding, despite uncertain demand. Recent experience suggests that products tied to particular solutions (such as the use of the released equity for repair and maintenance) are not attractive to consumers (see, for example, Joseph Rowntree Foundation, 1998). Simple and flexible schemes based on traditional loans, which do not tie owners into particular uses for released equity, or involve complex financial products, seem to offer the best prospects. Shared appreciation mortgages (SAMs), which provide a loan with some or all of the interest charges discounted in return for giving up a share of future equity growth, have recently proved popular amongst older people with higher levels of equity, but providers are unlikely to be attracted to lower value dwellings in poor condition. Rolled up interest schemes which minimise the accumulation of interest charges by allowing clients to draw down small sums for specific purposes may have some potential. If means-tested assistance with loan charges (as suggested above) were to be introduced to assist with basic repair and maintenance, this

would be more likely to attract older people than commercial equity release schemes.

- Work in Birmingham has suggested that there is a market for small loans (under £2,000) for repair and maintenance work. The lack of borrowing to fund repair and maintenance work is sometimes attributed to the reluctance of commercial lenders to provide small sums and the relatively high costs associated with small secured loans. In the past, some lenders have charged a premium interest rate for further advances for repair and improvement work, but in today's competitive market this is rare. Set-up costs for such loans should also be relatively minor. A more serious problem arises when a new borrower (for example a household which has paid off its mortgage) seeks to borrow a small sum. In this case, set-up costs could be in excess of £500 and many consumers would be put off by this. Measures to reduce set-up costs by providing public subsidy, or by negotiating special deals with solicitors and other professionals, are a minor but still potentially useful contribution to increasing the take-up of small loans. At least three initiatives are already under way to achieve reductions in loan costs. Rochdale Council subsidises repair and improvement loan set-up costs by providing loans itself. It then seeks to recycle these funds by selling the loans on to a commercial lender. The Nottingham Home Improvement Trust has negotiated low-cost packages covering legal fees and financial advice which are administered by home improvement agencies. Finally, the Aston Re-investment Trust in Birmingham is developing revolving funds to provide loans with low set-up costs.
- There is a further problem with loan finance. Many lenders, probably the majority, are unwilling to lend sums under £25,000, because under these circumstances the loan becomes subject to the provisions of the Consumer Credit Act. This increases the administrative costs of setting up the loan, and raises the prospect of loans becoming void under some circumstances. Only a minority of lenders have grasped the

nettle and sought to comply with the provisions of the legislation. This is clearly an area where measures to protect the consumer are having an undesirable spin-off effect and the legislation covering this issue needs urgent review.

**If local authorities, RSLs, home improvement agencies and new community-based financial institutions are to play a part in providing funding for repair, maintenance and improvement, they will need new powers to provide appropriate financial products.** At present, for example, there are many constraints on what local authorities can do to make loans available, because their powers to lend were developed for different purposes (Terry and Leather, 1998).

### Promoting savings

Most owners paying for work from their own resources do so from income or from savings and often work is carried out piecemeal rather than all at once. **Schemes to encourage households to save for future maintenance costs are needed to enable more work to be carried out and to achieve better standards.**

Recent developments in the banking and building society sectors have tended to mitigate against small-scale savers in low-income areas, but there is a growing volume of proposals which aim to provide low-income households with better access to facilities for banking, saving, and unsecured borrowing or credit (Mayo, Fisher, Conaty, Doling and Mullineux, 1998; Dayson, Paterson and Powell, 1999). Many of these schemes make reference to saving in advance or borrowing to deal with repair and maintenance as a priority. Credit unions have also been mooted as a further tool for promoting savings for repair purposes. At least one local authority provides locally accessible facilities for small-scale saving, linked to defined repair and maintenance projects.

### Maintenance insurance

A number of schemes covering insurance against repair and maintenance have emerged in recent years (see Leather and Younge, 1999, for a fuller

review). Schemes covering the full range of repair costs and cyclical maintenance have not proved attractive (Leather and Mackintosh, 1994), but emergency repair services have been more successful and a number are commercially available at relatively modest cost (around £2 per week). Those operated by national firms working across the whole spectrum of emergency services (such as vehicle recovery or overseas medical emergency) are most likely to provide a quality service. Although the services only deal with emergency problems, this often prevents more serious problems from arising, and also prompts owners to tackle necessary work. Unfortunately, the schemes appeal mainly to more affluent households - despite the relatively low cost. It may also be that the providers do not actively market their services in areas where poor conditions are prevalent, in order to minimise service usage. **Local authorities, RSLs or other organisations need to take the lead in giving lower income households in poor condition housing more ready access to emergency repair services.** This could involve negotiating to achieve discounted charges or extensions to the service - such as the inclusion of more free time or materials costs in the basic subscription, the incorporation of minor repairs, or access to the vetted contractors which the schemes utilise.

### **General incentives to invest**

Some general measures could be applied across the board to stimulate repair, improvement and maintenance investment by owners. Owner-occupiers and landlords could be permitted to set expenditure on essential repair and maintenance and any improvements which were regarded as desirable against tax liabilities. Oxley, Golland, Hodgkinson and Maye (1999) describe the recent introduction of limited tax relief on repair works in France. Alternatively, tax relief on the interest charges associated with loans for repair and maintenance could be re-introduced. There are many problems with the provision of these reliefs. They would be open to abuse and expensive to police - which was one of the reasons for the abolition of tax relief on improvements in the late 1980s. Unless tightly

restricted to basic works they would be more likely to stimulate spending by relatively affluent households than by those on low incomes paying little or no tax. The cost, once consumers, the construction industry and related sectors had geared up to the challenge, would probably be very substantial.

### **RAISING AWARENESS AND PROVIDING ADVICE AND PRACTICAL ASSISTANCE**

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**Resources are not the only constraint on investment in repair, improvement and maintenance and there is a need to provide encouragement and support to home-owners considering such work.** Home improvement agency services like Care and Repair or Staying Put are the most obvious examples, but these organisations offer a highly intensive support service to a relatively small number of the most vulnerable people. Most owners would not need this, but there are many less intensive measures to increase public awareness of the benefits of tackling repair and maintenance work in a timely fashion, to help in identifying problems and solutions, and to assist in taking sensible investment decisions. In a small number of areas, local authorities have begun to develop or support less intensive services of this kind as a complement to the work of home improvement agencies. Chapter 4 described some of these initiatives.

Groves, Morris, Murie and Paddock (1999), who reviewed these schemes, expressed concern that their development and spread across authorities had slowed. As a result, low-income home-owners in most areas do not have direct access to them. The main problem is their running costs. Meeting all or even a significant proportion of the costs of these services from charges is impractical. There may be some potential for sponsorship from private companies involved in producing or selling building materials, or from financial institutions, and cross-subsidisation from other services may also be possible. Several authorities have tapped into SRB or related sources but for

the majority these will not be available. Otherwise, it may be very cost-effective for local authorities to invest in services which aim to generate private investment and thus to save them from incurring higher levels of public expenditure in the future, provided that help is targeted on priority households or neighbourhoods. In the longer term, when their value is proved, other households may be more willing to pay for some or all of the costs of using them.

Other organisations also have an important part to play in promoting awareness of the need for repair, maintenance and improvement. The government could do far more. All of the innovative work in this area has been led either by local authorities or by private sector organisations such as the National Home Improvement Council. **Local authorities could run regular campaigns to promote awareness of repair and maintenance responsibilities and sources of funding for work.**

### INVOLVING RSLs IN RENEWAL

RSLs played a major role in the revitalisation of older housing until the late 1980s by acquiring and renovating older dwellings, mainly for rent. More recently it has become apparent that **more flexibility is needed to enable RSLs to work with local authorities and to tailor their activities to meet particular local needs in relation to private sector housing renewal.** Whilst it may be appropriate in some areas for RSLs to acquire and renovate older private housing, there may be a greater need in other areas for participation in demolition and redevelopment, or for involvement in services to support home-owners with repairs and improvements. Some of these might require new and more flexible uses of social housing grant. Some mechanisms already exist, but may need additional funding or a re-examination of funding and procedures. Potential new contributions by RSLs supported by the Housing Corporation are already being examined, nationally and regionally. The most promising include:

- Working in partnership with local authorities in programmes to deal with renewal problems in particular neighbourhoods where a mixed pattern of acquisition and renovation, demolition, redevelopment and the introduction of alternative uses is required.
- Directly providing repair and maintenance services to home-owners to ensure that higher quality accountable repair services are available.
- Extending the role of home improvement agencies (most of which are provided by RSLs). As Chapter 4 showed, some home improvement agencies are in the process of broadening their role to encompass a wider range of functions and to help other client groups. In some areas it could be appropriate for RSLs to extend the range of services provided by home improvement agencies under their management, enabling them to become local housing renewal agencies providing a wide range of services to home-owners, private landlords and local authorities in relation to housing repair, maintenance, and improvement. This could include involvement in the provision of measures to raise awareness and provide advice and practical assistance to home-owners.
- Helping private landlords to meet their obligation to repair their properties by taking over the management of this stock in certain cases.
- Providing flexible tenure or equity loan arrangements to assist low-income owners with repair and maintenance.

### INVOLVEMENT OF LENDING INSTITUTIONS

A study by the Bradford Network (1999) within this programme looked at a range of potential contributions which lenders could make. The starting point is that lenders are commercial organisations operating in a highly competitive market. Nevertheless, opportunities exist for the development of products or initiatives which are directly profitable, which contribute to the development of customer loyalty, or which help to define a lender within a niche market.

**Government, working with lenders'**

## CRUMBLING CASTLES?

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**representative bodies, and local authorities working with individual lenders, needs to identify appropriate roles and approach individual lenders to secure their involvement.**

These include:

- Participation in measures to raise awareness of the need for repair and maintenance and to provide advice and information, by sponsorship of initiatives developed by local authorities, RSLs or home improvement agencies; or by the development and provision of their own material.
- Development of survey products designed to highlight repair and maintenance needs more effectively and to provide information on costs and funding sources. At least one new product of this kind has recently been launched by a surveying firm owned by a major lender.
- Use of customer databases to target advice and information on those more likely to need them, such as owners who have not moved for a considerable period or those living in older or poorer condition properties.
- Further development of flexible mortgage products to facilitate low-cost borrowing for repair, maintenance and improvement purposes; further development of equity release mechanisms to provide better coverage of low-value and poorer condition properties and to minimise set-up costs; further development of repair and improvement loans to provide smaller loans and to minimise loan set-up costs.
- Partnerships with local authorities and RSLs to provide capital for onward lending by these bodies in the form of small loans for repair, maintenance and improvement; or purchase of existing small loans to enable public funds for renovation to be stretched as far as possible or recycled.

**The government also needs to review the impact of consumer protection and financial services legislation on the provision of small secured loans for repair, maintenance and improvement, to ensure that measures to protect the interests of the consumer do not unduly**

restrict the willingness and ability of lenders to provide such loans.

## IMPROVING THE BUILDING INDUSTRY

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Research in this programme has shown that poor quality building work in the small-scale repair and maintenance sector is a serious problem. For people who find it difficult to afford to meet the costs of repairs and maintenance in the first place, wasted investment as a result of ineffective work is especially problematic. Measures to raise awareness of the need for repair and maintenance and to encourage owners to invest more of their own resources in building work could be seriously undermined by poor quality work or the fear of it. Equally, it is unacceptable to invest public resources – whether through grant aid or alternative mechanisms – without ensuring that the work which they fund is of the highest quality.

To deal with this problem, the Government is currently working with the industry on a range of initiatives, including measures to enable owners to gain access to lists of reputable contractors, and the development of a comprehensive and trustworthy scheme to guarantee work against defects. These are welcome as far as they go, but in the longer term a more interventionist approach covering a wider scope might eventually be required.

- More stringent methods of accreditation or licensing: at present there are few restrictions on the ability to operate as a builder and most people are sceptical of trade association membership as a guarantee of quality of work. Where consumers have no basis on which to judge quality, they inevitably select on price. This makes it easy for 'cowboy' builders to operate successfully. The new industry-wide warranty to be offered by builders is welcome, but the extra cost involved may not attract consumers unless it is widely publicised and operated fairly to give the consumer a good deal and to avoid adverse publicity. If take-up of

warranties does not quickly come to cover a significant proportion of building work, the government should consider introducing a reliable and independent accreditation scheme. In some countries a licensing system for builders has been introduced and in the longer term this may be the only way forward.

- Some local authorities, RSLs and home improvement agencies operate lists of builders but many are reluctant to 'recommend' builders because of the legal obligations which this might impose or because of the high costs of policing such schemes. The obstacles to this need to be addressed so that a much greater proportion of home-owners can have access to such services.
- Schemes to guarantee work, or to recommend builders, do nothing to increase the supply of competent building labour – they merely compete for what is already available. To achieve long-term improvements to the quality of services offered by builders in the small-scale domestic repair and improvement sector, we need to improve training for potential entrants to the industry. At present this is geared to the needs of the 'new build' sector. Not all domestic repair and maintenance is technically challenging and specialised. Most repair and maintenance work in the domestic sector is small-scale, requires multiple skills, and is carried out within an occupied and furnished home. Often the level of technical expertise required is very limited and customer satisfaction may relate as much to the way the work is carried out, the behaviour of operatives, the extent of disruption and damage to décor or the garden, and the effectiveness of clearing up and restoration, as much as to the quality of the work. In the longer term the future of the small-scale domestic repair and maintenance industry may require the development of a significant sector which offers a higher quality service based on the principles of the service industry rather than the construction industry. The involvement of new players – such as the national firms providing emergency repair services which vet the builders they use and employ stringent quality control procedures in

order to protect their business reputation – may be one way of achieving progress.

- Irrespective of this, however, there is still likely to be a market for smaller builders. Those responsible for providing training to this sector may need to provide more practical training in the challenges of setting up and running a small business, as this would be in the interests of both builders and consumers.

## REFORMING THE HOUSING MARKET

Chapter 2 indicated that for owner-occupiers, comfort and status are more important motivating factors for repair, maintenance and improvement activity than the desire to make a return on the resources invested. As a result, households invest disproportionately in improvements to increase their level of comfort, rather than in basic repairs. When they are obliged to tackle repairs, they often adopt short-term solutions rather than dealing with problems properly.

Even for those who do take investment returns into account, the market further encourages improvements and does little to reward those who tackle repairs. Any increase in dwelling value generated by basic repair work rarely covers the cost. This makes it financially unattractive to undertake work of this kind, or at least provides a strong incentive to undertake the minimum amount of work necessary to prevent further deterioration. Nor does the market penalise neglect if owners consider selling up and moving on, except in the most serious cases. The estate agent's mantra is 'location', not 'condition'. 'Patch and move on' is often the most rational strategy in the housing market.

Whatever the reasons for this approach, the result is under-investment in repair and maintenance. We need to look at ways to influence the operation of the housing market and at other measures to bring about more investment, through either encouragement or compulsion. Changing the way in which the market values housing condition (and the extent to which

purchasers take this into account) is likely to be extremely difficult, but progress would enable those who chose or who are obliged to buy older dwellings to spend more on repair, maintenance and improvement and less on meeting purchase costs. Any proposals to intervene in the operation of the housing market are likely to meet with protest from many quarters, and to take a long time to develop and implement, but in the longer term it may be that measures of this kind provide the only way to reduce the financial burden falling on the state.

### Influencing house-buying and selling

The point at which dwellings are bought and sold provides the opportunity for scrutiny of dwelling condition by potential purchasers, lenders if relevant, and local authorities or other agencies concerned about house condition. The following proposals could encourage or compel buyers, sellers and lenders to take more account of condition and the potential costs of renovation:

- *Encouraging or compelling more use of surveys:* most buyers rely on a valuation survey to assess the condition of the property they buy, but this tells them little about condition. Vendors could be required to obtain a fuller survey before putting a property on the market. As part of its review of the conveyancing process in 1998 the Government proposed that sellers should be encouraged (or alternatively obliged) to provide an independent survey for inspection by potential buyers. This was intended as a way of speeding up house sales. But an independent survey provided by the vendor would also raise awareness of defects amongst buyers, and in the longer term might persuade owners to keep on top of repair problems, or to tackle them in advance of selling. To be effective, this proposal would need a new form of survey, designed to provide details of short- and medium-term repair and maintenance or the need to renew services, and to provide estimates of the timing and costs of the required work, so that purchasers could take these into account when negotiating a price or deciding whether to go ahead with a purchase. Although purchasers can in theory do this now (if they can instruct a surveyor to do what is required), the cost of surveys and the need to act quickly to have an offer accepted in many cases, make it more likely that buyers will only have one survey undertaken after they have had an offer accepted. Making the seller supply an independent survey would be by far the most efficient way forward.
- *Making sellers responsible for latent property defects:* at present buyers are largely responsible for identifying property defects at the point of sale and for dealing with the costs of emergent defects after purchase is completed. This can tempt sellers to opt for short-term repairs. A more radical proposal would be to require sellers to take responsibility for future repair costs arising over, say, a five year period, by taking out insurance at the point of sale. To reduce the cost of this to practical levels, sellers could exclude repair costs declared to the purchaser and insurance cover could be limited to undetected items. Insurance of this kind could be very attractive to buyers as it would tell them how much they would need to spend on future repairs and cover them against errors. It might encourage owners to invest more in repairs on an on-going basis, and lead to price reductions to take account of the work required. A much less radical option, already available, enables purchasers to commission a survey which includes insurance coverage for undetected faults.
- *Requiring or persuading lenders to take more account of disrepair:* at present mortgage lenders play only a small part in ensuring that the properties on which they lend are improved, and mechanisms such as retentions or mortgage conditions are rarely used. Lenders rely on loan-to-value ratios, or on insurance, to protect their investment. It could be argued that mortgage lenders should be required or induced to enforce repair clauses in mortgage contracts, but given competition between lenders and the sheer practicalities of doing this, it is hard to see

how a more pro-active role could be imposed on lenders. A more limited objective, already discussed above, would be to persuade lenders to play a greater role in educating potential borrowers on the need to consider future repair costs when negotiating a purchase. There could also be commercial benefits to lenders in providing borrowers with information and educational material at the beginning of a mortgage and at periodic intervals during its lifetime, as a way of strengthening their relationships with customers and retaining them as borrowers.

All these proposals have major implications which would need to be considered carefully by property professionals and by the construction industry. In many cases there is a choice between treating the proposals as desirable but optional with the parties involved participating on a voluntary basis, and adopting them as compulsory measures.

### **Requiring owners to keep their homes in good repair**

The state could intervene more extensively in the market by compelling owners to maintain their homes in good condition and taking powers to intervene and charge the costs against the property if they did not do so. Such powers, of course, already exist to compel owners to bring properties up to the standard of fitness for human habitation, to prevent dwellings from becoming unfit, to remedy serious disrepair, to provide means of escape from fire, and to compel the owners of shared houses to provide adequate facilities and to manage their properties effectively. But these powers are used only rarely, as discussed in Chapter 4.

Should they be more widely used? There is a case for stronger or more effective powers of compulsion than we use at present, on the grounds that the failure of owners to repair or maintain imposes costs on the state in the longer term, for example in the form of public expenditure on demolition, renovation or on the provision of other services such as health care.

There would be a limit to how far this argument could be pursued, but securing personal safety and the safety of others, tackling matters which might affect personal health, and ensuring that the structural integrity of the dwelling is maintained could be basic minimum obligations on any owner.

Survey after survey reveals a high level of neglect of basic repair by many private landlords. Deregulation has had no obvious impact on landlords' willingness to invest in older poor-condition dwellings in the private rented sector. Private landlords are of course a diverse group with widely differing motivations and attitudes to repair (Crook, Henneberry and Hughes, 1997).

Many landlords, some individuals with only a few units and others who are institutional investors, manage their dwellings efficiently and keep them in a good state of repair. Most areas of business are required to meet basic standards relating to the safety of those who use their product. It is hard to see why private landlords should be treated differently.

With evidence that more young households are seeking a period in the rented sector and with the continuing decline in popularity of social rented housing, it seems likely that a revived private rented sector will continue to play an important part in the housing market. Most private tenancies are intermixed in areas of owner-occupation, and there is a danger that the neglect of investment by landlords will depress values for owner-occupiers in adjacent properties and discourage them from investing. There is a strong argument for devoting more resources to ensuring that private landlords keep their dwellings in good repair, if necessary by strengthening powers to carry out work in default and to charge both the costs of work and the costs of action against the property.

It could be argued that owner-occupiers have more of a right to choose their own housing standards, since they themselves would be the victims of poor housing, but a basic set of

## CRUMBLING CASTLES?

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standards could be devised to apply where owner-occupiers' actions (or inaction) produce costs that fall on the state. In this case there would be enormous political difficulties in obtaining support for the enforcement of standards, especially if state funding was not available to meet some or all of the costs of compliance with standards. Yet there seems little point in having standards which we either cannot afford or which do not justify enforcement: either they are worth enforcing, or we do not need them.

In many cases the problem is not the failure to carry out work, but the scope and quality of work. To deal with this the building regulations could be used to influence the quality of work which owners carry out. At present, building regulations apply mainly to new construction, or to areas where poor work can have immediate and life-threatening consequences, such as in relation to gas and electricity supplies. The regulations could be extended to include standards for a wider range of major repair works, for example to roofs, any aspects of the dwelling structure, and any dwelling services.

There is no reason why we should be less concerned about the quality of repair, maintenance and improvement than about new construction, especially as the former now represents the majority of new investment, and as sales of second-hand dwellings represent the overwhelming majority of transactions in the domestic property market. But extending the regulations would increase the costs of repair, both by increasing the quality of work and through the costs of administration, unless linked to self-certification by contractors. It would also give rise to considerable problems of enforcement.

Problems in enforcing such new regulations could be overcome by requiring sellers to declare all work eligible for control and to produce certificates of compliance with building regulations. They could be held responsible for defects arising from non-compliance. Surveyors, contractors, lenders and solicitors could be given

a responsibility to draw non-compliance to the attention of local authorities. More drastically, local authorities could be given a right of inspection to ensure that regulations had been complied with at the point of sale. Insurers could play a role by making insurance payments conditional upon compliance with the necessary regulations. However, it might be enough to inform solicitors and lenders and rely on them to advise clients when non-compliance was identified.

Realistically, of course, any measures to strengthen owners' obligations and enforce those obligations are unlikely to come about in the short term. Where stronger powers exist, as with building regulations in the US, they are sometimes abused.

Much could be achieved by a voluntary approach in which home-owners, buyers and sellers, and property market professionals are persuaded to adopt better practices (such as more comprehensive surveys). But in the long run, greater compulsion and control may be the only way of increasing the importance of house condition and investment in building work.

As the social and economic processes described in Chapter 2 bite harder on the capacity of some owners to keep up with repair and maintenance, the acceptability of some measure of compulsion may increase. Alternatively, the market itself may bring this about. In a more selective market, with less mobility and higher transaction costs, buying a house in good condition and keeping it like that might become more important. However, this might be a selective process which would benefit only some sectors of the market and could contribute to decline in some neighbourhoods rather than protecting them from it.

## SUSTAINABLE HOME-OWNERSHIP

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If the costs of essential repairs and maintenance are not to fall back on the state in the long term, we may need to recognise that for some households, home-ownership is not a sustainable

longer term option, even if they can meet purchase costs as a result of a discount or through acquiring an older and cheaper dwelling. Government policy now recognises that sustaining home-ownership is as important as helping people to gain access to it, but it is not clear that this awareness has extended to taking into account issues of repair, maintenance and improvement.

Few owners are aware of the costs of repair and maintenance, or of variations in costs associated with different types and ages of dwelling, over the longer term. How much, for example, might we advise a household approaching retirement to put aside to bring their home up to standard and maintain it over a ten or twenty year period? We need to do more to understand and reveal the true costs of owning a house.

Potential buyers should be encouraged to make purchase decisions on the basis of an informed picture of the future pattern of repair and improvement costs associated with home-ownership. This would make it clear to a greater proportion of households that they could not realistically purchase certain types of dwelling, or purchase at all, or that preparation for retirement should include a decision to look for a way of off-loading these costs by moving or changing tenure. And for those who have already purchased under policies which encouraged this at all costs, government has a responsibility to ensure that mechanisms are in place to provide some form of help with essential repairs and improvements rather than leaving them without help.

## DEALING WITH THE PRIVATE RENTED SECTOR

Despite improvements in the last decade, housing conditions in the private rented sector remain consistently worse than in other tenures. Conditions are especially bad in:

- houses in multiple occupation;
- regulated tenancies (but the number of these is declining rapidly);

- tenancies of people on housing benefit;
- tenancies of unemployed people;
- tenancies of people under 24 or over 74.

Deregulation of rents since 1988 has not led to major improvements in housing conditions in this sector. Rent levels are more likely to be influenced by dwelling values, location, and property type than by condition. Recent research on landlords' repair behaviour (Crook, Henneberry and Hughes, 1997) suggests that there are three main categories of landlord:

- organisational stewards - corporate bodies which usually pursue positive management policies towards their properties are the least likely to neglect repair and maintenance;
- business landlords – these landlords manage their properties as an investment and in order to maximise returns are likely to minimise expenditure on repairs;
- informal individual landlords - although this group does not view their property as an investment, they may well neglect repairs because they lack the financial resources and the capability to organise and carry out work.

Landlords in both the second and third categories are likely to under-invest in repairs and maintenance. In the case of landlords seeking to maximise their investment returns, legally binding and strongly enforced regulations specifying minimum standards of management, repair and maintenance, and the provision of amenities and services are likely to be required to drive up standards.

The current government proposal to introduce a compulsory licensing scheme covering houses in multiple occupation is to be welcomed, but it may be necessary to extend this system to cover other parts of the private rented sector where standards are low. The government could give powers to local authorities to declare the licensing of private rented accommodation compulsory in certain areas, based on appropriate criteria.

## CRUMBLING CASTLES?

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Other action may be needed to deal with individual landlords providing sub-standard accommodation. In many respects, such landlords resemble owner-occupiers in terms of their inability to raise finance for repairs and the difficulties which they experience in organising work. Local authorities could extend the services they provide to owner-occupiers to assist landlords where this is appropriate. In some cases, landlords may be unable to respond, and it may be useful to involve RSLs in taking over the management of private rented dwellings (for a fee) or acquiring them from landlords who wish to dispose of them.

## CONCLUSIONS

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There are no simple solutions for reforming policies to deal with poor conditions in private sector housing. This chapter has examined a wide range of options.

Sustainable housing renewal policies need a coherent national strategy for dealing with poor housing conditions now and in the future but one which takes into account local insights and understanding of problems. Policies need to make the best use of limited public resources by delivering help to more of those in need, by persuading owners to make more use of their ability to borrow, and by assisting them to meet the costs of borrowing where necessary.

We need to give people advice and practical help to enable them to tackle repair work effectively and avoid wasting their money on poor quality or inappropriate work. Lenders have a major role to play in providing the right products to meet repair and maintenance costs. RSLs will be essential partners for local authorities in delivering advice and support and in investing directly, perhaps in a much wider range of ways than they have to date. The building industry needs major reform if an adequate supply of labour is to be available. And more broadly, the housing market itself may need reform to encourage or reward investment in repair and maintenance and to penalise neglect.

Present policies are ignoring the bulk of problems by targeting resources on too small a group of households and doing nothing to help the remainder of those in need. We need positive and proactive alternatives which will either enable, or if this does not work, compel, owners to keep their dwellings in reasonable condition. The main spur to change is the inadequacy of present renewal policies, which promise a basic safety net where properties fall into disrepair but are unable to deliver this degree of support on the scale required.

The proposals discussed in this chapter require further discussion and elaboration – indeed our aim is to stimulate this. However, there are a number of options which could be adopted now to revitalise renovation policy and to begin the process of delivering help to those in poor housing conditions. These are presented in Chapter 6.

# 6 Conclusions and recommendations

## THE SCALE OF HOUSE CONDITION PROBLEMS

Although the majority of households are, at the start of the new millennium, better housed than ever, a significant amount of poor housing remains, providing nineteenth rather than twenty-first century conditions. The dwelling stock has improved in terms of basic amenities, double glazing, central heating, and other facilities, but there is a large backlog of disrepair. The worst problems are found in a relatively small segment of the stock, between 10 and 20 per cent in total. Certain neighbourhoods, and certain types of dwelling, are the focus of poor conditions.

These problems will worsen rather than improve in coming decades as the dwelling stock gets older, as home-owners (including 'right to buy' purchasers) age, as more owner-occupiers find themselves in uncertain employment, and as more live alone or in shorter term relationships. Again some dwelling types – smaller pre-1919 terraced houses without front gardens, large old houses divided into flats and bed-sits, 'right to buy' flats in unpopular estates – and some localities – the inner areas of northern and Midlands cities and towns, the South Wales valleys, former mining areas, declining coastal resorts – will bear the brunt of decline.

The worst dwellings in these areas already form a core which, once in poor condition, is less likely to be improved than the rest of the stock. Such areas are also the most likely to see falling property values and reduced demand for owner-occupied housing.

## THE NEED FOR STATE INTERVENTION

Are poor conditions in private housing a matter for public intervention or something which should be left to private owners to deal with? There are a number of strong reasons for public intervention to deal with private sector housing conditions.

First, the most fundamental reason is that all households should have the right to housing which reaches a minimum standard in terms of physical condition. The objective of providing decent housing conditions for all households is central to government policy, but this is not followed through in terms of resources or action, as the current backlog of poor conditions demonstrates. So there is a need to re-affirm this objective and to take steps to ensure it can be implemented.

Second, legislation requires the state to step in to deal with dwellings which deteriorate badly; it is often more cost-effective to intervene to prevent serious deterioration. Far too many dwellings fall below the current minimum standard and under present policies the number of these will increase in the future. In part, the duty to intervene to deal with problems is neglected because the current minimum standard is not sufficiently focused on dwellings with the most serious problems, so reform is needed to this standard to make it more meaningful.

Third, there is growing awareness that poor housing conditions have an impact on health. This has led social services and health authorities to provide funding for housing initiatives aiming

## CRUMBLING CASTLES?

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to improve health. Likewise the commitment to reducing CO<sub>2</sub> emissions has attracted resources for renovation and provides a continuing reason to invest.

There is rightly a strong emphasis now on dealing with wider regeneration issues and social exclusion before investing public resources in tackling the condition of the housing stock. Economic and social regeneration, measures to tackle crime, to improve safety, health and education, to manage neighbourhoods, and to develop the potential of local communities have taken priority in policy-making. However, the need to provide decent housing conditions within broader regeneration programmes remains strong as housing conditions impact on quality of life, health and well-being, and educational achievement.

### THE EXISTING POLICY FRAMEWORK

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What are the most effective ways of intervening to improve housing conditions in the private sector? A wide range of mechanisms are available to local authorities and partner organisations but the overall level of grant aid, enforcement action, demolition, and other activity is not enough to tackle current problems.

The instruments we rely on to deal with housing renewal problems today were designed for an era when public spending was higher, when the level of low-income home-ownership was less widespread, and when problems of deprivation and social exclusion were less severe. Yet there is little prospect of a major increase in public funding for private sector housing renewal, even with the advent of the single capital pot in local authorities. In fact many commentators fear that this will reduce the level of resources for private sector renewal.

The current grant system provides a mechanism for improving conditions significantly but it delivers help to a fortunate few while offering little to a much larger group of households with similar problems. Levels of enforcement activity are low and in most areas there is little risk of

action to compel neglectful owners to undertake repairs. Demolition is almost at a standstill. Except in a few areas, little advice is available on priorities, resources and carrying out work to those who fall outside the scope of grant programmes. A lack of realism about the overall prospect for resources prevents us from making the best use of what is available. Furthermore, the national framework for renovation policy allows little freedom for local authorities to develop new approaches which meet their particular problems.

### A NEW POLICY FRAMEWORK

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Concern about the quality of the built environment – and especially about ways of making cities more attractive places to live in – is at the top of the political agenda. Regeneration is a key part of this – through job creation, community empowerment, improvements to transport, education, and other services, and measures to tackle crime and improve the environment, and to combat social exclusion. But an essential ingredient in making cities or towns more attractive places is the provision of decent housing, capable of providing a comfortable home and accommodating a modern lifestyle. A suitable strategy and the choice of the right measures, to renovate, or to demolish and replace, worn-out older housing, are therefore central elements of planning, regeneration, and environmental policies.

Present policies will not ensure that the housing stock remains in good condition or that obsolete dwellings are demolished and replaced. To achieve this:

- We need a coherent national strategy for the future of the housing stock with objectives and targets for reducing the backlog of disrepair, upgrading dwellings to modern standards in terms of energy efficiency, and replacing dwellings which are economically or socially obsolete.
- The strategy must be realistically costed, with public and private contributions identified.

## CONCLUSIONS AND RECOMMENDATIONS

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- We need a policy framework which gives the scope for local policies to deal with local problems rather than a blanket set of national policies. This will require new legislation to enable local authorities and RSLs to develop local initiatives.
- We need to make much better use of public resources by spreading them more widely amongst those in need and using them to stimulate private spending. This may mean using small grants as an incentive to borrowing, or the replacement of grant aid by assistance to those who borrow to meet repair costs. Safety net measures, such as flexible tenure mechanisms, are needed for those who cannot realistically sustain the repair, maintenance and improvement costs of home-ownership.
- We need to take a fundamental look at mechanisms for dealing with private sector housing in areas where there are concentrations of poor conditions or where the market is failing. This includes a re-examination of measures to ensure that owners take responsibility for the condition of their dwellings, procedures for acquiring and demolishing dwellings and arrangements for compensation, and a review of the role of the Housing Corporation and RSLs.
- We need to provide advice and practical help to low-income home-owners in every area to assist them to tackle work effectively and avoid wasting their money on poor-quality or inappropriate work. We must persuade owners to invest more of their own resources in basic repairs and less on cosmetic improvement work.
- A complete national network of home improvement agencies is needed to provide intensive help with repairs and improvements to vulnerable home-owners.
- We need to develop mechanisms to enable owners to borrow more easily and to save to meet major repair costs. This means working with lenders to identify the role they could play and the obstacles to this, such as government protection legislation, or if necessary providing local authorities and RSLs with new powers and developing new financial institutions and mechanisms to provide the right products for those on lower incomes.
- We must take urgent action to improve that sector of the building industry which deals with domestic repair, maintenance and improvement, because it is a major block to progress. If the current measures to develop guarantees do not succeed quickly we will need more decisive interventions to guarantee standards. Now is also the time to institute reforms to training and organisation to produce a labour force geared up to delivering a high-quality service to home-owners.
- We must give serious consideration now to more radical interventions in the operation of the housing market, which would encourage or (if necessary) compel owners to invest more in basic repair and maintenance, as the state ultimately meets the costs of the most serious neglect.
- We must take steps to compel private landlords owning properties in poor condition to meet minimum standards of condition and management; and develop measures to provide help and support to landlords who find this difficult to achieve.

## RECOMMENDATIONS

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These are wide-ranging and longer term objectives which will require detailed discussion, development and evaluation. As a first step we make the following recommendations:

- 1 The government should amend legislation to replace the present system of capital grants either by grant aid to assist with borrowing costs, or by smaller grants conditional on association with borrowing (or investment by the applicant from another source) and provision for ongoing maintenance. As at

## CRUMBLING CASTLES?

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- present, this assistance should be based on an applicant's financial resources.
- 2 Within this overall framework, legislation should permit local authorities to develop policies which are best suited to local circumstances.
  - 3 The legislation should enable the Housing Corporation and RSLs to play a major role in the renewal of areas of private sector housing.
  - 4 The government and local authorities should, in partnership with lenders, remove obstacles to the commercial provision of small loans for repair and maintenance, and to the direct provision of loans to low-income households by local authorities, RSLs, or new financial institutions.
  - 5 Local authorities should draw up realistic strategies for the renewal of private sector housing in their areas, based on an accurate assessment of needs and resources.
  - 6 Local authorities should use their discretion to develop renewal policies which make the best use of public funding, and attract in as much private investment as possible.
  - 7 Local authorities should take steps to promote awareness of repair and maintenance responsibilities and sources of funding for work, and to provide practical help to home-owners in identifying problems, securing funding, and carrying out work.
  - 8 The government should take the necessary steps to ensure that a complete national network of home improvement agencies is available to assist vulnerable groups with repairs, improvements and adaptations to their homes.
  - 9 The government should introduce legislation to require the licensing of houses in multiple occupation, and of categories of private rented housing where it can be demonstrated that conditions are generally poor, in order to secure minimum standards of condition and management.
  - 10 The government and local authorities should urgently review the framework of powers and mechanisms available to enable them to deal with poor conditions and widespread market failure in areas of older private housing.



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