



BLOCK HFFS.107
**HELP WITH HOUSING
COSTS**

Preface

In this Block, we will examine the subsidies to housing costs available to tenants, in both public and private sectors, as well as help for owners of properties.

We look at Housing Benefit, which we have discussed in previous blocks as a subsidy to tenants of both private and public sector housing, and housing associations. We examine how Housing Benefit is paid, and the problems for local authorities. We then see who can claim the benefit, and the method of deciding claims and calculating amounts of benefit. Some problems concerning Housing Benefit are then examined.

Outcomes

After studying this block, you should be able to:

- describe the role of Housing Benefit in government housing strategies;
- identify the features of Housing Benefit calculations;
- identify why the quality of a council's service to benefit claimants is variable;
- describe the history of rent controls;
- describe how 'Fair Rents' are determined;
- identify the sorts of customer likely to have fair rents;
- identify who qualifies for help with mortgage costs within Income Support and Income Based Jobseekers Allowance and the households which are excluded; and
- describe the purpose and the types of home improvement grants.

Contents

A.	HOUSING BENEFIT	5
1.	Introduction	5
2.	The Role of Housing Benefit	5
3.	How Housing Benefit Administration Works	8
4.	Dealing with Claimants	13
5.	Calculating Housing Benefit	19
6.	Problems in Administration	23
7.	Problems for the Government	24
8.	The Future of Housing Benefit	25
B.	RENT CONTROLS	29
1.	History of Rent Controls	29
2.	The 1977 Rent Act: Fair Rents	31
3.	The Effects of Rent Controls	37
C.	MORTGAGE BENEFIT	43
1.	Introduction	43
2.	Who Qualifies for Mortgage Benefit?	43
3.	Income Support, Income Based Job Seekers' Allowance and Housing Debt	44
4.	Mortgage-to-Rent Schemes	49
5.	Conclusion	50
D.	HOME IMPROVEMENT GRANTS	53
1.	Introduction	53
2.	Improvement Grant System	53
3.	Types of Grant	54
4.	Eligibility and Assessment	56
5.	Group Repair	58
6.	The Home Energy Efficiency Grants Regulations (1992)	59
7.	HMO Fitness Standard	59
8.	Designated Defective Housing	60
9.	Administration	60
	SUMMARY	64
	ANSWERS	65

A. Housing Benefit

1. Introduction

1.1 The problem

One of the problems that all governments face is that the cost of providing housing, whether in the public, private, or voluntary sector, is not matched by everyone's ability to pay for housing.

This is particularly the case in countries within the UK where there is a considerable difference between the income of the wealthiest and the poorest. In addition, there are some groups of people in society whose housing costs are unavoidably higher than average: for example, some people with disabilities.

This problem tends to increase over time as general expectations about standards of housing rise.

1.2 Solutions

Governments can choose to solve this problem in three ways. They can:

- (a) tolerate very much poorer standards of housing for the lowest income households than for the rest of the population;
- (b) use public subsidies to reduce the cost of providing housing (Housing Revenue Account subsidy, Capital grants);
- (c) use public subsidies to reduce the cost of housing to the individual or to the household (Housing Benefit).

The choices made by government are influenced by:

- past patterns of spending;
- political choice, for example to support subsidies to one type of tenure rather than another;
- the cost of each option for the government.

2. The Role Of Housing Benefit

Housing Benefit is a direct payment to low income households who rent their homes, to help them afford their rent. One in seven households in England and Wales depend on Housing Benefit to meet their basic housing needs.

2.1 Reliance on Housing Benefit

Since 1972, all governments have chosen to rely to some extent on Housing Benefit.

“Since 1972, reliance on Housing Benefit has greatly increased. In 1978/79, £2.3 billion (at 1998/99 prices) was spent on Housing Benefit. By 1998/99 this figure had increased to £11.1 billion. This reflects, in part, a long term shift in the balance of public spending on housing support from direct ‘bricks and mortar’ subsidy to personal subsidy in the form of Housing Benefit.”

(Quality and Choice: A Decent Home for All, Housing Green Paper published April 2000.)

There are several reasons for this increased reliance:

- (a) Governments prefer Housing Benefit as a subsidy because it is ‘means tested’. This means that the amount of Housing Benefit awarded is based on the level of income and capital within the household, as well as the size of the household and any individual needs (such as children and disability). Therefore, it does not subsidise households who do not financially need help.
- (b) Government policy was for rents to rise to ‘market levels’ to reflect the value of providing the house. It was hoped that this would promote the private rented sector by making letting a more attractive proposition to landlords. Housing Benefit was intended to bridge the gap between the new higher rents and what a low-income household could afford to pay.
- (c) The Government would then reduce direct subsidies to local authorities and housing associations, or alternatively expect the same level of subsidy to produce more housing.

For the current Government, Housing Benefit has an important role both in terms of welfare to work and their social exclusion agenda, as well as their wider housing objectives.

2.2 Criticism of Housing Benefit

Despite its important role, the current system of Housing Benefit (together with the level of expenditure) is not without criticism:

- (a) Housing Benefit is means tested. When income rises, households lose Housing Benefit. This can cause a ‘poverty trap’, where additional income from employment ends up being used to pay for the decrease in Housing Benefit. This can cause a disincentive to work and, is inconsistent with the Government’s objective of getting people back into employment.

- (b) Housing Benefit no longer meets the full cost of market rents. Changes to Housing Benefit in 1996 and 1997 brought about stringent limits to the amount of rent payable as Housing Benefit.

In many cases, usually within the private rented sector, the maximum Housing Benefit payable is limited to an amount determined by a Rent Officer. This amount will reflect the level of average rents in the locality, for that size of household. This can cause shortfalls (sometimes quite large) between the actual rent that private sector tenants pay, and the amount which can be paid to them through the Housing Benefit system.

This situation is even more severe for single childless people aged under 25, as the amount potentially payable as Housing Benefit is restricted to the average rent in the locality for a bedroom, with shared living room, kitchen, bathroom and toilet.

A research study commissioned by the then DETR and the DSS, to explore the issues surrounding Housing Benefit and the private rented sector (DETR Housing Research Summary No. 911998) explored the impact of rent restrictions. One finding was that rent restrictions:

“had affected landlords’ approaches to letting. Some had stopped letting to HB tenants completely, others had reduced the standards of properties and others were using tenants’ deposits as a means of making up arrears of the shortfall.”

- (c) Delays in processing new claims have led to increasing hardship, stress, and even threats of eviction for people who already have a low income.

2.3 Future Role of Housing Benefit

Over the last few years, there has been much discussion about the future of Housing Benefit, and its role as a form of housing subsidy. This has been fuelled by cost considerations and problems around poor administration. However, the Government has admitted that:

“there is little point making fundamental changes to it, without some form of rent restructuring.”

(Quality and Choice: A Decent Home for All, Housing Green Paper published April 2000.)

The Green Paper proposed measures to ‘streamline and simplify the administration of Housing Benefit, tackle fraud and improve work incentives’.

The Government followed this up by issuing a Policy Statement in December 2000. This detailed how they planned to implement the measures outlined in the Green Paper.

In part 8 of this section we explore this further, and look at what was planned, and how this has been implemented.

3. How Housing Benefit Administration Works

3.1 Objectives of the scheme

Ideally, the Housing Benefit system should be administered in such a way as to meet a range of objectives:

- for claimants (and landlords), it should be speedy, accurate, accessible, transparent, fair and convenient;
- for service providers, it should be simple and economical to administer; and
- for central government, it should be affordable without overstressing public expenditure, it should be well protected against fraud, and it should support wider policies, particularly in relation to housing, work and welfare.

So, does the administration of the scheme actually meet these objectives?

3.2 Administration

Since 1982, Housing Benefit has been administered by local authorities. The present scheme dates from 1988, when the means tests for the main means-tested benefits (Housing Benefit, Income Support and Family Credit (now Working Tax Credit)) were rationalised.

Housing Benefit departments vary a lot, both in their efficiency and their sensitivity in applying rules. Many continue to find it difficult to cope with the large volumes of claims, and the constant changes in legislation.

Common complaints from claimants, advisers and housing associations are:

- Delays in processing claims.
- Excessive and repeated requests for evidence to support claims (in many cases, brought about by the Verification Framework - see para 4.1).

- Forms and letters being mislaid.
- Difficulties in getting through to the office by telephone.
- Confusion about how the benefit is calculated.
- Notification letters being difficult to understand.
- Lengthy delays in pursuing the appeals procedure.
- Overpayments being recovered incorrectly with no notification.

In 2002, the Government's own Audit Commission stated:

"Housing Benefit is a service that many councils struggle to deliver well. Poor performance can have a drastic impact on claimant's lives, leading to increased hardship, stress and the threat of eviction. Too few authorities meet the best standards; although some can process new claims within 20 days, others take 100 days or more on average."

Audit Commission Report:
Housing Benefit – The National Perspective, June
2002

Poor administration has meant that complaints to the Local Government Ombudsman have risen over the last few years, peaking in 2000/2001:

1995/1996	837
1996/1997	1055
1997/1998	1147
1998/1999	1365
1999/2000	2353
2000/2001	4028
2001/2002	2996

The Ombudsman's Annual Report 2000/2001 stated:

"Because of systemic defects in Housing Benefit administration of a small number of councils, many thousands of people on low incomes have been caused much worry and financial hardship and, in some cases, have lost their homes."

It is clear that some councils are better than others in making prompt payments of Housing Benefit.

DWP statistics in January 2003 showed that in the second quarter of 2002/2003, more than 100 councils were processing new claims within 34 days on average, while the worst performing councils were taking up to 162 days.

On 15th May 2003, the Works and Pensions Minister commented:

“It is unacceptable that there is a postcode lottery, which leaves a family living in one local authority having to wait months longer than their neighbours.”

Housing Benefit claimants need an efficient service because they are unlikely to be able to pay their rent in the interim. If they fall into arrears, they may find themselves evicted as a result. If tenants are unable to pay their rent, this has a knock-on effect for Registered Social Landlords who rely on rent receipts from tenants to enable them to operate effectively.

Poor Housing Benefit administration also has an impact on the local authority as a landlord.

The June 2003 Audit Commission Report: Local Authority Housing Rent income – rent collection and arrears management by local authorities in England and Wales, stated:

“The high level of HB dependency among council tenants and the amount of time it takes authorities to process benefits have a significant impact on levels of arrears. HB delays accounted for 10 per cent of local authority rent arrears in 2000/01. For some councils, the difficulties can be acute. Over two-thirds of the councils in England experience problems with HB backlogs and one-fifth of the councils in Wales describe relations with HB departments as poor or ineffective. Authorities that take in excess of 100 days on average to process new HB claims almost always have low rent collection rates.”

Local authorities have difficulties in recruiting to and administering the very complex system. Problems are worst in areas with high proportions of low-income households, where the costs of the service are not adequately met.

Some local authorities have tried to solve the problems with poor administration by privatising their Housing Benefit service. In many cases, this has led to further deterioration in what was already a poor service. Due to delays in processing claims – in some areas of up to a year – some local authorities have now taken their Housing Benefit service back in-house.

The Government acknowledges that there are serious problems with Housing Benefit administration. They are concerned not only with the backlogs of delayed claims, but also that problems with administration can result in unacceptable levels of fraud and error.

The Government have indicated their determination to improve the scheme. Later in this module, we shall see what action they have already taken, and intend to take, to improve the service.

Activity 1

Try to answer the following questions:

- (a) How do administrative failures in delivering Housing Benefit affect Housing Associations?*

- (b) How do administrative failures in delivering Housing Benefit affect individual private sector tenants?*

- (c) Try to find out what action the Ombudsman can take if a finding of maladministration is made.*

- (d) Look at the website for the Local Government Ombudsman. Find a report of a recent complaint about Housing Benefit administration. What action did the Ombudsman recommend in this case?*

3.3 The costs

- (i) The cost of *administering* Housing Benefit, for council, private, and voluntary sector tenants, falls on the General Fund Account. As you learned in Block 2, there has been growing pressure on the finances of the General Fund Account in many local authorities, and the government's payments for Housing Benefit administration often do not reflect the true costs. In this situation, it is perhaps to be expected that the service will suffer.
- (ii) Councils tenants are paid Housing Benefit in the form of rent rebates. The cost of rent rebates used to be met from the Housing Revenue Account, but is now met from the General Fund Account. Private and housing association tenants are paid Housing Benefit in the form of rent allowances. The cost of rent allowances is met from the General Fund Account.

The government pays the local authorities for the amount of the benefit paid out. Rent Rebates are subsidised at 100%, but rent allowances only attract a subsidy of 95%. There are also financial penalties if the council is not efficient at processing claims. As you have discovered, many are not very 'efficient'.

In some circumstances, even this rate of subsidy is not paid. For example, there are reduced subsidy implications when local authorities decide to award backdated Housing Benefit; pay rent which is deemed 'unreasonably' high; or fail to recover overpayments effectively.

3.4 Who can claim Housing Benefit?

In general, the groups of people who can apply for Housing Benefit are:

- local authority tenants;
- tenants of private landlords;
- tenants of housing associations and voluntary sector landlords;
- squatters who pay 'use and occupation charges'.

Claimants must demonstrate that they have a liability to pay rent. Some people who are not legally liable to pay rent, can be treated as though they are liable. This can include a former partner of the liable person who has to make rent payments in order to continue to live in the property, because the liable person is not doing so.

Claimants must also occupy the dwelling as their home. However, there are special rules which allow payment of Housing Benefit to people who are absent for good reasons, for example – being in hospital; domestic violence; racial harassment.

There are also special rules which allow Housing Benefit to be paid on two homes in certain circumstances, e.g. domestic violence, and racial harassment.

Some groups of people are not entitled to Housing Benefit, despite the fact that they are liable to pay rent. For example:

- residents in residential care homes/nursing homes (who get assistance with housing costs via Income Support and Social Services);
- people maintained by religious orders;
- most full-time students;
- people “subject to immigration control” – (there are limited exceptions to this rule);
- people who reside with a close relative;
- people who have contrived tenancies;
- most care leavers aged 16-17 (who are now supported by Social Services departments);
- non-commercial lettings.

4. Dealing With Claimants

4.1 What does the Local Authority need to know before it can calculate Housing Benefit?

The local authority needs to gather a great deal of information to enable it to process a claim for Housing Benefit. It needs to find out:

- Who is living in the claim unit - claimant/partner/dependant children? (Only heterosexual couples can be part of the same claim unit. Housing Benefit legislation does not recognise same sex couples.)
- Who else lives in the household - such as boarders or grown up children?
- What are the income/capital details of the claim unit, and other household members? (Working members of the household are expected to contribute towards the rent.)
- Has the claimant come to live in the UK within the last 2 years? (This question is asked to determine whether the claimant will be subject to the ‘habitual residence’ test. People who are not habitually resident here, cannot receive Housing Benefit.)

- How much the rent is, and whether it includes the cost of any amenities/services, such as heating or meals?
- immigration status.

Housing Benefit claimants must provide evidence of whatever they declare on their claim form.

The **Social Security Administration of Fraud Act 1997** made it a condition of entitlement to Housing Benefit that the claimant and any partner supply proof of a National Insurance Number.

In addition, new Housing Benefit claims require at least two items of evidence of identity. These must be original documents – photocopies are not acceptable. This can cause problems for some claimants, such as those who have previously been street homeless, as they may not have much documentation readily available to them.

Problems around provision of evidence have been made worse by the emergence of the Verification Framework.

The Verification Framework is a mechanism used by local authorities to help them to check the accuracy of Housing Benefit claims and to reduce fraud. The Framework was developed by the DSS (now known as the DWP). It is a voluntary code which local authorities can adhere to if they so wish. The framework gives guidance about the level of evidence that authorities should seek about the claimant's identity, household composition, rent levels, income and capital.

Whilst the framework is not legally binding, local authorities who have signed up to use the voluntary code get additional subsidy from the Government. It is worth noting that only those which adopt the code in full get the full additional subsidy.

There is evidence that some authorities who are using the Verification Framework are experiencing greater problems with delays in processing claims. This is caused by the need to make more visits to claimants, and the need to gather more original documentation from claimants.

In this same Green Paper, the Government stated:

“Our overall aim is to offer Housing Benefit recipients help with their rents in a way that actively supports our strategy of work for those who can, support for those who cannot, and security in old age.”

4.2 How are claims made?

(a) By people claiming Income Support/Jobseeker's Allowance

Income Support is a means tested benefit for people with no income or low income who are not required to work. For example, it can be paid to lone parents, and people who are long term sick or disabled. It is claimed from the local Department for Work and Pensions (DWP) office.

Income Support for pensioners has been paid in the form of a Pension Credit since October 2003. It is claimed from the Pensions Service.

Jobseeker's Allowance is a benefit paid to people who are unemployed or working part-time, and are required to look for full-time work. The income-based variety is means tested, and paid to people with no income or low income. The contribution-based variety is paid if someone has paid sufficient National Insurance contributions, and it is not means tested. Both types of Jobseeker's Allowance are claimed from the local job centre.

When tenants claim Income Support or Jobseeker's Allowance (income based), they will find a Housing Benefit claim form included in the claim pack. This is a new longer Housing Benefit claim form (numbered HCTB1), which came into use in April 2003. This form has to be completed with all the relevant information, and should then be returned directly to the local authority. This aim of this form is to overcome problems, which existed prior to April 2003, where some people had to complete two claim forms in order to claim their Housing Benefit.

(b) By people applying directly to the local authority

People who apply directly to the local authority must complete the local authority's own claim form. Some councils have gone to a great deal of trouble to make sure their forms are written in clear language, are in big print, and are suitable for the different groups who will apply, including linguistic minority groups. Some have not.

4.3 Accessibility and service to tenants

Some authorities administer Housing Benefit from a central point, some from decentralised offices. Others handle Housing Benefit within the Housing Department, and some in their Treasurer's Department. Some have privatised the administration of their Housing Benefit Service. Therefore, a private company, in their own offices, may be carrying out the day-to-day administration of claims.

It is important to consider the accessibility of the service being offered to potential claimants; especially, for example, to people with disabilities.

It is not safe to assume that because Housing Benefit is being administered from a small decentralised office, access is good. You also need to consider the geographical position, physical layout and opening hours.

Again, some authorities have thought seriously about the level of staffing, and the office facilities they need, to provide a good service to claimants, and some have not.

Activity 2

You decide that you need to claim Housing Benefit for the household you are living in. Try to obtain a claim form from the office which serves the area relating to your household. Phone them to find out where they are, then visit their office to pick up a claim form.

Here are some questions about your experience: award the authority marks out of 10 for each question. (You can add your own questions).

- *How easy was it to find out where your local office is?*

- *Could you get through on the telephone?*

- *Was it open long enough in the week?*

- *You are in a wheelchair - can you get in?*

- *Was the reception area big enough to handle the number of people trying to use it?*

continued...

- *Were there enough staff on duty?*

- *Were there forms easily available, or did you have to queue?*

- *How long (on average) were people waiting to be seen?*

- *Could you understand how to fill in the form? If not, would the counter staff have been willing to help you?*

- *Could you work out from the form how the claim would be calculated?*

- *Could the staff estimate how long it would take to process the claim? (Anything under two weeks scores 10).*

Average the marks you gave the authority: 7-10 is very good; 4-6 could improve; under 4 your authority needs help!

Time allocation: 1 hour

5. Calculating Housing Benefit

Housing Benefit calculations are complex and usually carried out by the local authority using tailor made computer software packages. There is some research evidence that the calculations are quite frequently wrong. This probably has to do with the accuracy of the information input to the computer by housing benefit assessment staff.

Housing Benefit is calculated differently for:

- claimants receiving Income Support/Jobseeker's Allowance (income based)
- all other claimants

Before making any calculation, you need to check that the claimant is entitled to claim Housing Benefit. For example, check that they do not come within the excluded groups listed in paragraph 3.4.

5.1 Housing Benefit for people receiving Income Support/Jobseeker's Allowance (income based)

If the tenant receives either of these benefits, the Council does not need any further information about the income/capital of the claim unit. This is because the DWP will have already carried out a means test when establishing entitlement to that benefit. They will just confirm the date from which these benefits are paid, by using a computer link to the DWP office

The Council does need to establish:

- How much the rent is and what it includes;
- Who else is living in the household – such as grown up sons and daughters aged 18 or over, who are expected to contribute towards the rent. Their presence triggers a deduction from the tenant's Housing Benefit, in the form of a non-dependant deduction.

People receiving Income Support/Jobseeker's Allowance (income based) are entitled to receive 100% of their eligible rent less deductions for non-dependants.

'Eligible rent' is often less than the actual rent that a tenant pays. This is because it does not include any non-eligible service charges which may be included in the rent, such as heating and hot water charges. It will not include any water rates included in the rent. For a private sector tenant, the amount of rent that is 'eligible' for Housing Benefit may also be reduced following a referral to the Rent Officer (see section 2.2 (b)).

Deductions for non-dependants vary in amount. For some people, they may be £7.40. Where the non-dependant has a gross income of £322 per week or more, and works 16 or more hours per week, the non-dependant deduction will be £47.75 per week (for 2005/06).

This means that many people who receive Income Support/Jobseeker's Allowance (income based) have to make up the rent shortfall in their Housing Benefit, from their other benefit income.

5.2 Housing Benefit for all other claimants

Calculating Housing Benefit for people not getting Income Support or JSA (IB) is quite complicated. The following steps give a very basic outline of how it is done.

Step one

Check how much capital the claimant and their partner have. If they have more than £16,000 between them, then they cannot receive Housing Benefit.

Capital below £3000 does not affect entitlement to Housing Benefit.

Capital between £3000-£16,000 does affect the amount of Housing Benefit they can receive. It is assumed that they receive £1 weekly income for every block of £250 (or partial block) within this capital band. This notional amount of interest from capital is treated as income within the Housing Benefit calculation.

People aged 60 or over are allowed to retain higher levels of capital before it affects their Housing Benefit. Capital below £6,000 will be ignored, and for the capital between £6,000 and £16,000 a weekly income of £1 is assumed for every block (or partial block) of £500 within the capital band.

Step two

Work out the eligible rent for Housing Benefit. This is the same process as for claimants of Income Support (see paragraph 5.1).

Step three

Work out the 'applicable amount'. This is a notional sum of money decided annually by the Government. It is the amount that the particular claim unit needs to live on each week. It acts as a benchmark against which to

compare their actual income. The ‘applicable amount’ is made up of personal allowances and premiums. This ensures that the applicable amount reflects the size and individual needs of the claim unit.

(i) *personal allowances*

There are personal allowances for each member of the claim unit. There are different amounts for single people, lone parents and heterosexual couples. There are also amounts for children, dependent upon their ages. It is assumed that single people aged 18-24 need less to live on than those aged 25 or over. For example, in 2005, the personal allowance for someone aged 18-24 is £44.50, whereas those aged 25 to 60 are awarded £56.20.

(ii) *premiums*

Premiums are amounts of money added to ensure particular needs within the claim unit are recognised. There are premiums for disability, having children, being over the age of 60, being a carer, and being recently bereaved.

Once the personal allowances and premiums are added together, this forms the applicable amount - the notional amount the claim unit needs to live on.

Step four

Work out the weekly income of the members of the claim unit. This includes:

- income from other benefits (e.g. Child Benefit, Incapacity Benefit, Retirement Pension)
- income from occupational pensions
- income from wages
- income from self employment
- assumed income from capital (see step one)

Some income is taken into account in full, some is partially disregarded, and some is not taken into account at all.

Step five

Housing Benefit is calculated by comparing the applicable amount (Step three) and the weekly income (Step four):

- (a) If the weekly income is less than or equal to the applicable amount, the claimant is entitled to 100% of their eligible rent, less non-dependant deductions.
- (b) If the weekly income is more than the applicable amount, then the eligible rent will be reduced by an amount equal to 65% of the income above the applicable amount. Non dependant deductions will then be deducted. The balance will be paid as Housing Benefit.

5.3 Problems with Housing Benefit calculations

You can see that the method of calculating Housing Benefit is complicated. Therefore there is lots of scope for getting the calculation wrong.

The 65% taper, which reduces Housing Benefit for people with income above their applicable amount, is very steep. This means that people who start work may not be any better off than when they received Income Support/Jobseeker's Allowance because, although they are earning more than before, they lose Housing Benefit.

The calculation system is now very complex. The amount of information required to determine a claim is substantial and very detailed. Housing Benefit assessment staff have to reassess claims whenever there is a change in circumstances.

5.4 Housing Benefit Appeals

If a claimant is unhappy with a Housing Benefit decision, s/he can challenge this through the appeals process.

Before July 2001, challenges involved a review by an officer within the Housing Benefit service, and if still unhappy, an appeal hearing before a Housing Benefit Review Board. This Review Board was made up of three local authority councillors.

Due to concerns over the independence of this Review Board body, and possible challenges due to the newly implemented Human Rights legislation, the appeal system changed from July 2001.

Since 2 July 2001, claimants have one calendar month to seek a revision of a decision they are unhappy with. This revision will be carried out within the Housing Benefit section.

If the claimant remains unhappy once they have received the revised decision, they have one further calendar month to ask for their case to proceed for hearing by an Appeal Tribunal. This is an independent body who also hear appeals about other social security benefits. Claimants can select to appeal straight away, and not go through the revision stage. It is hoped that this appeals process will not only be more independent, but can be seen to be so.

6. Problems in Administration

Activity 3

*From what you have learned so far, try to make a list of the **main** problems which arise for local authorities from this system.*

Time allocation 10 minutes

You have already learned about some of the administrative problems in Activity 1, and have discovered just how complex are the calculations of Housing Benefit entitlement. We have summarised what we think are the likely main problems as follows:

- (a) The system is expensive to administer, and even more expensive to administer accurately.
- (b) Because the calculations are so complicated, local authorities need to have specially designed computer software packages to do them. These are expensive.
- (c) The government makes frequent changes to the rules; local authorities have had some difficulties in keeping up with them by retraining staff and buying more software.
- (d) If changes in the rules mean tenants get less benefit than before, they blame the local authority.

- (e) Local authorities generally find Housing Benefit for council tenants easier to administer than benefit for private rented and housing association tenants, because they already have information about their own tenants. Some local authorities make efforts to provide a good service to these other tenants, but some don't – as you discovered in Activity 1.
- (f) The government is concerned particularly about poor service to private rented tenants, because it may prevent people from being able to take up tenancies, or, in extreme circumstances, cause them to be evicted.

7. Problems for the Government

One of the main problems for the Government is the cost of Housing Benefit. In 1988, the real cost of Housing Benefit was £3.5 billion.

“In 1999/2000, £10 billion was paid out in Housing Benefit, and an estimated £500 million was spent on administration.”

(from Audit Commission Briefing:
Housing Benefit – The National Perspective,
June 2002).

Over the last 10 years, the Government has brought in numerous measures to reduce the Housing Benefit bill. For example: restricting the level of Housing Benefit payable to market rent level; and raising the levels of other social security benefits (e.g. Working Tax Credit) so that people no longer need financial assistance with their rent.

These measures have led to a decrease in the numbers of people claiming Housing Benefit. However, the quality of service those fewer claimants actually receive is a matter for concern, and is causing even greater problems for the Government.

It should be noted that “Although the cost of housing benefit has grown considerably in real terms since 1988/9, this has been offset by a reduction in spending on other housing subsidies. In other words, there has been a shift of expenditure within a stable overall total.” (*Housing Benefit: Time for Reform* by Professor Peter Kemp, Published by Joseph Rowntree Foundation 1998). Over the last twenty years Housing Subsidy for local authorities and Social Housing Grant for RSLs has reduced, pushing rents up. This has contributed significantly to the increases in the overall cost of Housing Benefit.

Changes to Housing Benefit have adversely affected private tenants living in the deregulated private housing market. This has created a lack of equity between these claimants, and other recipients of housing benefit.

Over the last 10 years, the Government has made numerous changes to the scheme, often in order to control expenditure or to target fraud. However, the frequency and complexity of these changes mean that some local authorities are finding the scheme increasingly complex and difficult to administer. This has led to the service provided worsening – and a record level of complaints about poor administration.

In the final section, we look at the Government's plans to try and improve the Housing Benefit service.

8. The Future of Housing Benefit

In this Block, we have looked at how Housing Benefit is used to subsidise individuals who are unable to pay their rent. You will have noted that the role of Housing Benefit as a form of subsidy has been enlarging since its introduction in 1982. The Government is concerned about the cost of Housing Benefit, and is trying to reduce the level of expenditure, by combating fraud and improving administration. So, what do they plan to do?

On 4 April 2000, the Government issued a Housing Green Paper called *Quality and Choice: A Decent Home for All*. The paper dealt with most areas of housing policy, and included the role of Housing Benefit.

The Green Paper acknowledged many problems with Housing Benefit:

- delivery is complex, confusing and time consuming;
- benefit rules are complex;
- performance of local authorities is inconsistent;
- administration problems leads to rent arrears and evictions;
- fraud and error cost £840 million per year;
- Housing Benefit acts as a barrier to getting back into work;
- Housing Benefit can be exploited by landlords

The Green Paper suggested that what was needed is:

- improved customer services;
- reduced fraud and error;
- improved work incentives;
- better administration;

Many organisations commented on the proposals within the Green Paper. This resulted in a Housing Policy statement issued in December 2000. This confirmed that the policy intention of the Government is to:

- raise standards in administration;
- promote work incentives;
- reform the 'single room' rent restrictions for under 25s (this was implemented in July 2001);
- set up expert teams to help struggling local authorities and improve the situation of registered social landlords;
- raise standards and link these to funding;
- simplify the claims process;
- simplify the numerous transitional protection schemes.

Since this Policy Statement, the Government has implemented:

- additional funding for authorities who adopt the Verification Framework;
- performance standards for local authorities;
- additional funding to help local authorities to meet their performance standards;
- schemes allowing Registered Social Landlords to be involved in checking/verifying housing benefit claims – to assist in speeding up the process;
- new regulations allowing DWP staff to collect relevant evidence/documentation for use by local authority staff when processing Housing Benefit claims; and
- simplified claims process from April 2003.

A number of procedural changes have already been made. For instance, the government has (since 2004) reduced the numbers of occasions on which claimants have to make a fresh claim for HB, requiring them instead to report a change of circumstances.

Since October 2003, the Government has been piloting a scheme of Standard Local Housing Allowances in 9 local authority areas: Blackpool, Brighton and Hove, Conwy, Coventry, Edinburgh,

Leeds, Lewisham, North East Lincolnshire, Teignbridge. These were joined in the summer of 2005 by a further nine: Argyll and Bute, East Riding, Guildford, Norwich, Pembrokeshire, St Helens, Salford, South Norfolk, Wandsworth.

In these pilot areas, private tenants receive a flat rate payment of Housing Benefit, irrespective of the amount of rent they pay. The idea is that tenants whose rent is lower than this will keep the extra cash, while tenants whose rent is higher will be prompted to negotiate a lower rent with their landlord, or move to a cheaper property. Clearly, a critical issue is the level of the flat rate. The Government's long-term plan is to introduce these flat rate housing allowances throughout the country, including within the social housing sector.

The aim is to simplify the system and aid speedy administration. The present system has to relate two variables – the tenant's circumstances and the rent level. This is time-consuming to calculate, and too easy to get wrong. A flat rate would be much more straightforward to administer. The 'down' side, though, is that it is rough justice: some tenants who find themselves in property with a rent above the flat rate may not find it easy or convenient to move, or straightforward to negotiate with their landlord, and may end up out of pocket.

A further dimension of the pilots is that, other than in exceptional circumstances, the HB payment is made to the claimant, not as frequently is the case at present, to the landlord. This issue has been much discussed: some argue that the tenant is entitled to the payment and will take pride in actually paying the rent, moreover they will have a proper sense of the value of their home; others foresee higher rates of rent arrears and evictions, in part because rent levels mean that the sums of money paid in HB are so high. It is worth noting that only in the UK can help with the rent cover 100% of the costs; some contribution is required of the tenant in all other European countries.

Despite the pilots, the government committed itself in the Green Paper not to make widespread changes to HB until rent restructuring for RSL and local authority tenants was nearing completion (in 2012). There should be time, therefore, for a full assessment to take place of the local housing allowance proposals.

In conclusion, the Housing Benefit system remains in need of urgent attention.

You should be aware of the ongoing debate, and take note of what progress is made in these areas.

B. Rent Controls

Rent controls are, in effect, a compulsory subsidy from private landlords to their tenants. For many private tenants, this has been a major source of subsidy, which reduces their housing costs. Until 1989 all housing association tenants received this subsidy also.

The **1988 Housing Act**, and the **Housing (Scotland) Act** abolished rent controls for virtually all new (assured) tenancies. However, rent controls still apply to all pre-existing *regulated* (private sector) and *housing association* secure tenancies.

1. History of Rent Controls

(a) Control and decontrol

Rent controls have been in force more or less continuously since 1915, though the range of private tenancies to which they applied have varied over time. They were introduced, initially, as a *temporary* response, to control rent levels which were rising rapidly during wartime. In order to ensure that the controls were effective, *security of tenure* was also introduced. The controls *froze* rents at pre-war levels.

From 1919, *new dwellings* were de-controlled, and all new lettings were excluded between 1923 and 1933. The Second World War saw the re-introduction of general rent controls, and it was not until the **1957 Rent Act** that there was any serious attempt to remove controls.

(b) The 1957 Rent Act

This Act de-controlled all *new lets*, as well as properties with relatively high rateable values. The rents for remaining controlled tenancies would be based on *rateable value*.

You have already met the term *rateable value* in the block on local authority finance. This value was intended to reflect the annual *rental value* of the property, and it was used by local authorities as the basis on which they assessed an occupier's liability to pay rates – the local tax.

Since the rateable values were re-assessed very infrequently, during periods of rising inflation, they rapidly moved out of line with actual property values. This resulted in the abolition of rates and their replacement with what proved to be an even more unpopular tax, the Community Charge. The Council Tax replaced the Community Charge in 1993.

(i) The effects of the 1957 Rent Act

The government hoped that de-control would reverse the decline in the private rented sector, but, in fact, the reverse was true. Properties were removed from the sector at an even faster rate - from an average decline of 180,000 dwellings per annum from 1951 to 1956, to an average of 200,000 per annum between 1956 and 1960 (Stewart Lansley, *Housing and Public Policy*, 1979).

The intention was also to encourage a better state of repair in the private rented sector, by offering better returns. In reality, however, landlords simply did not want the continued repair burden of owning an old property.

According to J.B. Cullingworth, in *Essays on Housing Policy* (1979):

“Decontrolled houses were generally sold, and rent increases in houses remaining under control encouraged tenants to buy rather than pay the higher rents. Landlords carried out few repairs, and most of these were minor.

Nevertheless, the Act encouraged the improvement of old property in a roundabout way, unexpected by its framers. Higher rents for privately rented property narrowed the price gap between poor and good housing and thus destroyed the “bargain element” of the former. Tenants were therefore stimulated to seek better housing, and many of them bought previously rented dwellings which they then improved themselves.”

Activity 4

In what ways is it suggested that the 1957 Rent Act resulted in better repaired properties (though not as anticipated by the government)?

Time allocation: 5 minutes

The point here is that the process was not as envisaged by the government. They had anticipated that by permitting landlords to charge higher rents, they would be encouraged to remain in the sector and to improve their properties. For the most part, this did not happen. Landlords were not induced to spend more on repairs, nor to remain in the sector. Instead, they preferred to rid themselves of the rented properties by selling to owner occupation. Many tenants were encouraged to buy, rather than pay higher rents, especially for poorer quality dwellings. And these new owners themselves improved the dwellings.

(ii) Rachmanism, and further legislation

The removal of controls was seen as a key factor in the subsequent emergence (or discovery) of *Rachmanism*, named after the landlord at the centre of claims of harassment, and exorbitant rents for slum properties.

As a result of this scandal, the new Labour Government introduced the **Protection from Eviction Act of 1964**, and *fair rents*, for unfurnished tenancies, with the **Rent Act of 1965**. These were extended to furnished tenancies only with the **1974 Rent Act**, but this Act also distinguished between resident and non-resident landlords. Tenants of resident landlords were offered less security of tenure, and were excluded from the fair rent system. Existing rent legislation was later consolidated, in the **1977 Rent Act**, and it is this system of rent control which, essentially, survives today.

So, what exactly are fair rents? And how significant has been the subsidy which these, effectively, require of landlords?

2. The 1977 Rent Act: Fair Rents

Private and housing association tenancies which began *prior to* 15 January 1989 are, in general, subject to fair rents.

Section 70 of the 1977 Rent Act indicates the principles which Rent Officers should apply when determining what a fair rent is.

The principles for determining the fair rent

- (a) Regard shall be had to all the circumstances (other than personal circumstances), and in particular to:
- the age, character, locality and state of repair of the dwelling house;
 - if any furniture is provided, the quantity, quality and condition of the furniture.

- (b) It shall be assumed that the number of persons seeking to become tenants of similar dwelling houses in the locality, on the terms (other than the rent) of the regulated tenancy, is not substantially greater than the numbers of such dwelling houses which are available for letting.
- (c) The rent officer must disregard:
 - any disrepair or defect attributable to the tenant;
 - any improvement carried out by the tenant;
 - any improvement to the furniture by the tenant, or deterioration due to ill treatment by the tenant;
 - the personal or financial circumstances of the landlord or tenant.

Activity 5

With reference to the principles by which fair rents are determined, attempt to answer the following:

1. What do you understand “personal circumstances” to mean?
2. Look at point (b) of the principles again. In what way is this assumption unrealistic, for most localities?

continued...

3. What do you think will be the effect of this assumption, on the assessed rent levels? (Will it cause rents to be higher, or lower, than rents which are freely determined by landlords)?

Time allocation: 15 minutes

The significance of these principles is that:

1. Rent Officers are *specifically excluded* from considering the personal circumstances of the tenants, when determining fair rent. This means, crucially, that they cannot consider the *financial* circumstances of tenants - the rent they can *afford* to pay. Nor can they consider other sorts of personal factors, such as health, disability, or family size. In other words, the rent is not, in any way, set by reference to the particular tenant.
2. The assumption in point two is unrealistic, because it assumes that there are *no shortages of dwellings*. The numbers of households seeking rented homes are assumed to be the same as the numbers of dwellings available. This is very seldom the case. In most localities, demand greatly exceeds supply. There are far more people seeking accommodation than is available. Hence, there are long waiting lists for local authority homes, and there are growing problems of homelessness.
3. What is the effect of this on rent levels? Think about what happens to the price of anything which is in short supply. The more people want it, the more the price will be pushed up. When rented homes are in short supply, landlords will, in the same way, be able to charge more. *Market* rent levels will rise. So, the effect of assuming no shortages is to assume away the upward pressure on prices. As a result, the *fair rent* is likely to be well below *market rents*. So, landlords are being prevented from charging the rent they might, ordinarily, expect to get. They are forced to let at lower rents, and so are effectively subsidising their tenants.

2.1 The registered rent and appeals

The determined fair rent is the registered rent, listed in the Rent Register. This may be consulted by anyone. If either the tenant or landlord disagrees with the rent assessed by the Rent Officer, they may appeal to the *Rent Assessment Committee*. According to Andrew Arden, in the *Manual of Housing Law*, (1989), Rent Assessment Committees usually set *higher* rents than a Rent Officer, in the order of 10% more. For this reason, it is the landlord who is more likely to appeal than the tenant!

2.2 How do registered rents compare to market rents?

(i) Average rents to 1988

Tricia Dodd's survey of *Private Renting in 1988* (HMSO, 1990) found that average rents for regulated tenants with a registered rent were £26 weekly, compared with an average for assured and shorthold (largely post 1989) tenants, of £48. This suggests that a very large subsidy was being provided by private landlords, with regulated tenants on registered rents. However, it should be recognised that the *numbers* of households on assured tenancies were, at this time, still quite low. It is only since the 1988 Housing Act, when the use of assured tenancies was extended to virtually all new tenancies, that the proportions of tenants on assured tenancies has grown considerably.

(ii) Fair rents since 1988

Over recent years, the average fair rent has been rising, *above* levels of inflation. In other words, fair rents have been rising in *real* terms. For example, in 1985/6, the average registered rent for an unfurnished regulated tenancy was £17.44. By 1990/1, it had risen to £27.58. (DoE *Annual Report*, 1991). By 1996 the figure was £49.90.

Registered rents may be reviewed after two years. There have been recent examples of increases, on review and re-registration, exceeding 50%. If these sorts of increases continue, it seems likely that fair rents will match market rents within the next few years. In 1996 the average market rent was £68.39. Once that occurs, the fair rent legislation will cease to have relevance. Landlords will no longer be subsidising tenants through controlled rents.

(iii) Why should this be happening?

According to Stephen Bryant of the Institute of Rent Officers, scarcity is no longer a problem in many areas. If this were true, then fair rent levels should equal market rent levels. However, in the current context of rising waiting lists and homelessness, this is unlikely to be the full answer!

Perhaps this needs to be viewed in the current context, of government policies which have the effect of pushing local authority and housing association rents upwards, toward market rent levels. You have already examined the operation of these policies, in terms of the way funding is provided, in Blocks 2 and 3. It is entirely consistent that private rent levels should, likewise, be levered upwards.

2.3 Who benefits from fair rents?

(i) What proportions of tenants benefit from fair rents?

In 1988, 26% of all private sector lettings were regulated tenancies with registered fair rents. By 1990, this proportion was down to 18% Since then, virtually all new tenancies have been assured. The proportions of tenants benefiting from rent controls has continued to fall.

There are significant proportions of tenants in regulated tenancies *without* registered rents. However, we cannot assume that they are, necessarily, paying more than the fair rent. In many instances they may well be paying considerably less, because the rent has not been reviewed for many years. This group were 33% of all tenants in 1988, but had declined to 15% by 1990 (*Roof May/June 1992*).

In contrast, by 1990, some 20% of tenants were already on (post 1988) assured tenancies, with a further 8% assured shorthold. So it is clear that most private sector tenants did not benefit from the subsidies offered by rent controls, and they are in any case a rapidly declining proportion, as the table below shows.

Types of letting in the private rented sector

Type of letting	Exclusive of non-private lodgers				Inclusive of non-private lodgers									
	1988	1990	1993/94	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
Assured	-	360	375	378	367	374	331	321	254	275	213	272	380	
Assured shorthold	-	140	825	826	877	945	1,074	1,165	1,223	1,241	1,221	1,233	1,114	
Protected shorthold & pre-89 assured	60	40	-	-	-	-	-	-	-	-	-	-	-	
All assured	60	540	1,199	1,204	1,244	1,319	1,406	1,486	1,478	1,517	1,434	1,505	1,494	
Regulated, registered rent	470	320	245	245	172	167	128	121	107	79	62	66	68	
Regulated, unregistered rent	600	270	162	162	139	105	114	84	81	75	60	51	59	
All regulated	1,070	590	407	407	311	272	242	205	188	154	122	117	127	
Not accessible to the public, rent paid	240	230	146	146	187	204	193	141	156	215	180	112	151	
Not accessible to the public, rent free	270	250	230	230	244	223	223	208	231	229	202	196	200	
All not accessible to the public	510	480	375	375	431	428	417	349	387	444	382	308	351	
Resident landlord	110	90	73	158	181	209	198	178	169	151	192	162	169	
No security	60	90	22	22	30	26	18	38	25	40	56	38	50	
Total	1,810	1,790	2,077	2,166	2,197	2,254	2,280	2,255	2,247	2,305	2,186	2,129	2,190	

Sources: Housing in England, 1996/97 & 2003/04, Office for National Statistics, and preliminary results from the Survey of English Housing 2002/03, Office of the Deputy Prime Minister.

Notes: 'Non-private lodgers' are lodgers who are members of owner-occupier or social rented sector households. Such lettings were not identified in the 1988 and 1990 surveys. Lettings not accessible to the public include tied tenancies, lettings of student residences, and lettings at low rents to friends and relatives. Pre-1989 protected shorthold lettings have been grouped with the various forms of assured tenancies, but legally they are a form of regulated tenancy.

Source: UK Housing Review 2004-05 (CIH and Council of Mortgage Lenders).

The majority of the remaining regulated tenancies are held by elderly people, often female. These private tenants frequently depend heavily on State benefits despite the subsidy provided by their rent control.

3. The Effects of Rent Controls

3.1 Landlords and housing conditions

The most common type of landlord is an individual, who is non resident. These individual landlords are not necessarily wealthy. As we have already noted, a large proportion of dwellings with regulated tenants - those still subject to fair rents - are old. For example, no less than 61% of dwellings in the English private rented sector were built before 1919 (*English House Condition Survey*, HMSO 1991). Repair costs are, therefore, potentially high, but there is little incentive for landlords to repair, due to low returns. The result is a sector with the greatest problems of house condition. The means-testing of house improvement grants is unlikely to help this situation!

The *English House Condition Survey* of 2001 (HMSO) showed that 10.3% of homes in the private rented sector in England were unfit, (i.e. lacking a basic amenity or in urgent need of repair). This proportion was notably higher than in all other sectors (owner occupation 2.9%; local authority 4.1%; and housing association 3%).

The closest equivalent ‘snapshot’ for Wales dates from 1997/98 when 18.4% of private rented housing was considered unfit (compared to 7.6% of owner occupied housing and 8.2% of social rented). In Scotland, in 2002, private rented housing below tolerable standard was at 2.5%, compared with owner occupied 1% and social housing 0.4%. (Figures from *UK Housing Review 2004-05*.)

3.2 Who is worse off as a result of rent controls?

The cost of the rent control “subsidy” may not be borne by the current landlord. If the property was purchased *with a sitting tenant*, on a registered rent then the price paid will have been very much lower than for the equivalent vacant property. The price paid would reflect the expected returns from renting. So, if low returns were expected, a correspondingly low price would be paid.

Activity 6

In the situation described above, where the current landlord has paid a low price for a tenanted property, try to identify who is actually worse off as a result of the controlled rent.

Time allocation: 5 minutes

Clearly, it is ***not*** the current landlord who purchased in the full knowledge of current returns.

The person actually made *worse off* as a result of rent controls will have been a previous landlord, who purchased the home *without a sitting tenant* on a controlled rent. When this landlord sold, but this time *with* a sitting tenant, the price obtained would be lower.

This reduction in the capital value of the property, as a result of it being let at a controlled rent, arises because of rent controls (as well as security of tenure). So, the person made worse off by rent controls is the *past* landlord, not the current one.

3.3 Ways out for landlords**(a) Selling**

Landlords who wish to withdraw from renting, but who seek a price which does not reflect controlled rents, must generally wait until their tenant leaves. We have already noted that most of the ex-privately rented stock has been sold to owner occupation.

(b) Change of tenure

There has also been an expansion of *non-tenured* accommodation which is not subject to rent controls. These include bed and breakfast, and holiday lets which permit landlords to avoid the disadvantages of granting a secure tenancy.

(c) Harassment of tenants

Almost inevitably, some private landlords responded by trying to harass tenants to leave. The *Private Renting* survey in 1988 found that 10% of tenants had withstood an attempt to make them leave. (We do not know, of course, how many had failed to withstand such attempts). This rose to 38% for single parent families.

A *Shelter* report, by L Burrows and N Hunter (*Forced Out*, 1990), found evidence to suggest that harassment was *increasing* in some local authority areas. In addition, officers felt that many cases of harassment were not being brought to the attention of local authorities (who can instigate criminal prosecution proceedings against the landlord). In these circumstances it is impossible to assess the extent of the problem of harassment.

3.4 Turnover in the private rented sector

The private rented sector has declined in the late 1990s. An upturn in the housing market enabled 'reluctant' landlords to sell.

In January 1996 new restrictions on the maximum rent levels eligible for housing benefit were introduced. These restrictions adversely affected the profitability of the private rented sector catering for tenants dependent on benefit.

Turnover in the sector is high and this is reflected in the rapid growth of the numbers of assured tenancies. The remaining numbers of regulated tenancies continue to dwindle.

Self Test 1

1. *Who can claim Housing Benefit?*

2. *What is 'notional' income from capital?*

3. *Why is it increasingly difficult for Housing Benefit claimants to rent in the private sector?*

4. *According to Cullingworth, Essays on Housing Policy, how did the 1957 Rent Act unexpectedly have the effect of improving housing stock?*

5. *Which Act is the basis of the present system of rent control?*

6. *In determining a fair rent, what must a Rent Officer take into account, and what must be disregarded?*
7. *What kinds of household predominate in privately rented fair rent tenancies?*

Now turn to the Answers at the end of the Block.

Summary

1. Housing Benefit is a direct payment to all tenants on low incomes.
2. It is administered by local authorities.
3. It is very complicated to calculate, and details of the applicant's rent, income and dependants are required.
4. It has steep 'tapers', creating unemployment and poverty traps.
5. Local authorities find Housing Benefit difficult to administer efficiently.
6. Another important source of "subsidy" for private tenants is controlled rents. There has been some form of rent controls since 1915.
7. Fair Rents are based on the age, condition, locality, etc. of the dwelling. They are not set with reference to the tenant's or the landlord's circumstances. Rent Officers must disregard any local shortages of housing to rent. Hence, fair rents may be below market rents.
8. Fair Rents have been rising above levels of inflation, over the past few years.
9. A minority of tenants benefit from fair rents. However, other unregistered rents may be lower, as a result of the possibility of controlled rents.
10. Most tenancies granted since the 1988 Housing Act are assured, outside rent control. The proportions of tenants with fair rents has declined further, over time.
11. Tenants with regulated tenancies, with or without registered rents, pay high proportions of their income for housing.
12. The condition of 10% of private rented sector homes is very poor, partly because low returns mean that there is little incentive to spend on repairs.
13. The current landlord may have paid a price for the property which reflected the low returns available. In this event, it is a previous landlord who has effectively borne the cost of the "subsidy", which rent control gives tenants.
14. The desire to obtain a vacant property, which can be sold at a higher price to owner occupiers, may result in the harassment of tenants.

C. Mortgage Benefit (In Income Support and Income-Based JobSeekers Allowance)

1. Introduction

Income Support and Income Based JobSeekers Allowance are the general benefits available to those not in full-time work. They are payable to individuals (or couples) who are unemployed or working part-time. We do not intend to examine this system in any detail, but owner-occupiers can claim help with mortgage costs, as part of Income Support or Income Based JobSeekers Allowance. We will call this mortgage benefit.

An amount for mortgage payments can be added to the Income Support or Income Based JobSeekers Allowance applicable amount. However, not all loans qualify for help. The amount that is paid is calculated in a special way, and is only intended to cover interest. There are often restrictions on when payment starts from, and is usually paid direct to the lender. Effectively, this is the only help with mortgages available through the social security system.

2. Who Qualifies For Mortgage Benefit?

Full-time work is defined as more than 16 hours per week. No help is available for mortgage interest through Working Families Tax Credit (which is for people with children, working over 16 hours per week). Owner-occupiers working more than 16 hours per week (although their partners may work up to 24 hours) are not entitled to Income Support or Income Based JobSeekers Allowance, and therefore help with mortgage costs. Those who do not meet these criteria can either try to manage without help or cut their working hours (and earnings) to become eligible for these benefits. However, if they are thought to be doing this to take advantage of the benefit system, any extra benefit may not be paid. These are the same dilemmas that face some tenants in deciding whether they will be better off in or out of work.

Not surprisingly, people on low incomes often have difficulties in understanding the system. There are several restrictions on payment, and different rules can apply according to circumstances. The differences in help with housing costs works for owner-occupiers and tenants led to a call by the influential housing research organisation, the Joseph Rowntree Foundation, for a unified Housing Benefit system for both groups.

Whether or not people are able to cope with problems in paying their mortgage depends on a number of factors, apart from the housing market. Two of the most important are the attitude of the courts to people defending possession actions by lenders and the effectiveness of the safety net provided by the social security system. The continued lack of any benefits to meet the housing costs of owner-occupiers working full-time makes it more difficult for people whose income falls whilst they retain their jobs to keep their homes. It also leaves a big gap in the government's policy of encouraging the unemployed into work. It is inevitable that some owner-occupiers have to take work at insufficient pay to meet their housing costs. With no benefit entitlement, arrears and repossession do result.

Restrictions on the payment of Income Support and Income Based JobSeekers Allowance for mortgage interest limits these benefits to providing assistance to those who are unemployed or unable to work. This is particularly significant since most arrears are caused short-term, with the borrowers returning to work in 6 months or less. Widespread discussion of alternative assistance such as mortgage rescue, a specific mortgage benefit (like Housing Benefit), and flexible tenure have not been progressed by government.

3. Income Support, Income Based JobSeekers Allowance and Housing Debt

Income Support and Income Based JobSeekers Allowance do not cover the whole of mortgage payments. Help is available for interest on the loan(s) but not for capital repayment or the cost of associated insurance premiums – such as for endowment mortgages. This means that the insurance element will not be paid for those with an endowment mortgage. The whole cost of the insurance premium must be found by the borrower. Lenders may be prepared to accept interest-only payments for a while, but longer term the situation becomes bleaker.

The weekly housing costs which are paid through the benefits system are worked out using a special formula. Not all of the loan will always qualify for help, and restrictions may be made based on the personal circumstances of the owner-occupier. A standard rate of interest is used, not what is actually paid. This is set by the Benefits Agency and in August 2001 was 6.65%. If repayments are higher because the lender charges a higher rate of interest, the shortfall has to be met by the borrower. (Different rules apply for those with an interest rate of less than 5%, such as those with low start mortgages.)

If a loan is for more than £100,000, then payments from benefit will – with very few exceptions – be restricted to this amount. Payment can be restricted even for lower amounts if the loan is considered too high for the owner-occupier.

3.1 Reduced payment during the first weeks of a claim

Mortgage interest through Income Support or Income Based JobSeekers Allowance will not usually be paid for a number of weeks, even where somebody is otherwise eligible for help. This is known as the “waiting period”. It is money that is not paid later either.

Payment can be made straight away to those aged 60 or over. Most other people will not get any help initially. It is the borrower’s responsibility to make up any shortfall. It was argued that the previous system, which allowed payments at an earlier stage, was a “discouragement for owner-occupiers to return to work” (*Social Security White Paper 1985*), although the evidence to justify this was limited, and has not been proven since.

For loans taken out on or before 1 October 1995, nothing is paid for the first 8 weeks of a claim. Then, 50% is paid for the next 18 weeks. Full housing costs (subject to the other restrictions detailed elsewhere) will be paid after 26 weeks on Income Support or Income Based JobSeekers Allowance.

If the loan was taken out on or since 2 October 1995, nothing is paid for 39 weeks. Full housing costs (subject to the other restrictions detailed elsewhere) will be paid after 39 weeks on Income Support or Income Based JobSeekers Allowance. There are limited exceptions to this rule for some lone parents and carers – who are subject to the restrictions described in the previous paragraph. (Remember these restrictions do not apply to those aged over 60 in any event).

It means that, for up to 9 months, borrowers claiming Income Support and Income Based JobSeekers Allowance cannot get mortgage benefit. They have to find interest payments from other sources. This may be possible if they have savings. But there are restrictions on the level of savings which are allowed for those on Income Support and Income Based JobSeekers Allowance. Further, few households with previously low incomes will have much saved. Hence, these households are most at risk. They can start slipping into arrears as soon as they become unemployed.

The 1995 changes were intended to encourage owners to take out private insurance. This has not happened. There have been a number of estimates of the proportion of mortgagors who “should” have MPPI. The Council of Mortgage Lenders refers to a target of around 50% of mortgagors. In 2000, the best estimate was that only 17% of borrowers take out Mortgage Payment Protection Insurance (*CML Research Report No. 25*, 2000). The detail of policies in some cases is not understood by consumers and restrictions on their coverage are often so wide as to provide inadequate security.

Estimates of the cancellation of MPPI policies range between 9-15% per annum. Cancellations result from factors such as a lack of affordability; rejection of claims; perceptions that policies are poor value for money; a reassessment of personal circumstances; and redemption of the mortgage.

Activity 7

Think about the implications for an owner-occupier unable to claim Mortgage Benefit for up to 39 weeks. Which households will be worst affected?

Time allocation: 5 minutes

3.2 The Housing Market

The market went through a transition in the late 1980s and early 1990s. During the period of recession, it was characterised by greater caution from lenders and borrowers; later entry into home ownership; and a changing attitude towards buying a house, where the property was seen less as an investment and more as a home. As the market expands again, such reservations become diluted.

The growth in home ownership has meant that the sector has become increasingly socially and economically diverse in recent years. Home owners now represent 40% of all households in the poorest 5% of the population. In addition, the number of older owner-occupiers will increase substantially in the next 15 years.

The balance of evidence is now acknowledged to indicate a less secure world for mortgagors and home-ownership. Overall, mortgagors are more likely than previously to experience a period of unemployment, to be in low-paid work, in a temporary job, and/or to be involved in a relationship breakdown. In turn, this has led to a growth in the numbers of people who own a home but who are classified as being in poverty.

Most home-owners in poverty are households that were previously better off but have fallen on hard times because of unemployment, ill health, retirement or the breakdown of a relationship (*Half the Poor: Home-owners with Low Incomes* – Council of Mortgage Lenders).

The majority of households in poor repair are in home ownership (although proportionally disrepair is more likely in private rented property). This disrepair is very unevenly distributed, with severe concentrations, especially in urban centres. The housing market does not encourage proper repairs and maintenance.

3.3 Repossessions

The vast majority of owner-occupiers live in houses or flats which have mortgages or loans secured on them. During the 1970s and 1980s, home ownership expanded rapidly, increasing in size from just under half of all households in 1971 to over two-thirds (68%) in 2000. This growth was fuelled by a powerful combination of factors: demographic changes which have caused an increase in the number of households; deregulation of financial services; strong governmental incentives (in particular the sale of council stock); and house price inflation. This has been accompanied by a much greater increase in those experiencing difficulties in keeping up with their mortgage payments.

This boom was followed in the late 1980s and early 1990s by a recession. House prices fell by an average of 15% and considerably more in some areas. Arrears and repossessions reached record levels in 1991/92. Since that time, the home ownership market has stabilised: house prices are increasing again, and the numbers in negative equity fallen. Although the number of repossessions is also falling, 6,820 people had their homes repossessed in 1982 by mortgage lenders; this went up to a record high of 75,000 in 1991, but by 2003 this was back down to a tenth of that figure (7,600).

The figures for repossessions should not be considered in isolation. At the end of 2000, the number of mortgages in arrears (of over 12 months) was 18,830. Those in 6-12 months arrears were 45,680, and households with 3-6 months arrears were 91,630. Put another way, over 150,000 mortgages were more than 3 months in arrears.

3.4 Direct payment of mortgage benefit

Concern from mortgage lenders about rising levels of arrears and repossessions among owner-occupiers prompted legislation to ensure direct payment to lenders. There were two components: direct payment of mortgage benefit to lenders; and a mortgage-to-rents scheme. The Council of Mortgage Lenders argued that many owner-occupiers were failing to pass on benefit payments designed to cover housing costs to the lenders, and argued that direct payments to lenders would reduce repossessions. This was intended to reduce the numbers of repossessions by 40,000 a year (*Council of Mortgage Lenders; and cited by the (then) Chancellor of the Exchequer*). The extent to which these claims were valid is the subject of debate.

When Income Support or Income Based JobSeekers Allowance are claimed, mortgage interest payments are usually paid direct to the lender. The only exceptions are where the lender is not in, or has opted out of, the mortgage payments scheme. Borrowers have to make up themselves any shortfall in interest payments they are not entitled to. If borrowers are in mortgage arrears when they start receiving help with their interest payments, no amount towards the arrears is paid from or can be deducted from benefits if the lender is covered by the mortgage payments scheme.

3.5 Other help from the benefits system

Council Tax Benefit (to cover Council Tax) is payable to those on low incomes or who are receiving Income Support or Income Based JobSeekers Allowance. Some help from the Social Fund may be available to some people in these groups. However, entitlement is extremely limited for those not on Income Support or Income Based JobSeekers Allowance.

Housing Benefit is paid to people who pay rent to occupy their homes. Most home owners cannot therefore qualify for Housing Benefit. However, some home owners are partly buying and partly renting their homes under a “shared ownership” arrangement. Housing Benefit can be claimed for the part being paid as rent under such a scheme.

4. Mortgage-to-Rent Schemes

Each lender has the discretion to devise a scheme for allowing its borrowers to convert their mortgages into rents – that is, transfer from being an owner-occupier to tenant. These schemes are set up by lenders (usually Building Societies or Banks) as an alternative to seeking possession. Schemes allow borrowers to remain in their homes as tenants, or on a shared ownership basis.

One option to assist occupiers of shared ownership property is to allow them to sell back shares of their property and thus rent a greater proportion of their home. This provides owners with a means of equity release. It also helps to prevent arrears and repossessions, with the potential to allow owners to become full tenants (with corresponding entitlement to Housing Benefit) without moving.

Mortgage rescue schemes have their origins in the repossession crisis. Few have been successful. In general, mortgage rescue schemes are complex and only ever help a small number of borrowers.

Possibly one of the main problems with such schemes is that the underlying cause of the problem does not go away. For example, arrears may have been caused by divorce or illness. If sources of income have been reduced, or disappeared as a result, flexibility in the form of mortgage rescue schemes does not necessarily represent a solution.

4.1 The schemes

There is no overall scheme, so the individual schemes that have been introduced by different lenders have different rules. These are some of the methods introduced:

- (a) The lender gives loans on generous terms to a Housing Association who buys the property. The occupant then becomes a tenant of the Housing Association.
- (b) The lender buys the property and manages it, or contracts the management out, for example, to a Housing Association.
- (c) Mortgage to shared ownership schemes: the lender offers the occupant the option to become a part tenant, part owner, with a further option to buy back the full equity in the property if their situation improves.

4.2 The impact of mortgage-to-rent schemes

Lenders have found the schemes very difficult to set up and administer because they raise legal, financial and administrative problems. The schemes do not cover “undeserving defaulters”, or people who have a lot of debt other than their housing debts, so many people threatened with repossessions are not eligible anyway.

When introduced in 1992, UBS Phillips and Drew (*Housing Market: Economic Time Bomb*) argued that schemes would have “only a marginal beneficial effect”. Since then, although repossessions have gone down, this is most likely to be as a result of lower interest rates, greater caution by borrowers in their spending, and lenders’ use of repossession as a strategy.

5. Conclusion

Although the ravages of the early 1990s on the housing market have now subsided, this does not mean that the responses that were put in place to address the problems created should be given the credit or that these responses met the political and economic challenges that surround home ownership for borrowers, lenders or the government. It would certainly be difficult to argue that they represented a systematic or effective strategy for such a key area of social policy.

Indeed, as the headlines have disappeared, and repossessions fallen from their peak, the interest of successive governments in those still in trouble has fallen from the agenda. When the next downturn in the housing market begins, and/or the rate of repossessions increases, it is unlikely that any of these measures will be shown to have had a lasting impact. Instead, a new set of legislation will, no doubt, have to be introduced.

Self Test 2

1. *Who is eligible for ‘mortgage benefit’?*
2. *What are the most important restrictions on the payment of benefit to help with mortgage interest?*
3. *How can mortgage-to-rent schemes solve the problems of those with mortgage arrears?*

Now turn to the Answers at the end of the Block.

D.Home Improvement Grants

1. Introduction

Since the 1940s, there have been attempts to avoid wholesale demolition and redevelopment of older housing areas by giving financial help to owners to improve their properties. These schemes were extended in the early 1970s.

Home improvement grants were generally of two types:

- (a) mandatory - grants which a local authority had to pay; and
- (b) discretionary - grants which were paid at the discretion of the local authority.

These grants were not means-tested. They were available to all, dependent only on the condition of the property. However, in England and Wales, a new means-tested system was introduced in 1990. This was further modified in 1996 and the new system introduced in 1997. This placed a greater emphasis on means-testing and mandatory grants were only available to the disabled.

2. Improvement Grant System

The present system of grant aid for housing grants is included in the **Housing Grants Construction and Regeneration Act 1996**. These grants are means-tested, and the means-test is in line with that used for Housing Benefit. (Where means-tested benefits are referred to this means Income Support, Income-Based JobSeekers Allowance, Housing Benefit, Council Tax Benefit, Working Families Tax Credit and Disabled Persons Tax Credit).

All grants are discretionary, except for the disabled facilities grant, which is mandatory.

Grants for basic home insulation are available to those receiving means-tested and some other benefits. These are available as part of the Home Energy Efficiency Scheme (HEES). Help is available to those over 60, although a full grant is only available to those receiving benefits.

3. Types Of Grant

There are now the following different types of grant assistance:

- **Renovation grants:** discretionary grants available for improvement, repair or the provision of dwellings through conversion. Only one application for a renovation grant can be made where it is to cover more than two properties. Each property is treated separately for the requirements relating to renovation grants and the grant is apportioned between them.

The applicant must hold a freehold estate in the property or a leasehold interest with at least five years to run. An applicant lessee must have an obligation under the lease to carry out the relevant works. In practice, only long leases are included within this right. (In virtually all short leases the landlord covenants to repair the property). Council tenants are not eligible.

- **Common parts grant:** discretionary grants for improvement and repair to common parts of buildings let out as flats.

Tenants can apply themselves if all of them have a liability under their leases to carry out, or to contribute to the cost of carrying out, the works. At least three-quarters of the tenants occupying flats in the building must participate in a tenants' common parts application and all must occupy the flats as their only or main residence. Provided there are at least five years to run on all tenant's leases, long and short leases (although not council tenants' leases) are included in this right.

A landlord can also apply for this grant, alone or with the tenants. If a landlord receives this grant as a landlord, they must deduct the grant from their own costs before imposing any charge on their lessees. The landlord must have an interest in the freehold or a lease with at least 5 years to run, and a duty or power to carry out the relevant works – although, in practice, this would be fairly standard.

Unless a disabled facilities grant, council tenants cannot apply.

- **Disabled facilities grant:** available to make a dwelling suitable for the accommodation, welfare and employment of a disabled person. It can be used for dwellings and common parts. The grant can be applied for by a disabled person or someone residing with them (on their behalf).

These grants are available to owner-occupiers or lessees who are registered as a disabled person. Any tenant can apply, including tenants of housing associations. The tenant

does not need to have an obligation to carry out the repairs. A landlord can apply, but if it is for adaptations to common parts, the landlord must have the power or duty to carry out the works. This also applies to tenants. The lease should always be checked for the landlord's consent requirements.

The local authority must be satisfied that the proposed works are necessary to meet the needs of the disabled occupier and are practicable for the age and condition of the property.

Council tenants can apply.

Subject to the applicant meeting the conditions, this grant is **mandatory**. A discretionary grant can be made outside the above requirements if it is for the accommodation, employment or welfare of a disabled occupier.

- **HMO grant** (House in Multiple Occupation): available for improvement works or repairs to houses in multiple occupation. Only a landlord can apply.
- **Group repair**: the local authority manages contracts relating to extended repair of a group of houses collectively not in reasonable repair.
- **Minor works assistance**: Available to home owners or tenants responsible for repairs and who need minor but essential work carried out on their homes to keep them in a habitable condition. Applicants must be in receipt of means-tested benefits, or be aged over 60 or be disabled or infirm

3.1 Grants: mandatory or discretionary

The only one of these grants which is mandatory is the disabled facilities grant. A local authority must give this where the landlord is applying for a disabled facilities grant; or the application is applied for by a disabled person under **sections 23 and 24** of the **HGCRA 1996**. However, even in either of these circumstances it is subject to a means-test.

Applications for all the above grants are subject to a means-test. Any payment of a discretionary grant, although still subject to a means-test, is at the discretion of the local authority.

Discretionary grants may be applied for in order to bring a property up to a higher standard than the basic standard of fitness and necessary for certain purposes.

4. Eligibility and Assessment

An applicant who has or intends to acquire certain interests in a property may apply, but if those interests are not already held, the grant will not be approved until the interest is acquired.

To qualify for a grant, the dwelling or the common parts must have been constructed, or converted, at least 10 years before the application - although this restriction does not apply to a disabled facilities grant.

The local authority must determine whether the property is fit for human habitation. If it is not and the applicant does not have the means to carry out the necessary works, the local authority must give consideration based on the applicant's individual circumstances for a discretionary grant for the works, unless it plans to include the property in a group repair scheme.

4.1 The means-test

The *Housing Renewal Grants (Amendment) Regulations 1997* introduced new means-test provisions. Those whose financial resources under the assessment exceed the amount of grant required for the works receive no grant.

Broadly, income is taken into account as for Housing Benefit. Where income is equal to or lower than an applicable amount, the grant meets the cost of the approved work. Where income exceeds the applicable amount, a contribution has to be paid towards the cost. An additional sum is added to the final income assessment.

Capital of £5,000 or less is ignored. For savings over £5,000, the grant is reduced by £1 for every £250 (or part of £250) over £5,000. (Note that for Housing Benefit the limit of £5,000 would be £3,000).

Owner-occupiers, landlords and tenants all have their financial resources assessed for grant reduction purposes in the same way. But, in addition, for landlords, a personal financial resources test is also used.

If a disabled facilities grant is being applied for, the income of the disabled person is relevant to the assessment.

For common parts grants, the local authority has to decide how much of the cost is attributable to each applicant. The amount of the grant is the aggregate of the individual grants that would have been payable to each applicant following individual means-tests.

4.2 Applications

Applications are made to the local authority. Where help with filling in the application form is needed as a result of disablement, help can be obtained from the local 'Stay-Put' team who will visit the disabled person. Two estimates of the work required will usually be necessary. A plan may also be needed. Planning permission or buildings regulations consent must be applied for separately. The works must have been approved by the local authority before they are begun, unless they are necessary to comply with a statutory notice.

4.3 Carrying out of the works

Usually the works must be carried out by the contractor whose estimate accompanied the application. Works cannot be carried out on a DIY basis. Works must be completed within twelve months of the date they were approved, although this period can be extended if the local authority agrees. Any specifications made by the local authority must be complied with. Appropriate evidence of costs will be required before the local authority makes payment. The obligations for the award of grants are registerable as local land charges, and therefore bind subsequent owners throughout the period of that obligation.

4.4 Residential condition and repayment of the grant

There are certain conditions to prevent windfall profits from grants, mainly concerning continuing occupation of the premises. In certain circumstances, where there is a disposal of the property within 5 years, the owner will have to repay the grant, although the amount of the repayment will be reduced by one-fifth for each year from the date the local authority certified it was satisfied with the works ("the certified date"). However, if the owner is elderly or infirm (at the time they dispose of the property) and they are going to live in sheltered housing, or a residential care home, there is discretion not to seek recovery of the grant.

If it is an application for a renovation or disabled facilities grant, in certain circumstances it is a condition of the grant for the landlord and the tenant that the dwelling is let as a residence for five years. If this condition is breached, the grant will become repayable in full. Likewise, if the property is disposed of with vacant possession within this 5-year period, the grant is repayable in full. However, if the property is occupied, the amount of the repayment will be reduced by one-fifth for each year from the certified date.

Similarly, in the case of common parts and HMO grants, the conditions relating to disposal apply for five years from the certified date. For HMO grants, the flats or rooms must be let on

residential leases or licences and be occupied or be available to be occupied by persons not connected with the owner or their family. Repayment is in full if the landlord disposes of the property within the five years.

Certain disposals, for example, under a will, between family members, under compulsory purchase or disposals of land attached to the dwelling are exempt from the conditions regarding repayment.

4.5 Exclusions

There are certain exclusions from eligibility for grant aid, such as where the property is to be included in a group repair scheme; or where works were completed prior to approval being given - unless a statutory notice has been served or there were other good reasons for starting the works.

However, if a statutory notice has been served in relation to a property not fit for human habitation, a mandatory grant must be made, subject to the means-test.

5. Group Repair

A local authority has scope to enter into agreements with the owner-occupiers or tenants of a group of properties to carry out works to the exterior of properties to put those buildings into reasonable repair. Such works are not eligible for renovation grants.

5.1 Home repair assistance

Grants or practical help for home repair assistance are always discretionary.

Only private sector owner-occupiers and tenants, (including housing association tenants), may apply. Council tenants are not eligible.

The property may be of any age. The applicant must be in receipt of a means-tested benefit. The form which the assistance can take is flexible. For example, it can be for cash or materials to do the work, or for the cost of advice.

The works may be for:

- thermal insulation;
- to help an elderly person stay put (those aged 60 or over only: help may include simple repairs, small improvements and safety/security measures;

- to provide an additional standard amenity (toilet, bath/shower unit, or additional cooking/heating facilities) for an elderly resident; or
- “Patch and mend”, which is only available to people living in a clearance area to carry out minor repairs in order to minimise discomfort before the move is made.

6. The Home Energy Efficiency Grants Regulations 1992 and (Amendment) Regulations 1993

The *1992 Regulations* (as amended) provide for the making of grants for energy efficiency in the homes of people in receipt of means-tested benefits or those aged 60 or over. Those aged over 60 who do not get a means-tested benefit only receive 25% of the grant figure.

Grants are means-tested. There is no upper limit, other than for home repair assistance grants. But, the local authority is budget limited and must use discretion in making grant awards based on the applicant’s individual circumstances.

Local authorities provide application forms. The present system replaces a former Department of Energy scheme. The purpose of the grants is to provide insulation in roof spaces and cold water tanks, draught-proofing and energy advice.

7. The HMO Fitness Standard

An HMO is not fit for the number of people living there if it fails to meet one (or more) of the following and, based on the number of occupiers, as a result it is not reasonably suitable for occupation by the occupiers. It must have:

- Satisfactory facilities for food storage, preparation and cooking, including an adequate number of sinks with a satisfactory supply of hot and cold water;
- An adequate number of suitably located toilets for the exclusive use of the occupiers;
- An adequate number of suitably located fixed baths or showers and wash-basins, for the exclusive use of the occupiers, each provided with a satisfactory supply of hot/cold water;
- Adequate means of escape from fire (subject to certain conditions); and
- Adequate other fire precautions.

8. Designated Defective Housing

Certain properties sold by the public sector – certain system build houses – have been designated defective by the Secretary of State. As the defects have become generally known, their value has been reduced substantially. Freeholders and long-leaseholders who purchased these properties before the cut-off date are entitled to a reinstatement grant, as long as they bought the property without knowledge of the defects. The local authority will pay 90% of the reinstatement costs, or will re-purchase the property at 95% of its defect-free value, where reinstatement is not possible. In cases of hardship, grants of 100% of reinstatement value are possible.

9. Administration

When the new system was introduced, the Government estimated that unit costs of administration would be at least 15% higher than under the old system. It was hoped that any overall increase would be offset by the ‘rationalisation’ in the number of grant applications. Local authorities are meant to carry out ‘preliminary screening’ of applicants before the full means-test.

Some local authorities who found in the first years of the scheme that the demand for improvement grants outstripped supply, have unofficial ‘waiting lists’ for approving grants to try to cope with the problem.

Activity 10

Taking account of the points which have just been made in relation to the system and its administration, try to identify some problems which it creates for:

(a) local authorities

continued...

(b) claimants

Time allocation: 15 minutes

9.1 The Effects

Local authorities have found the administrative tasks complex so administration costs have increased considerably. It has also been hard to train staff to undertake the means-test accurately, so the problems are similar to those for Housing Benefit administration.

Local authorities are also concerned that the level of demand for mandatory grants will start to impinge on their total available capital resources. For claimants, the test of resources has been criticised for not taking into account mortgage payments, because new owner-occupiers, in particular, may have very high outgoings.

In general, the test of resources for owner-occupiers will give those at or below the lower threshold more generous grants (100% instead of 90%) but less assistance for those above the threshold level.

Self Test 3

1. *What are the home improvement grants available following the introduction of the Housing Grants Construction and Regeneration Act 1996?*

2. *For what kind of work to property are mandatory grants payable?*

3. *What safeguards are in place to prevent abuse of Home Improvement Grants by landlords –*
 - (a) *When the local authority agrees to the work?*

 - (b) *When the work is carried out?*

 - (c) *To prevent windfall profits?*

4. (a) *Who is eligible for help with “energy efficiency” schemes?*

(b) *What is the purpose of “energy efficiency” grants?*

5. *What are the general fitness requirements for houses and flats in multiple occupation?*

Now turn to the Answers at the end of the Block.

Summary

1. Rules for Income Support, involving a redefinition of full-time work, have important consequences for the housing costs of low paid owner-occupiers, in particular those without children.
2. There is no longer any tax relief given to those with mortgages.
3. A new scheme for home improvement grants was introduced in 1997. The eligibility criteria were severely restricted and grants are now means-tested, with claw-back arrangements to discourage early sale of improved properties.
4. Work on property must reach a standard of fitness for human habitation.
5. Responsibility for the administration of the grants rests entirely with local authorities.

Answers

Self Test 1

1. Tenants in rented properties on incomes which are insufficient to meet their costs, but excluding boarders/ residents in homes, students, and people in religious orders.
2. The 'assumed income earned from capital (savings). The first £3,000 of capital is ignored. Thereafter, it is assumed that £1 is earned for every £250 of capital.
3. Housing Benefit no longer guarantees full rent payment to private sector tenants. Some private sector landlords will not offer tenancies to Housing Benefit claimants because of this shortfall.
4. Tenants sought better housing because the difference in cost between poor and good housing narrowed.
5. The 1977 Rent Act.
6. The rent officer must take into account the age, character, condition and locality of the property, and the amount and condition of any furniture. The officer must disregard the personal circumstances of the tenants.
7. Elderly single people, often female.

Self Test 2

1. Only owner-occupiers who are unemployed or working less than 16 hours per week are entitled to claim help through 'mortgage benefit'.
2. (a) Help is available to meet the cost of loan interest only.
(b) Help is available to meet the cost of a standard rate of interest which may not be the interest actually paid.
(c) The waiting period of up to 9 months causes arrears to mount.
3. Mortgage-to-rent schemes can be an alternative to repossession. Borrowers may remain in their homes either as tenants or on a shared ownership basis.

Self Test 3

1. Renovation grants; Common parts grants; Disabled facilities grant; HMO (House in Multiple Occupation) grant; Group repair; and Minor works assistance.

2. Only the disabled facilities grant is now mandatory. Even this is subject to a means-test.
3. (a) When the local authority agrees to the work:
 - two estimates of the work required will usually be necessary;
 - a plan may be needed;
 - the works must be approved in advance (unless they are necessary to comply with a statutory notice).(b) When the work is carried out:
 - (usually) the works must be carried out by the contractor whose estimate accompanied the application;
 - the works must be completed within 12 months of the date they were approved (the local authority has some discretion regarding this);
 - any local authority specifications must be complied with;
 - evidence of costs has to be produced before payment is made;
 - the obligations for the award of a grant are registerable as local land charges.(c) To prevent windfall profits (subject to certain exceptions):
 - where there is a disposal of the property within 5 years, the owner may have to repay the grant;
 - if it is an application for a renovation or disabled facilities grant, if within 5 years the dwelling is not let as a residence, or the property is disposed of with vacant possession the grant becomes repayable in full;
 - for HMO grants the flats/rooms must be let on residential leases or licences and be occupied or be available to be occupied by persons not connected with the owner or their family.
4. (a) People in receipt of means-tested benefits, or those aged 60 or over. (Only 25% of the grant figure is paid to those aged over 60 who do not get a means-tested benefit).

- (b) To provide insulation in roof spaces and cold water tanks, draught-proofing and energy advice.
5. An HMO must have:
- suitable food storage, preparation and cooking facilities. This must include an adequate number of sinks, and a satisfactory supply of hot and cold water;
 - an adequate number of suitably located toilets for the exclusive use of the occupiers;
 - adequate and suitably located baths/showers and wash-basins facilities. These must be for the exclusive use of the occupiers, and have a satisfactory supply of hot/cold water; and
 - adequate means of escape from fire (subject to certain conditions), and adequate other fire precautions.

