Will the Real Owner-Occupiers Please Stand Up?

What motivates owner-occupier repair and maintenance expenditure in Scotland?

January 2004
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- carrying out research into consumer issues and concerns;
- informing key policy and decision-makers about consumer concerns and issues;
- influencing key policy and decision-making processes;
- informing and raising awareness among consumers.

The SCC is part of the National Consumer Council (NCC) and is sponsored by the Department of Trade and Industry. The SCC’s Chairman and Council members are appointed by the Secretary of State for Trade and Industry, in consultation with the First Minister. Martyn Evans, the SCC’s Director, leads the staff team.

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These are:

**ACCESS**

Can consumers actually get the goods or services they need or want?

**CHOICE**

Can consumers affect the way the goods and services are provided through their own choice?

**INFORMATION**

Do consumers have the information they need, presented in the way they want, to make informed choices?

**REDRESS**

If something goes wrong, can it be put right?

**SAFETY**

Are standards as high as they can reasonably be?

**FAIRNESS**

Are consumers subject to arbitrary discrimination for reasons unconnected with their characteristics as consumers?

**REPRESENTATION**

If consumers cannot affect what is provided through their own choices, are there other effective means for their views to be represented?

The Scottish Consumer Council
January 2004

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Acknowledgements

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Executive Summary

The policy framework governing the provision of improvement and repair grants (IRG) to owner-occupiers was subject to major change as a result of the 2001 Housing (Scotland) Act. The new system is more generous, and extends to more types of repair and maintenance expenditure activity, but grant is now formally linked to household incomes.

Whether the grant system constitutes the best way of dealing with quality problems in the owned stock depends on what drives individual owners to incur repair and maintenance expenditure. If they are prepared to undertake work anyway that attracts grant, or alternatively if the terms and conditions under which grants are made available are considered too onerous, the new IRG system will deliver a poor use of public resources.

The IRG system has been generally criticised on a number of grounds including that it has no clear strategic purpose, and may even act as a disincentive to households to use their own resources for the maintenance and repair of their properties.

A range of possible alternatives to the grant system has been proposed. Whether or not these (or other) approaches are inherently better again depends on what actually motivates individual owners to undertake repair and maintenance expenditure in the first place. Our understanding here is however not well founded.

Basic economic theory has been used to suggest that people are motivated by property investment calculations, such that if they cannot get an acceptable return on repair expenditure, they will avoid it, leading to a ‘market failure’. This line of reasoning provided at least part of the original justification for IRG. Even if this is true however, the broader regulatory framework surrounding property ownership and trading, market conditions, and changes in these through time, would clearly moderate such calculations.

Available evidence supports the view that there is general awareness of house condition issues among homeowners, and that owners take interest in the condition of their homes. The broader conclusion drawn from available evidence is that owners are motivated predominantly by ‘consumption’ rather than ‘investment’ reasons when undertaking repairs. It is argued from this evidence that people do not consider the impact of works on property market value, but rather consider effects on such things as personal comfort and health, security, and future fuel and property running costs. However, many of these supposed ‘consumption’ decisions are in reality “investment” decisions when viewed correctly. What is being invested in here is the household; the dwelling is just instrumental to that purpose. Owners, it would seem, see a house and expenditure on it as a means to an end, not an end in itself.

A ‘life cycle’ model of approaches to repair and improvement activity has also been mooted. Under this model, households at particular stages in their life cycle (recent young purchasers; ‘empty nesters’) are hypothesised to be more likely to undertake repair and maintenance activity than households at other stages in their respective life cycles (such as older households). If true, this could be of major policy significance.
There has actually been very little empirical investigation of what could explain homeowners’ approaches to repair and maintenance, and certainly not enough to support any strong conclusions on the matter. The only reasonable conclusion to draw from a review of the literature is that the evidence base is so small that we don’t actually know what motivates owner-occupier repair expenditure in Scotland – or for that matter in the rest of the UK.

In order to assess how appropriate the current IRG policy framework in Scotland is, we need better information on a number of matters:

- How repair activity affects property value in different circumstances
- How the relationship between repair work and changes in property value affect owners’ behaviour
- How owners views of their property as a means to an end rather than an end in itself affects their motivation to undertake repair work.

This information could be generated by research work as suggested in the following table, which provides a summary of the costs and benefits associated with the various elements.

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<th>Scottish Local Authority-Based Case Studies</th>
<th>Survey of Scottish Owner-Occupier Households</th>
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<td>?? Evidence on how repairs affect house prices in specific local Scottish contexts</td>
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<tr>
<td>Approximate cost</td>
<td>£5-10,000</td>
<td>£10-15,000 per Case Study</td>
<td>£60,000 (for a survey of 1,000 owners)</td>
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1 Introduction

Like many other areas of housing policy in Scotland, the policy framework governing the provision of improvement and repair grants (IRG) to owner-occupiers has been the subject of major change recently. The 2001 Housing (Scotland) Act significantly amended the 1987 Housing (Scotland) Act, with these amendments taking effect from 1st October 2003. Major new guidance was issued to cover the revised operation of the IRG system (also now known as private sector housing grant or PSHG) in September 2003 (Scottish Executive 2003). This guidance states:

‘The purpose of the improvement and repair grant system is to achieve a significant improvement in the condition of the private housing stock in Scotland, by providing financial assistance where it is needed. All applications for grant, and local policies in relation to the grants system, should be considered with this in mind.’ (Scottish Executive 2003a, p. 2).

It continues:

‘The system is not intended to be used to meet the convenience of a particular occupier of an already satisfactory house (for example to enlarge the property) nor to support the commercial activity of a landlord. There may, however, be cases when these types of applications might be approved, where they contribute to meeting the housing needs of the local community.’ (ibid)

And concludes:

‘…improvement and repair grants are intended to provide assistance to those who are unable to meet the costs of ensuring their property is in good condition and suitable for their needs. The primary responsibility for maintenance of private housing lies with the owner. Grant is available to help if they cannot afford to do this, with those on the lowest incomes receiving the highest levels of grant. It is important to safeguard public funds for the benefit of those genuinely in need, and local authorities should therefore scrutinise applications carefully to ensure that the works are necessary, the costs are reasonable, and the resources available to all those with responsibility for the property have been taken into account.’ (ibid)

Clearly the intention is to target grant on the poorest quality housing occupied by the poorest households in Scotland. However, the use of such grants to increase the effective supply in particular communities is also apparently to be sanctioned within specific local contexts. In fact, the new IRG system is explicitly expected to operate within a meaningful local context through the development of local housing strategies (LHS) by Scottish local authorities. But at a more fundamental level, the grant system assumes two things:

?? That there exists a quality problem that needs addressing with public grant input

?? That the form and structure of grants as provided constitute the best way of dealing with that quality problem.
The Scottish House Condition Survey 2002 results shed light on the validity of the first assumption (Communities Scotland 2003a, 2003b). With respect to the second, one must ask: is the new IRG system the best way of supporting and promoting necessary repair and maintenance expenditure in the owner-occupied sector? That depends on what drives individual owners to undertake such repair and maintenance expenditure. If they are prepared to undertake work that attracts grant anyway, or alternatively if the terms and conditions under which grants are made available are considered too onerous, the new IRG system will deliver a poor use of public resources. Under the first scenario grants would be unnecessary, and under the second they would not be getting through to those who need them. So what motivates owner-occupiers in this area? Specifically, from the viewpoint of individual owner-occupiers, what is their perception of the economic rationale for spending money on the repair and maintenance of their properties?

This short report looks at the available evidence on the economic rationale for owner-occupier expenditure on maintenance and repair of houses. It is structured as follows:

The next section provides more detail on the new IRG scheme. It also covers the thoughts on IRG of the Housing Improvement Task Force (HITF), which over the period 2001-2003 considered private house condition issues in Scotland on behalf of Scottish Ministers (Scottish Executive 2002, 2003b), and broader criticisms that have been made of IRG policy in the UK generally. Thereafter the economic rationale for repair expenditure (and grants) as suggested by basic economic theory is discussed. In the penultimate section, empirical knowledge is reviewed, and found rather wanting. The blunt truth of the matter is that at this point in time very little is known regarding what drives owner-occupier decisions. The final section of the report outlines a possible approach to improving our understanding of this important issue in Scotland.

2 Policy Thinking

The New IRG Regime in Scotland

The main features of the IRG regime until October 2003 were established under the 1987 Housing (Scotland) Act\(^1\). Under this regime Improvement and Repairs Grants (to variable limits) were available on a discretionary basis, or on a mandatory basis where a Council had served a statutory notice\(^2\). By 1997, targeting had been introduced to the extent that to be eligible, an owner’s house had to be in a Council Tax Band below E (Scottish Executive 1997). As a condition of grant it was expected that for five years after payment of grant a property would be kept in a ‘good state of repair’. If this was not done, in principle, Councils could require repayment of all or part of the grant plus interest. If the house was sold within a five-year period the seller would not have to repay the grant but the conditions were expected to apply to the new owner for the remainder of the period. In 1997 the regime was still one where it was not a formal requirement for local authorities to take owners’ resources into account, although the Scottish Executive was already thinking in that direction (Scottish Executive 1997).

\(^1\) An excellent summary of the policy context 1967-2001 is provided by Groves and Leather 2002

\(^2\) Standard Amenity grants were also available on a mandatory basis
From October 2003 the IRG system will be funded by central government provision of grant resources. More importantly from the potential recipients’ point of view, it will change in a number of fundamental ways.

The most significant change to the operation of the grants system is the introduction of a formal test of resources, to assess contribution towards approved expense. A system of minimum percentages will be applied to grants for prescribed types of works and will operate alongside the resource assessment. There are also new types of eligible works. (The guidance supporting the revised system runs to 126 pages.)

Eligible works for the receipt of grant include:

- Works required for the provision of houses by the conversion of houses or other buildings
- Works to bring a house up to the Tolerable Standard, including provision of standard amenities
- Replacement of unsafe electrical wiring
- Installation of mains-powered smoke detectors
- Provision of adequate heating systems
- Provision of adequate thermal insulation
- Works required to make a house suitable for the accommodation, welfare or employment of a disabled occupant
- In a building in common ownership, installation of a fire door at the entrance to each house or a main-door entry phone system
- ‘Any works required to put the house into a good state of repair’, including the replacement in a different material of any pipes, cisterns, taps or other equipment used for the supply of water to a house which are wholly or partly made of lead
- Works intended to reduce exposure to radon gas.

Specifically on repairs the guidance notes that:

‘Grants for repair are intended to deal with defects which if neglected would lead to deterioration of the fabric of the building. This most often involves action to prevent water penetration, including roof repairs, replacement of damaged harling, or replacement of severely rotted window frames and sills. Routine maintenance and cosmetic works, such as painting woodwork or replacing occasional tiles, should not normally be grant-aided, nor works to remedy minor defects which do not affect the fabric of the building’. (p. 10.)

To calculate receivable grant under the new system it is necessary to determine:

- The approved cost of eligible works (the maximum normally being £20,000 for all grants)
- The applicant’s contribution (based on income in the year preceding application)
- Any minimum grant that applies (which has priority over any income test result).

Prior to this it was funded via permission to Councils to borrow under the non-HRA account.
According to the guidance notes: “The total applicable income for [a grant] application is calculated by adding together the assessed applicable incomes of all applicants and their partners. That amount is then compared to the table set out in the Schedule to the Regulations, to find the percentage of the approved expense to be contributed by the applicant. The grant percentage is 100% minus the percentage of the applicant’s contribution… The table is informed by average household incomes across Scotland, so that approximately 10% of households (who do not qualify for passporting), would be eligible for grant between 100% and 90%, 10% of households between 90% and 80%, and so on. Those who have no income other than benefits, after mortgage/rent costs and allowances have been deducted, qualify for 100% grant’. (pp 34-35.)

Once again, the property must be kept in good repair for five years, a condition that must be formally registered in the Land Register at the owner’s expense. The local authority may at any time over the five years require certified proof that the condition is being observed. If the condition is not met, repayment of grant is required unless waived, which is solely within the gift of Scottish Ministers (not Councils).

So in summary the new system is more generous, and extends to more types of repair and maintenance expenditure activity, but is formally linked to household incomes.

**Is the new IRG Regime well founded?**

To some extent, the changes introduced to the IRG system in 2003 are endorsed by the recommendations of the HITF (Scottish Executive 2003b), which concluded:

“Our proposals for assistance to owners to repair and improve their houses are based on the principle that the form of assistance should be appropriate to the difficulty that the owner faces in carrying out works. Lack of financial means is an obvious difficulty for many. However, for others the difficulty may be in organising finance, in organising works, in obtaining cooperation from others affected by or having a responsibility for the works, or indeed in simply knowing how to go about these things. We consider that it should be made clear to individuals what range of possible assistance is available and that the local authority will aim to provide the individual with those forms of assistance that are the most cost-effective in the circumstances’ (p. 81.)

Clearly one can see support for income testing here⁴, but more than this was in the minds of those serving on the Task Force. Firstly, it may be noted that the HITF approach to conditions on grant-giving makes the Scottish Executive 2003 amendments look positively lenient⁵.

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⁴ Indeed (p.86) the report states explicitly that ‘where a grant or subsidised loan is made…the amount of subsidy should reflect the financial circumstances of the owner…there should be a nationally defined test for deciding the owner’s contribution, but the local authority should be able to adjust the test for a defined area… on the basis of evidence that the distribution of income levels in that area is significantly different from the national distribution of incomes’.

⁵ ‘Current legislation specifies conditions attached to the payment of grant, and this principle should continue. The local authority should attach conditions to any loan or subsidy to protect its investment, requiring that the house is maintained in a good state of repair. This requirement should last for the period of the loan or in the case of grant (other than a small grant for access to finance) it should attach to the house and last for 10 years. We consider that the current period of five years is insufficient to ensure the full benefit of what may be a substantial public investment, but to go beyond 10 years would be unreasonable… We also consider that the local authority should be able to make additional conditions where these are appropriate. In particular, it should be able to require the recipient of loan or grant to
The HITF was also keen to see IRG used to support the achievement of standards higher than the Tolerable Standard⁶.

Beyond this however, the HITF report exhorts the Scottish Executive to direct Councils to move beyond a mere grant dispensation role, and to consider the provision of:

- General guidance and advice
- Care and Repair support for the elderly and disabled
- Non-commercial and equity loans.

while arguing that 'local authorities should have substantial discretion in their use of the tools available for providing assistance, subject to the principle that the primary responsibility for the improvement of a privately owned house lies with the owner'. (p.85.)

Should we take it then that the new IRG framework is broadly sound? Taken on its own terms, there is in fact at least one reason for feeling some unease about the new framework. An income resource test largely misses the point where a household has substantial net housing assets. There are parts of Scotland (such as East Renfrewshire for example) where large numbers of low-income households live in expensive properties on which outstanding debt is comparatively low. If such households are more 'motivated' to apply for grant than low-income households owning cheaper housing and with less net equity, there is a strong chance the new IRG system could miss its intended mark.

Beyond this, broader criticism of IRG policy has arisen through work supported by the Joseph Rowntree Foundation (Leather & Moseley 2002). This work concludes that currently, in the UK generally, 'public spending on private housing is not directed to any strategic end' (p. 49). Leather (2000) goes much further, stating that: ‘grants targeted specifically at older people or those on low incomes (minor works assistance and home repair assistance) and on people with disabilities (disabled facilities grants), rather than on property renovation, now take up a significant proportion of available resources. Grants have become a form of welfare benefit rather than an incentive to invest’. (Leather 2000, pp 28-9.) Moreover, he argues, because the current IRG system ignores housing equity, ‘by its very existence, grant aid might therefore be a disincentive to individuals to invest their own resources, so long as there is some likelihood of receiving help’. (p.29.) He concludes rather dramatically: ‘We could continue with present policies, but ration resources ever more tightly to manage demand through longer waiting times or by using measures to prioritise or reduce the amount of grant aid per household. This approach brings identifiable benefits, but could be argued to be fiddling while Rome burns’. (ibid, p.36)

In place of the current system, Leather and Moseley (2002), drawing on Leather (2000), consider that in place of grant: ‘there is scope for the provision of a range of

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⁶ ‘Works should normally only be eligible for public assistance if they will bring the house to a defined standard...we recommend that assistance should normally be directed at achieving either the Tolerable Standard or the Scottish Housing Quality Standard’. (p. 81.)
services to home-owners to provide them with practical help with repair, maintenance and improvement’ (p. 53), including:

- Loan and equity release support
- Provision of information through leaflets, videos and advice sessions
- DIY classes and workshops
- Home surveys
- Tool loan schemes
- Approved builder lists
- Collective organisation of building works
- Support for the development of insurance-based maintenance schemes.

These initiatives it is argued will stimulate private expenditure, make it more effective and reduce the ‘longer term need for public spending when conditions deteriorate to the point where public intervention is required’. (p. 53.) Spending public resources in these ways is suggested to offer better potential value for money than the current grant based approach, which ‘targets help on those on lowest incomes living in the poorest conditions but can be argued to reward past under-investment and deter future investment rather than to motivate it’. (p. 39.)

These various and different approaches to assistance do however, as already noted, ultimately depend for their rationale on what ‘motivates’ an owner-occupier to undertake repair and maintenance activity. What then is that motivation?

3 Economic man?

Economic theory provided part of the original case for introducing improvement and repair grants in the UK, as a way to address ‘market failure’. (Hills, 1991.) Essentially, ‘left to itself the market may produce undesirable results because individual decisions fail to allow for the interests of others – there may be “externalities”. One house in poor condition may affect its whole neighbourhood, and may even cause structural problems for its immediate neighbours…the “spillover” effects of improving one house on its neighbours also provide the rationale for area improvement policies (for instance, targeting grant on properties in certain designated areas): the value of the sum of improvements to a number of properties may be much greater than that of the individual parts carried out in isolation’. (Hills, 1991, pp16-17)

Over time the ‘externality’ argument as a basis for the grant system seems to have become less favoured. The introduction of property value and household income tests on grant eligibility can both be seen to be a move away from support for the general principle of addressing externalities. In practical terms, the adoption of such tests reflects both general improvement in the UK housing stock over time, and pressures to use available public resources in other ways.\(^7\)

\(^7\) At the same time of course the profile of owner-occupation has altered markedly. Within a greatly expanded sector, owner-occupation has come to include many more older and low-income households. (Widdowfield & Wilkinson 2002) summarise available evidence on repair and maintenance expenditure and activity undertaken by low-income households in owner occupation in Scotland.) Owner-occupation is much more extensive and ‘diverse’ in socio-economic terms than it was when
The argument for needing repair grants to address externalities, or spillover effects, derives from a view of the decision to maintain a home as an investment decision for owner-occupiers. Essentially, it requires us to assume households assess how much of a given expenditure in their homes they will get back in the form of a capital price appreciation on sale. Assuming for the moment that repair decisions are fully investment motivated, this broad calculation by owners would always have to be undertaken within a specific market and regulatory context. In the housing market of the 1970s, 1980s and partially the 1990s, the market context was often one of significant property price inflation, and housing careers were typified by several cycles of property sale and purchase. Households on average stayed within a property for around seven years and funded transactions largely on the basis of housing equity gained between transactions. Property inspection on sale and purchase was limited to a reasonably cursory inspection to support mortgage advance. Much of this has changed, or may be changing. While there are and always will be hotspots in property markets, the overall emerging context may be one of lower long-term property inflation over time, and there is evidence that average lengths of stay in a specific property are lengthening. With less equity to absorb transactions costs, people become more cautious. And significant change is in prospect in the regulatory framework for sale with the introduction of single seller surveys and seller information packs. These changes should be expected to shift the calculus of ‘economic man’, assuming he exists. But does he?

4 What motivates repair and maintenance expenditure?

Searching the literature on repair and expenditure does not throw up much hard evidence. The Joseph Rowntree Foundation has perhaps been most active in researching repair and maintenance issues in the UK (Leather and Reid 1989; Mackintosh and Leather 1993; Leather and Mackintosh 1994; Leather and Morrison 1997; Leather 2000; Leather and Moseley 2002). In the present context, the most important (indeed only) empirical evidence appears to be a study by Leather et al (1998), which sought to explain homeowners’ approaches to repair and maintenance. The study was based on two separate pieces of survey work. The first involved in-depth interviews/house inspections with homeowners in Leicester (where 60 interviews and 33 house inspections were achieved), in Bristol (57 interviews and 26 house inspections) and in London (51 interviews and 25 house inspections). This element of the evidence base therefore consists of a total of 168 interviews and 84 house inspections.

The second piece of survey work examined the attitudes and behaviour of a sample of Scottish homeowners, using a subset of the main 1996 Scottish House Condition Survey: 43 households were interviewed across the Central (Structure Plan) region and Glasgow City.

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improvement grants were introduced, and the geography of the sector has also changed markedly, with much more ownership in areas previously dominated by social or private renting, and much of it in Scotland in buildings such as tenements that accentuate common ownership issues.
These are small numbers. For example, in the Scottish sample, only four properties had a high level of outstanding repair costs (Leather et al 1998, p. 43). Quite properly, the study reports findings as qualitative, and does not seek to draw statistically significant conclusions from the available data. However, as an evidence base the pickings are rather slim.

The Leather et al (1998) study explores a number of possible motivations, and appears to find evidence for ‘consumption’-motivated behaviour. They argue that ‘most people have little idea of what works will cost and few consider the impact of possible works on market value…People seem to give little explicit consideration to house conditions in the neighbourhood when making their own decisions about investment’ (p.31); ‘even in extreme cases, people seemed to take little account of what was happening around the dwelling’. (p.24.) However, ‘some households made explicit reference to a desire to maintain or enhance property value and to improve the saleability of their dwelling compared to others, or in the case of some older households, to leave an inheritance. These are clearly investment-led motives’. (p.24.)

What then, in the main, motivates repair maintenance and improvement work? In the case of repairs, consumption-based motivations included personal comfort and the comfort of visitors to the dwelling; personal health concerns, concerns for the comfort and well-being of children, existing or anticipated; security; safety of self and others; energy conservation; saving unnecessary expenditure on fuel bills, cleaning bills and other costs; aesthetic appearance; and self-respect and status with family, friends and visitors’. (p.23.) In fact, it is striking how many of these ‘consumption’ decisions are in reality ‘investment’ decisions when viewed correctly. Expenditure on energy efficiency to reduce fuel bills is an investment decision. Expenditure to secure the well-being of children, personal security and safety are also investment decisions. What is being invested in is the household, and the dwelling is just instrumental to that purpose. But it is certainly investment. People it would seem see a house and expenditure on it as a means to an end, not an end in itself. Even the elderly appear to apply this type of economic calculation: ‘The view that older people lack interest in upgrading or improvement works was partly confirmed, but it would be more accurate to say that older people are more selective, focusing their attention on a range of improvements relating to heating, accessibility, and in some cases the reduction of future maintenance requirements’. (p.15.)

It is sometimes argued that people moving or expecting to move shortly will not undertake expenditure on the property they currently own. If this is because they do not expect to be able to recoup the expenditure on the property (and will get little in personal well-being etc terms as they won’t be there very long), this is again clearly investment-motivated behaviour.

Other evidence adduced by Leather et al is also intriguing. While forward planning of repair work is ‘almost non-existent’ (p.10), they also found that there was ‘little evidence...to support the view that there is a widespread lack of awareness of house condition issues among homeowners’. (p. 17.) In fact ‘most owners take an interest in

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8 Leather et al found that generally households do not distinguish between repair and improvements in terms of propensity to add value to a property, and the ‘division between repair and improvement, or between “essential” and “cosmetic” work is not one which is always clear-cut or of particular significance’. (p.24)
the condition of their homes and identify repair needs or improvement opportunities’.
(p.31.) Moreover, ‘they tend to give priority to urgent repairs’. (ibid) The majority of
owners were found to respond to problems ‘as they become aware of them’. (p.11),
and where they chose not to respond immediately, this was because they judged the
problem could wait a while until they amassed the necessary resources to tackle it:
‘saving for a particular job was very common. Households seemed able to motivate
themselves to save more effectively if there was a particular objective in mind’. (p.21.)
The key concern Leather et al articulate is that in some instances households might
misjudge how long it is safe to wait until a minor problem degrades into something
altogether more nasty and expensive to resolve, although the size of the samples
involved in their study do not support drawing statistically reliable conclusions on how
often (or rarely) this is the case.

Leather et al also moot a ‘life cycle’ model of approaches to repair and improvement
activity. (Table 1) This could be of strategic significance if true: for example given the
long-term trend of increasing numbers of elderly owner-occupiers, but again it is hard
to say how much credence can be given to it, as the sample sizes involved in the study
are small.

Altogether, it must be concluded that an issue that has generated much policy
discussion rests on a fairly slender evidence base. What motivates owner-occupier
repair and maintenance expenditure in Scotland – or for that matter the UK? The
truth is we don’t actually know.

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<th>‘Typical’ behaviour</th>
<th>Potential problems re upkeep of property</th>
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<td>Active investment phase</td>
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<td>Established homeowner</td>
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<td>Keen to avoiding mess and dealing with competing spend priorities</td>
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<tr>
<td>Household with children</td>
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<td>Empty nester</td>
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<td>Work undertaken to prepare for last phase of life</td>
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</tr>
<tr>
<td>Older-household</td>
<td>Long term occupancy</td>
<td>Little work done (even of a responsive type)</td>
<td>Cash poor and anxious to avoid disruption</td>
</tr>
</tbody>
</table>

Source: Derived from Leather (2000) Figure 4
5 Improving the Evidence Base

In order to assess how appropriate the current IRG policy framework in Scotland is, we need better information on a number of matters.

First, we need to collect more and better evidence than has so far been done on whether repair expenditure actually affects property value, and on whether in turn this affects owners’ behaviour. Specifically:

?? Does expenditure on property repair actually affect property prices, and if so, by how much, and in what ways? Does it affect different parts of the market (e.g. the top and bottom ends) in the same way? Are there time lags between undertaking repair work and resultant price change, and if so, what do they look like? What factors change the nature of the relationship between repair expenditure and house prices in different places? Are there for example ‘cumulative’ price effects to consider (e.g. arising from owners acting in a concerted way in an area)?  

?? If repair expenditure does affect house prices in specific locations, how does this then influence observable owner repair decisions and behaviour?

It is probable that the relationship between repair expenditure and house prices will be different in different places. If owners’ approaches to incurring repair costs alter as a result, the policy framework for supporting owners might sensibly be adjusted to reflect this.

Having looked more systematically at whether repair activity affects property prices, and whether a ‘property investment’ perspective informs owners’ behaviour in any way whatsoever, the next step would then be to develop and apply a more comprehensive framework for measuring owners’ motivation for incurring repair expenditure than we currently have available. Specifically we need to develop a more useful characterisation of the motivation of households undertaking repairs than just ‘consumption of’ or ‘investment in’ property. In particular we must develop an understanding of household motivation where a house is seen as instrumental to household purposes rather than an end in itself. We could then use this new characterisation of motivation to better explain past patterns of grant uptake in terms of the characteristics of the households who successfully applied for and used them.

An improved knowledge and evidence base along these lines would provide a much better foundation for developing future IRG policy than we currently have available.

It is appropriate to conclude this report with some suggestions as to how this improved knowledge and evidence base might be developed. What follows is an outline of a suggested approach: further work would obviously be needed to develop the detail. A

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9 Maclennan (1993) did some work on this using data from the 1980s, but there is a dearth of UK evidence generally on this topic.

10 The mediating factor of individual Councils, (which interpret policy in a local context, and ‘gate keep’ access to grants), must be recognised here.
sound evidence base could be developed through undertaking three interrelated strands of work.

First, a systematic look for pertinent international evidence, focusing on:

- Repair expenditure – house price relationships under different market conditions and regulatory frameworks
- Consumer repair strategies under different local circumstances and
- Direct survey evidence of what motivates consumer repair expenditure (i.e. what consumers say matters to them in making expenditure decisions).

would provide more hard evidence on these matters than we currently have available in a Scottish or UK context, and would also provide insight into how frameworks for regulating property ownership and transfer directly affect repair activity.

Second, case studies on the relationship between grant giving and house prices in Scotland over a given period of time in a number of local authority areas would fill an important gap in the Scottish evidence base. It would be sensible to concentrate on the period 1991-2001 given the availability of Census and Sasines data\(^{11}\), and to focus on authorities that have given priority to repair grant provision, have good records on their grant-giving activities (including household specific data for those receiving grants) and that have had some areas of concentrated grant provision within their boundaries. Case studies should include investigation of Council officers’ and local market professionals’ views of the motivation of owners in local contexts, and the impact that repair grant activity has had.

Finally, a household survey exercise specifically designed to explore motivation from a broader investment perspective would provide a way of developing a more general characterisation of what actually drives repair activity. Such a survey should start from the perspective that owner-occupiers see their properties as an important means to an end and explore the ways in which they choose to exploit this in different situations. This would allow a rigorous testing of the life cycle model of repair activity (which essentially provides the beginnings of a broader investment perspective), but could also be used to refine it considerably. It would permit direct exploration of the reasoning that households use in coming to their repair expenditure decisions.

These three elements of inquiry could be undertaken separately, although there could be some cost savings from doing them as part of a single piece of work. In terms of indicative cost, a survey of international evidence would not be particularly expensive, and might be budgeted somewhere in the region of £5-10,000. Case study work can be expensive, depending on the quality and ready accessibility of the data held within the authorities that are the subject of the work, and the number of such authorities involved. As a rough order of magnitude, it might be expected that individual case studies might cost in the order of £10-15,000 per authority area. Survey work involving households is the most expensive individual element of the proposed approach. A decent survey size, say of around 1,000 households, would allow investigation of motivations and whether they differ by consumer group with a

\(^{11}\) Small-area second-hand house price trends in these authorities can be investigated through Sasines data. Census data (1991 and 2001) can give the small-area social and economic profile of areas in receipt of grants at the beginning and end of the decade.
considerable degree of statistical rigour. Assuming an average cost of some £50 per household interview, this would equate to a cost of around £60,000, including survey development and reporting costs. To put these costs into perspective, the PSHG budget in Scotland for the financial years 2004/5 and 2005/6 combined will be £120m.

Table 2 summarises the benefits and costs associated with undertaking these various elements of work.

<table>
<thead>
<tr>
<th>Work Element</th>
<th>International literature review</th>
<th>Scottish Local-Authority based case studies</th>
<th>Survey of Scottish owner-occupier households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>?? Evidence on how repairs affect house prices generally</td>
<td>?? Evidence on how repairs affect house prices in specific local Scottish contexts</td>
<td>?? Opportunity to investigate the life cycle model and further develop and test a broader investment-based framework for explaining the rationale for owners’ property repair activity</td>
</tr>
<tr>
<td></td>
<td>?? Evidence on what drives owners’ repairs decisions</td>
<td>?? Direct investigation of what is perceived to drive owner repair activity in specific local Scottish contexts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>?? Evidence on how different regulation frameworks affect owner behaviour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approximate cost</td>
<td>£5-10,000</td>
<td>£10-15,000 per Case Study</td>
<td>£60,000 (for a survey of 1,000 owners)</td>
</tr>
</tbody>
</table>

This work would provide the basis for an assessment of the likely uptake of grant under the new IRG system in Scotland, in terms of what areas, and what types of household will seek to use it. It would enable a restructuring of the system if necessary, to ensure the delivery of policy objectives regarding repair expenditure on private stock in Scotland, in a way that cannot currently be assumed with any great degree of confidence.
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