

## REGULATORY IMPACT ASSESSMENT

### **The Improvement and Repairs Grant (Assessment of Contributions) (Scotland) Regulations 2003**

#### **The Improvement or Repairs Grant or Grant for means of escape from fire for Houses in Multiple Occupation (Minimum Percentage Grant) (Scotland) Regulations 2003**

##### Policy objective

The aim is to target financial assistance for housing improvement and repair to those with the least resources, emphasising the principle that the owner of a house is responsible for its maintenance. The basis for an assessment of the applicant's contribution to the cost of works was put in place by amendments to the primary legislation, with the detail implemented in these regulations.

Where grant is awarded to an owner-occupier, tenant or disabled person requiring adaptations, the amount of grant is to be based on an assessment of their personal income and outgoings, compared to a table reflecting national average incomes.

For landlords and business proprietors<sup>1</sup> a separate assessment must be devised.

##### Business sectors affected

A Some voluntary or charitable organisations may be affected by the assessment for occupiers, where they advise and assist clients with applications for grant.

B Landlords (which may include voluntary and charitable organisations) and business proprietors who apply for grant will be affected by the introduction of the assessment of contributions. Less than 5% of grants are awarded to this category of applicant.

##### Impact - A

The concern is that the requirement for applicants to provide information on their income will lead to an increased workload for advisory organisations in helping them identify and verify that information. Authorities themselves should provide assistance to applicants, but other organisations may be involved. This issue has been raised particularly by Care and Repair, which is funded by local authorities and Communities Scotland to assist disabled people and those over 60 to maintain their homes.

It is for each local authority to determine the forms of verification required, and it is therefore not possible to quantify the costs. Local policies and priorities for grant assistance will also influence the number of applicants requiring help to pursue the application. Additional funding is being made available by the Scottish Executive to local authorities for work on private sector housing, some of which may be used for administration. Depending on the

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<sup>1</sup> Business premises are eligible for grant where they are in the same building as housing and are required, under statutory action by the local authority, to contribute to common repairs.

arrangements they put in place, it may be appropriate for authorities to pass some of that funding on to Care and Repair, or other voluntary organisations providing a similar service.

## Impact - B

### **Options**

Four main options for the assessment of contribution from landlords and businesses were considered in terms of compliance with the primary legislation and achieving the policy objectives. An additional requirement was introduced as a result of the consultation exercise, in which respondents felt that the assessment must be transparent and should not generally result in landlords receiving higher levels of grant than owner-occupiers.

Option 1 – maintain current system

Option 2 – landlords and businesses receive grant at local authority discretion, up to a set maximum (40% or 50%)

Option 3 – amount of grant based on business income/turnover compared to national averages

Option 4 – assessment based on comparison between cost of works and increased value of property due to works. Grant awarded as a percentage of the amount by which the cost of works exceeds increase in value, percentage level reflecting national strategic priorities.

### **Comparison of options**

Option 1 – it is not possible to maintain the current system for landlords and businesses while moving to a new system for occupiers, since the changes to the primary legislation apply to all applications. If no assessment is prescribed for landlords and businesses, all those applicants will receive 100% grant. This does not meet the policy objective.

Option 2 – this option was proposed in consultation, but subsequent legal advice was that it did not meet the requirements of the primary legislation.

Option 3 - this option would comply with the requirements of the primary legislation, and would achieve the policy objective by relating levels of grant to the applicant's "income", similar to the assessment for occupiers. However, it is difficult to identify a measure of the applicant's resources which could fairly compare the circumstances of individual landlords renting one property with commercial landlords with large portfolios, and businesses ranging from single corner shops to multinational corporations. Questions arise as to whether personal income should be taken into account for individual landlords, and whether the measure of turnover should apply only to the property to which the application relates, or to the whole company. The range of annual business turnover is very much wider than the range of annual personal incomes. Many applicants are likely to be individual landlords and small businesses, who would fall at the very bottom of the range and would therefore receive very high levels of grant. This does not meet the requirements of consultees.

Option 4 – this option complies with the requirements of the primary legislation. It relates the amount of grant to the resources available, in terms of the capital value of the property,

but avoids the difficulties of trying to compare applicants in very different situations. The tailoring of grant in relation to national priorities, and additional concessions for charitable and voluntary housing providers, mirror the local authority discretion of Option 2, while maintaining transparency. Business proprietors are likely to receive low levels of grant under this assessment, while the amount available to landlords will be dependent on contributing to national priorities.

Option 4 was therefore selected on the grounds that it provided the best match to policy requirements.

## **Costs**

Grants for most types of work are awarded at the discretion of local authorities. Under the current system, these are paid at up to 50% of the approved expense, which is capped at £12,600 for improvement and £5,500 for repairs. For priority types of work, including where the local authority has taken statutory action to require the work to be carried out, grant may be up to 75% for improvements, 50% for repairs, and 20% to provide a fire escape for a house in multiple occupation. The authority may apply to Scottish Ministers for permission to exceed the limit of approved expense. Under the new scheme, the limit will be raised to £20,000 for all types of work.

In respect of discretionary grants, it is not possible to determine how the amount of grant awarded will change under the new system, since no information is available either on the income of individuals, or the value of properties, awarded grants under the current system. Such information could only be collected at disproportionate cost, through a research study which would have to contact previous grant recipients and conduct the assessment retrospectively.

For mandatory grants, a system of minimum percentage grants will complement the assessment of applicant's contribution. For all approved grants, the applicant will receive at least a set percentage of the approved expense. If the assessment produces a higher level of grant, that higher level will be paid.

For mandatory repair grant, which is the only grant available for business premises, the minimum percentage grant will be 50%. This is the same as in the current system. Combined with the higher maximum expense, this means that costs in this category will be no more, and may be less, than under the current system.

The minimum percentage grant for a fire escape for a house in multiple occupation will be 20%. Again, this is the same as in the current system, so that costs will be no more than at present.

The minimum percentage grant for mandatory improvement works will be 50%. This is a reduction from the current level of 75%, so costs may be increased where the approved expense is less than the maximum, or where the local authority applies to exceed the maximum. However, when applied to their respective maximum approved expenses, the new system represents a slight increase in the amount of grant available over the old (£10,000 compared to £9,450).

Improvements are most likely to add to the value of the property, and therefore the assessment will only calculate grant on a proportion of the approved expense, except where the applicant is a charitable or voluntary housing provider. The project would need to contribute to a number of national priorities (eg, bringing empty housing back into use, as part of a refurbishment scheme, and bringing the house closer to “barrier free” standards) in order to obtain grant above the minimum percentage.

### **Monitoring and review**

The Scottish Executive monitors the number and amount of grants awarded for different types of work and to different types of applicant. The data will be kept under review to determine the impact of the new system, on occupiers and other applicants. Information will also be collected through monitoring of the use of Private Sector Housing Grant, to assess the effect on the costs of administering the grants system.

### **Declaration:**

**I have read the Regulatory Impact Assessment and I am satisfied that the balance between cost and benefit is the right one in the circumstances**

**Signed by Margaret Curran  
Minister for Communities**

**13 June 2003**