

**GWSF survey – investment in existing stock, summer 2018**

**The survey**

21 associations responded to our survey in June and July 2018, with 17 being based in Glasgow, one each in Renfrewshire, East Dunbartonshire and West Dunbartonshire, and one active in both Glasgow and a number of other council areas.

The aim was not to build up a hard statistical picture of the issue, but to use the sample to gain a broad impression of the scale and urgency of the problem as perceived by members.

The following sections summarise the main findings.

**Pre-1919 tenements the main problem but other stock too**

The predominant investment challenges, not surprisingly, are in pre-1919 stone tenements, but some associations report investment challenges in inter-war and post war blocks (including some non-traditional building types) – anywhere there are owners, there are likely to be particular problems for associations.

**Blocks fully owned by associations**

Most respondents were of the view that their association would have sufficient resources to keep on top of improving and repairing the blocks they fully owned. A minority felt that they may have challenges even in this stock – for example:

* An association with 260 flats in 40 blocks said that investment in stonework and roofs would be at the expense of delayed investment elsewhere (new build/rehab). The association felt there was a case for Housing Association Grant for such work.
* As association with 80 blocks said that in a pilot study, investment in the poorest stock was felt to be financially unviable as the expenditure would never show a positive return. The association said it would consider demolition if necessary.

A number of associations, including those with inter-war and post-war stock, said that the need to further improve the energy efficiency of their stock – with particular reference to the current EESSH 2 proposals – would present financial challenges not budgeted for.

‘Retrofitting properties to meet the required energy efficiency standards will be problematic – e.g. external wall insulation to non-traditional properties.’

[GWSF does not support the proposals for EESSH 2 as we believe the cost of investment will fall primarily on tenants and that fuel poverty will be swapped for rent poverty.]

The timing of works to fully owned blocks was an issue for some associations:

‘Generally speaking our properties were all refurbished around the same time a number of years ago, and there is potential for major works to be required to a large proportion of these around the same time, which will have an impact on our resources.’

**Mixed tenure blocks**

By far the greatest concerns related to what members reported was the steadily deteriorating condition of mixed tenure blocks. Even this modest sample of member associations reported concerns over around 1,600 closes containing around 9,000 flats.

One example was an association with 62 closes (281 flats), of which the association did not have a majority share in 29. The lack of a majority share in a significant proportion of closes was a problem for almost all respondents.

The main issue was lack of investment, or rather an inability to invest because this was inextricably tied up with the issue of owners’ inability or unwillingness to pay their share of the cost of works.

‘If there is no grant for owners, some of these closes will badly deteriorate, which could result in demolition. Owners do not budget for external repairs, and prefer to spend money within the property on kitchens/bathrooms/windows. In this area a number of owners buy for student offspring and not homes for longer term so are not willing to invest large sums in roofs etc.’

Several associations cited cases of owners having blocked a wide variety of proposed works, including new door entry systems, rendering, and environmental works to improve the area. Even minor investment had been difficult for some associations: one said its cyclical close painting programme since 2008 had been badly affected by owners’ lack of interest or unwillingness to pay.

Almost all associations reported that the increasing proportion of flats that were in the hands of private landlords was a further barrier. From association to association, the proportion of owned flats which were privately rented varied from around 10% to 70%.

‘Owners are sometimes property rich and cash poor, but can also be apathetic when rental income received is the only driver for owning the property.’

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**A ‘ticking time-bomb’**

‘The condition and potential deterioration of the existing stock within all sectors is a major issue for Glasgow. The term ‘ticking time-bomb is over-used but in this case is appropriate.’

It was difficult for associations to be specific about exactly when deterioration would become a crisis, because of the ‘slow burn’ nature of deteriorating conditions.

A few associations said that the need for major investment was still some years away because of CTI schemes within the last 30 years, but that without investment, some of the closes would deteriorate badly.

Many associations said that demolition could be an option in the future unless common fabric and roofworks were carried out

‘The buildings won’t remain technically viable and will become dangerous’.

It was recognised, though, that demolition itself was not a cheap option and would be likely to require grant support.

**Impact of the lack of investment**

Many respondents highlighted that it was tenants of mixed tenure blocks who were the main losers from the lack of investment:

‘Tenants of the poorest properties are living in housing which is not fit for purpose…higher incidence of repairs, which are patch/repair with no longer term solution to underlying condition…..tends to be higher incidence of ASB and there is a danger of a downward spiral, leading to vacant flats becoming harder to let’

‘We have postponed cyclical close painting due to owners not agreeing, and a forthcoming window and stonework contract may face the same issues.’

Many associations talked of steady, progressive deterioration of the common parts – roofs, stonework, gutters, closes, access stairs and decks, in blocks where owners have not co-operated. Many reported significant issues with back courts too.

‘This position is just not sustainable in the long term.’

Associations were worried not only about the impact on the closes themselves but also on the surrounding areas.

‘Blocks become unattractive and a blight, which impacts on the sustainability of tenancies and reletting – they look unattractive in a competitive market.’

‘Longer term the deterioration of mixed blocks will mean difficulties letting, voids and loss of rental income, reputational impact.’

Some associations said they would consider ceasing to factor problematic closes, which would lead to stock deterioration and loss of owners’ house values. This raises the broader issue that many flat owners appear not to realise that blocking works over a long period could have a negative impact on the value of their home.

‘The future of these flats would be further deterioration and loss of value for the owners who live there. The flats are already valuing well below market value.’

Many associations felt that the options for investment were very limited and that eventual demolition was a distinct possibility in the worst examples, particularly where owners’ continual blocking of works could lead to the structure of blocks being threatened.

Some associations said that their ability to meet shorter term (EESSH 1) and longer term (EESSH 2) energy efficiency standards would be affected if owners could or would not fund their share of works, with the fitting of external wall insulation to post-war blocks cited as a key example. One association with 32 closes of inter-war stock said it could not obtain grant for external insulation as cavity wall insulation had previously been installed.

**Funding issues**

*Local authority support for owners and housing associations*

Many associations said they had benefitted from council support for owners over the past 30+ years and that this had made a huge difference in enabling CTI and other work to go ahead.

More recently, such support in Glasgow appears to have been more specifically targeted to particular priority projects, in some of which 100% of owners’ costs had been funded.

A selective return to the Comprehensive Tenemental Improvement approach – e.g. for particular blighted areas – was suggested by some associations.

‘It allowed owners to reinvest in their properties, created better, more stable communities and better lives. The use of CPOs could be a way forward for occasional absentee landlords.’

One HA said they had had 50% funding for small but urgent common repairs, suggesting that the association funded the remainder itself.

In one local authority area outside Glasgow, 50% grant was still available for certain works within designated regeneration areas, for roofs, render, downpipes etc., but not all owners had taken this up and could not be compelled

Associations see financial support for owners as key to their ability to prevent further deterioration to flats in common ownership.

‘Unless funding to owners greatly increases – say to 1980s/1990s levels – then under-investment will continue.’

But whilst all associations would like to see such funding return, few if any see this as a realistic long-term option for addressing the problems across so much mixed tenure stock, especially given the pressure on local authority finances.

The wider issue of local authorities having insufficient resources to use existing legal powers was a concern for many associations. Use of statutory notices and payment of missing shares had long been helpful tools, but use of such powers was closely linked to having the financial resources to back this up.

*Self-funding by HA*

There was some evidence that in specific cases an association may self-fund improvement work, usually where they had majority ownership of a close, but these were isolated examples, not least because of the obvious sensitivities around tenants’ rents funding owners’ costs.

The general view on the problems of self-funding were summed up by one association:

The key thing is to understand that this issue is generally outwith financial viability for HAs investing and addressing in the scale of the issue. Raising private finance for this that ultimately is paid back out the HA’s wider rent pool essentially drains any surplus from other more viable asset management on core stock.

A number of associations said they would consider using the prospective new missing share power, but this was likely to be in isolated cases as the risk of using it across their mixed tenure stock was too great, given that such an approach would effectively be underwritten by the association’s tenants.

‘This is something we may consider, but it would be extremely unpopular and has a strong chance that any recharge is unsuccessful, with resource issues seeking recovery, and the reputational impact on us.’

*Other funding issues*

Some associations felt that loans such as equity loans for owners needed to become a more common part of the solution, even though it was recognised that no owner could be compelled to take out any kind of loan.

Some associations noted that reduction of VAT on works would be very welcome in significantly reducing the cost of works.

**Acquisitions and disposals**

Many associations said they had used their buying and selling strategy where possible, though buy-backs from the association’s own resources were obviously limited in number.

Many associations talked of selling flats in blocks where the association was the minority owner.

‘We would sell flats in problematic closes and buy flats within other closes to consolidate the stock’.

This trend seems likely to continue, even though it is recognised that disposing of stock might address the association’s problem but not the problem of the condition of the close

The recent acquisition strategy in Glasgow – usually involving 100% acquisition costs and 50% improvement costs – has been very much welcomed by many associations, not least where it has enhanced the degree of control the association has over a close. However, it was noted that the strategy varied year on year and funding could not be planned ahead.

More generally across the GWSF area. a more strategic approach to funding acquisitions would be welcomed by many associations, rather than the less predictable current approach which saw some councils adopt such an approach and others not, or areas where some associations benefit but others do not:

‘We would like to see the council support us to buy empty property where we can demonstrate good use of the process, for example we wanted to purchase a single aspect ground floor flat to amalgamate with another flat to create a family home.’

**Scottish Government funding**

Some associations called for the Scottish Government to take a much more proactive funding role in relation to private housing. It was suggested this could be through funding owners’ costs and placing a charge on the property (an alternative approach would be to ensure local authorities have the funding to do this, though it seems likely that only a ring-fencing approach could achieve this).

Another suggestion was for the Scottish Government to fund associations to purchase property, net of repairs costs, from owners willing to sell: this would be similar to the Mortgage to Rent scheme, and would help give the association greater control over the close.

**Legislative issues**

Some associations felt that a radical approach to placing greater legal obligations on owners was the only way to address the decline of common blocks. Mandatory sinking funds and mandatory five year inspections were cited as options, along with the need to explore innovative approaches such as the notion of ‘corporate ownership’ of blocks being promoted by Andy Wightman MSP.

With or without radical legislation, many felt there needed to be greater public education around owners’ responsibilities

Many associations felt that the problem shouldn’t be seen only as one of a lack of legal powers: it had been invaluable where the local authority had supported associations through, for example, applying missing share powers, but a number of associations said their council simply did not have the resources to use existing powers:

‘The necessary powers appear to be in place, but the Council does not have sufficient resources. The focus is on new build, not the existing stock.’

‘There is a raft of supportive legislation, but the issue remains the resources and timescales required for dealing with, for example, absentee landlords.’

‘In one case of an absentee owner failing to engage with us, we have approached the council about the possibility of CPO but this was refused: the flat has been empty for many years.’

Some associations cited examples of one council department working against the interests of another: more often than not this related to rigid application of Planning Department rules/restrictions, e.g. on window replacement.

It was suggested that the ‘Govanhill’ powers – declaration of Enhanced Enforcement Areas – could help tackle poor private landlords elsewhere but needed substantial local authority resources to enforce.

Some members commented that the distinction between ‘repair’ and ‘improvement’ work was very challenging: if all works came under the same definition then associations could proceed with a majority agreeing.

**How associations engage with owners**

One association asked whether there was scope for improvement in how associations engaged with owners. The detail of this issue was not explored in this survey and so may need to be pursued at a later date.