
THE EVALUATION OF HOUSING PROGRAMS
IN ENGLAND
Their Relevance to Canada

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PREFACE

"Housing Policy" in England is highly complex, involving numerous government departments, agencies and associations. Furthermore, policy in England differs from that in Scotland, Wales or Northern Ireland.

Because of the complexity, this paper can not examine all aspects of housing policy. Instead, it focuses on a number of policy areas which are likely to be relevant to Canada.

On the other hand, this paper is not intended as an introduction to English Housing Policy. A number of such introductions already exist e.g. Mary Smith (1975). Consequently, it is assumed that the reader has a basic understanding of the British housing scene. The focus of the paper is on efforts in England to evaluate existing policies and policy recommendations.

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CHAPTER I

INTRODUCTION

In contrast to Canada, one of the major characteristics of the housing sector in England is the large number of groups and associations deeply involved in the creation of housing policy. Each of these pressure groups attempts to influence housing policy in the direction of its own goals. Not only do most of these groups publish periodical journals, they also undertake research into specific aspects of housing policy.

It is this pressure group approach that forms the basis of much of the evaluation of housing programs in England. It is best exemplified by British policy to homelessness. In the early 1970's, the movie "Cathy Come Home" was shown on television; it created such a great popular outcry that the Department of the Environment began to review its various housing programs to see what could be done for the homeless. Eventually, in 1977, a special law was passed putting responsibility for homelessness on to the local authority. The film also gave prominence to "Shelter", an organization established for promoting the

cause of the homeless. Shelter not only produces the popular journal, "Roof", but also undertakes research into selected aspects of homelessness.

At the political level, both the major parties are continually revising their housing programs to try to respond to the demands of those pressure groups which each party feels represents the dominant mood of the country, yet is consistent with its own philosophy. In fact, one of the features of housing policy until very recently has been the seesaw of policy, reflecting the ascendancy to power first of one party and then of the other.

Within the Department of the Environment itself, there are a number of groups, largely within the Economics and Policy Sector, that examine on-going programs as well as make recommendations for new programs. With regard to the former, the major concern of the Department is with the monitoring of program costs and participation. Such monitoring is becoming increasingly sophisticated and, as shall be discussed below, can provide useful structures for Canada. In addition the Social Services Division is instituting more careful appraisals of the quality of

housing projects. There is however, no unit specifically concerned with examining the broader implications of housing programs.

To undertake this broader perspective, the Honourable Anthony Crosland, as Secretary for the Environment in 1975, commissioned a broad review of housing policy. According to the Secretary, the review would be a "searching and far reaching enquiry" that would "get beyond the housing policy of ad-hocery and crisis management and that would examine the goals of housing policy and the ability of current programs to achieve these goals."

Although the Committee undertook numerous research projects, drew heavily on on-going work at the Department and received submissions from most of the groups involved in housing, its final report, issued as a Green Paper in 1977, would have been a disappointment to the late Secretary. Rather than establish clear policy direction, the review argued that "the decision and family budgets of millions of households have been shaped by the expectation that existing arrangements will continue in broadly their present form".

Thus, the justification of existing programs is not that they are either effective, efficient, or equitable, but that they represent a current equilibrium. In a similar vein, the technical papers describe the past and present and try to forecast the future, but surprisingly do not analyse the role of current or alternative housing policy (Cullingworth, 1979 and "Housing" volume 14, no. 3).

One of the reasons for producing this "status quo" review is that there are so many pressure groups involved in housing that any significant departure from current policy would arouse a storm of protest from those groups which stood to suffer. A second explanation is that the review team felt that housing was such a complex and inter-related phenomenon with the possibility of undesirable and unintended repercussions, that any attempt to change the status quo is filled with uncertainty.

The reason for dwelling so long on the green paper is that, while its conclusions are disappointing it is still the focal point for much of the current discussion in England on housing policy, largely because it produced in

published form so much background information. In this paper we shall draw on the green paper framework, though attempt to go beyond the work reported therein.

In the following chapters, policy will be analysed in each of the following four major categories:

The Choice of Tenure

Central-Local Government Relations

Home Repairs and Improvements

Provision of Subsidy to Those in Need

In general, each section will begin with a review of the green paper's proposals and then continue with a general reaction to these proposals and other recent relevant analysis. The summary to each chapter will draw implications from this research for Canadian housing policy evaluation.

Before proceeding, however, it is useful to put the various housing programs in perspective. This is done in Table 1-1 where capital and current subsidies are compared. The major capital expenditure in 1978 was in the construction

TABLE 1-1

1978 PUBLIC EXPENDITURE ON HOUSING
(1978 Prices)

	Sub Group	Group Total	Class Total
	(£ Million)		
<u>CAPITAL SPENDING</u>			2692
<u>LA Investment</u>		2065	
- Land	62		
- New Bldg.	1245		
- Improvements	623		
- Acquisitions	134		
<u>New Town Investments</u>		211	
<u>New Town Sales</u>		-167	
- Sales Total	-304		
- Loans for Sale	181		
- Repayment of Previous Loans	- 44		
<u>Improvement Grants</u>		150	
<u>LA Mortgages Net</u>		-122	
- New Loans	182		
- Previous Repayment	-304		
<u>Housing Association Investment</u>		558	
<u>(Housing Assoc. Private Loans)</u>		(41)	
<u>CURRENT SUBSIDIES</u>			2314
<u>General Subsidies</u>		1609	
- From Central to LA Governments (Council Housing)	1195		
- Other	414		
<u>Income Related Subsidies</u>		496	
- Rent Rebates	404		
- Rent Allowance	92		
- (Supplementary Benefits)	(700)		
<u>Option Mortgage Subsidy</u>		155	
- (Mortgage Tax Relief)		(1100)	
- (Capital Gains Exemption)		(1500)	

Source: SCHIFFERES, S. "Living with the Cuts" Roof, March 1979

of new council housing by local authorities. Rehabilitation of older council housing accounts for almost one-third of total capital investment. The second major capital spending category is for housing associations, the equivalent of non-profit housing. Virtually all of the association funds come from the public sector. Home improvements, despite the scope, of the problem, receive only a small portion of total capital, one-quarter less than the investment in new towns even though no new towns have been declared for several years.

On the subsidy account, the total annual subsidy is almost equal to new investment. This however excludes three major subsidy elements, ie, exemption from capital gains tax of residential units, the deductability of mortgage interest payments and welfare payments through the supplementary benefits program. The option mortgage scheme, under which owner-occupants receive approximately a 30% deduction in their interest rate but cannot receive mortgage deductability benefits, account for 7% of the total subsidy. The rent allowance scheme, including allowances paid to private-landlord tenants and public or council housing tenants (the latter subsidy is termed "rent rebate") cost

almost £500m in 1978. The major element in the subsidy budget involves transfers for the central to the local governments, mainly to help pay for the cost of council housing.

CHAPTER II

The Choice of Tenure

In England, over 55% of all housing is owner-occupied, a significant increase since 1951 when only 31% of the units were in this tenure class. The major sector to suffer a decline is the privately-rented sector: from 52% to 15% over 25 years. The third sector, public and association (non-profit) housing, also grew rapidly to a point where it now accounts for 30% of all units.

A major factor explaining the rise of the public and owner-occupied sectors, and the fall of the privately-rented sector, is that the former two receive extensive subsidies from the central government whereas private rental receives only indirect subsidies through the housing allowance program. Since rents are controlled on almost all privately-rented units, the profitability in this sector has virtually disappeared.

Subsidy Comparisons Between Tenure Classes

Since the beginning of the 1970's, there have been numerous attempts to compare the subsidies available to homeowners and local authority (public housing) tenants. Although the technical background report for the green paper also tries to quantify these subsidies, the green paper

TABLE 2-1
HOUSING TENURES IN 1951, 1971 & 1976
(England & Wales)

<u>Tenure</u>	<u>Millions of Units</u>			<u>% of Units</u>		
	<u>1951</u>	<u>1971</u>	<u>1976</u>	<u>1951</u>	<u>1971</u>	<u>1976</u>
Owner-Occupied	3.9	8.9	10.0	31	52	55
Private-Rented	6.4	3.1	2.6	52	19	15
Public ¹	2.2	5.0	5.5	17	29	30
TOTAL	12.5	17.0	18.1	100	100	100

¹Includes Local Authority, New Town & Housing Association

Source: Housing Policy: A Consultative Document,
London, HMSO, 1977, p. 14

TABLE 2-2
SUBSIDIES TO LOCAL AUTHORITY TENANTS & OWNER-OCCUPIERS
1975/76¹
(1976-77 Prices)

	Numbers	Amount	Amount Per Head
	(m)	(£m)	(£)
Local Authority Tenants (England & Wales)	4.7	915	195
All Home Owners (U.K.)	10.0	1,100	110
All Mortgaged Houses	5.9	1,100	185

¹This includes the income-tested rent rebate which went to 1.9m tenants for an average of £130 p.a.

Source: Housing Policy, p. 40

itself asserts that "the debate on equity and housing is sterile: it is an attempt to compare chalk and cheese ... there are fundamental differences between two tenures which must defeat any attempt to draw up an incontrovertible balance sheet" (p. 49). These fundamental differences include the basically different structure of each sector, the different time patterns of subsidy payments and the need of the potential occupant.

As a result of this argument that the two sectors cannot be compared, the green paper goes on to suggest that the current subsidies be continued and only hints at the possibility of "some link between the rate of assistance towards interest payments on the two sectors" (p. 41).

This approach to comparisons has been attacked by numerous commentators. Although it would clearly be naive to expect any cost comparison to be "incontrovertible", a great deal of insight into the relative costs can be obtained by making more reliable estimates of costs. Whitehead (1977) points out that comparisons of subsidy, from the point of view of the occupant, ought to be made

on the basis of current market value of the unit and not historical costs. Furthermore, she argues that the subsidy should be broken down by various household characteristics, including income, so that one can see not only what is being received but by whom.

Although the technical appendix no. 4 of the green paper does try to compare subsidy by income, the report feels that these estimates are too hypothetical to be conclusive. For example, the subsidy to local authority tenants is based on the difference between rent paid and an estimated value of the unit. Not only is the latter data suspect, but also most low-income households are single persons households who occupy small units. The report does not control for this unit size variation. The data clearly show what is well known in any case: higher income households receive higher subsidies. Also a great deal of subsidy goes to those households with incomes over 400 pounds a year and owning their own home (see Table 2-3). This inequity occurs because mortgage interest payments on up to 25,000 pounds of principal is tax deductible and thus of greater value to households with higher marginal tax rates.

TABLE 2-3
DISTRIBUTION OF SUBSIDY BY INCOME CLASS
1974/75

Income Class £p.a.	Average Subsidy (£p.a.)				Number of Households (000)	
	Owner Occ.	Local Authority		Total	Owner Occ.	Local Auth.
Under 1000	59	120	46	166	100	1,230
1000 - 1499	73	132	48	180	170	660
1500 - 1999	91	152	28	190	380	510
2000 - 2499	104	137	7	144	590	660
2500 - 2999	101	147	-	147	720	660
3000 - 3499	129	154	-	154	850	430
3500 - 3999	129	148	-	148	640	260
4000 - 4999	148	164	-	164	910	240
5000 - 5999	179)	154	-	154	370)	50
6000 - +	369)				380)	
TOTAL	141	139	23	162	5,100	4,700

Source: Housing Policy Technical paper #4, Tables IV-34
IV-35

Thus, in one significant area of evaluation, the green paper has not improved the level of analysis; instead it rejects the idea of making subsidy cost comparisons between programs. Since one of the goals of any evaluation should be to assist policy-makers in deciding whether to alter programs, this failure to make cost comparisons means a decision regarding changes in the size of subsidy going to individual tenure groups cannot be based on the question of cost equity between tenures. In terms of relevance in a Canadian context, this conclusion is disappointing and the question must be asked whether it is useful to invest more resources in trying to provide more meaningful cost comparisons or whether to accept the green paper conclusion that such comparisons cannot be made.

Within the United Kingdom, the question of cost comparison seems to have followed the suggestion of the green paper. Webster (1978) tried to compare a number of different cost estimates by putting them all on a common set of assumptions, but feels that in the end such costs should not form the basis of policy decisions.

Grey et al (1978) try to improve on the green paper estimates by comparing subsidies on a hypothetical unit built now rather than on actual units built in the past and thus differing in quality, location and current value. Furthermore, they project these costs into the future, then discount them to get a present value subsidy. This approach is similar to that done by the program evaluation unit at CMHC (Lithwick, 1978). By using a range of assumptions Grey argues that over most likely sets of assumptions subsidies to owner-occupiers are slightly less costly than those to council housing tenants but are also less equitable. They argue that a far more equitable and less costly arrangement would be a housing allowance that went to any applying household in need. But given the reluctance of the Department of the Environment, as indicated in the green paper, to pursue a universal housing allowance, their report is likely to fall on deaf ears. Interestingly, the green paper rejects the universal allowance because it would be expensive and complicated and inequitable (p. 36). These are precisely the grounds given by Grey (1978) and Cullingworth (1979) for rejecting the current system and moving toward a universal allowance. The difference is due to the fact

that the green paper considers a universal allowance that would be on top of, rather than replace, the current system. The green paper also considers only a flat payment to all households. It is not one geared to actual housing costs.

Two other shortcomings of the green paper's approach to the comparison of housing costs is its failure to project costs forward in time and its failure to look at subsidy costs for other forms of tenure. With regard to the future, the green paper argues that the future is too uncertain. Yet the paper does show that, in the five years from 1971 to 1976, the value of assistance in 1976 prices has more than doubled, from 1.276 billion pounds to 2.602 billion pounds, and this excludes housing allowance payments. It is this phenomenal increase that has shocked policy makers who must surely want to know whether it will continue and at what rate. Although the green paper feels it will not continue if interest rates stabilize, they present no estimate of the subsidy cost in future years to support this contention. Because the data on which such forecasts would have to be made are generally in the confidential files of the Department of the Environment,

TABLE 2-4

HOUSING INVESTMENT AND ASSISTANCE

1971/72 - 1975/76

(United Kingdom: £m at 1976/77 prices)

	1971/72	1972/73	1973/74	1974/75	1975/76
	£ Millions				
<u>Investment</u>					
-Owner-Occupied	2313	2797	3041	2623	2524
-Public	1702	1974	2535	3195	2795
TOTAL	4015	4771	5576	5818	5319
<u>Subsidy</u>					
-Tax Relief	638	716	930	1084	1100
-Rent Rebate)		140	292	310	292
)	152				
-Rate Fund)		97	146	242	244
-General Subsidy	486	493	571	922	966
TOTAL	1276	1446	1939	2558	2602

Source: Housing Policy, Figure 3, p. 17

it is not surprising to find that critics of government housing policy have not been able to come up with their own reliable estimates of future subsidy costs.

For similar reasons, there are very few attempts to compare the subsidy costs given to other forms of tenure with subsidies given to owner-occupiers or local authority tenants. Of the other tenures, private rental is the most important. Although low-income tenants are eligible for a housing allowance, no assistance is given directly to landlords. Rent controls give an indirect subsidy from the landlord to the tenant. But the fact that the entire sector is controlled makes it impossible to estimate what rents would otherwise have been and therefore the value of the subsidy. Whitehead (1977) argues for a subsidy to private renters at least equal to other tenure groups but, as will be shown below, this is unlikely to be followed.

The other major tenure class is housing associations, non-profit groups that provide assistance to selected households. The green paper strongly advocates continued development of this sector, currently producing approximately 25,000 new units and 15,000 rehabilitated

units each year. However, no estimate is made of the cost of subsidy or whether it is going to those in need (Housing Policy, p. 80). The major reason given for not including associations is that the stock of dwelling units has been recently acquired and capital cost comparisons are therefore misleading. However a methodology similar to that used by Grey (1978), by holding capital costs constant, might usefully show the relative subsidy costs going to this sector.

Up to this point the concern has been with cost comparisons between sectors. The general attitude in the United Kingdom today is that such comparisons cannot be made. On what basis then should decisions be based regarding what form of tenure to promote? In the United Kingdom, this decision is based on the pressure exerted by the various lobby groups on the government of the day.

Owner-Occupation

In the green paper, it would appear that the building societies were very successful in convincing the government to promote homeownership. As the supplier of

mortgage funds for over 90% of the purchases by owner-occupiers, building societies have an obvious interest in promoting owner- occupation. The Association of Building Societies commissioned a large survey to show that most people would really like to own their own home (British Market Research Bureau, 1979) but it is well known among social scientists that asking persons unconstrained questions about preferences is of little value (Kennedy et al, 1978). Since the current system provides a significant subsidy for owner-occupation already it would be extremely difficult for a typical respondent to visualize a situation in which prices were equal. As in Canada there has been little progress in defining and measuring the benefits of homeownership in terms of social integration, mobility or stability but these arguments recur (Housing Policy, p. 45).

The question of tenure is one which has traditionally split Conservatives and Labour until the beginning of the 1970's. Up to that time, Conservatives have supported private ownership consistent with conservatives views on ownership of property in general. In contrast, Labour has argued strongly for local

authority housing to be available to all groups of society. Significantly, many in the Labour Party are fearful lest council housing in the United Kingdom become like the low-income ghettos that they appear to be in North America.

The green paper, published by a Labour Government, signified a shift in Labour Party position toward more homeownership. Traditional left wing supporters of the party, such as Shelter, were highly critical of this shift as evidenced by their response to the green paper (Shelter, 1978).

In order to promote homeownership the green paper proposes not only the continuation of existing tax subsidies but also the creation of special assistance to first time purchasers. In 1978, a scheme for first time purchasers was enacted, providing for a grant of up to 600 pounds for households who keep their savings in designated accounts for at least two years. Since such accounts pay the market rate of interest, it is not surprising to find a large number being maintained. It is impossible to say, at least for another two years, what effect the program

will have, if any. The Building Societies Association argues that the system is too complicated and will likely be inflationary, but no techniques are being developed to test this (Building Societies Association, 1978).

Statistical information on owner-occupant mortgages generally come from a 5% sample of BSA mortgage approvals, the sampling being sponsored jointly by BSA & DOE.

Although BSA produces a number of statistical bulletins describing their clientele on the basis of the sample, the fact that this information is not easily accessible to private researchers has inhibited much potential analysis of the effect of subsidies on the owner-occupier sector.

One illustration of this problem of data availability can be taken from the concern with the practice of red-lining. A number of inner-city studies have argued that building societies discriminate against inner-city areas (Department of the Environment, Change or Decay, 1977, p. 116). The basis of this discrimination is low-income, unstable neighbourhoods and consequent risk of assets. Some building societies have argued that they have no formal social role, and therefore see no reason why they should accept unnecessary risk. These accusations of

red-lining come from local market studies, hear-say, and occasional surveys. In contrast the building societies use their data to show a growing percentage of their loans are going to pre-1919 houses. But the data are from a 5% sample and cannot address the question of red-lining since too few observations would turn up in this sample for any one neighbourhood. Consequently, the question of red-lining cannot be resolved conclusively. Britain, unlike the United States, has shown no indication that it would force the building societies to make available data on all mortgage applications by area within the inner-cities. As will be discussed below, such data would be useful in evaluating the area improvement programs as well. Similarly in Canada there has been no attempt to get such data; National Housing Act data, which are available, cover only 1/3 of approvals and this 1/3 is not likely to be representative.

Related to this is the entire question of lending to low-income households. Because building societies follow sound business practice, they will not normally lend to households in which total income is less than 1/3 the price of the house. Since 1957, local authorities

could lend to applicants at greater risks. But with public expenditure cuts in 1974, the government tried to encourage building societies to take over this role by having local authorities recommend applicants (Spalding, 1978). The building societies have argued that the new system involves merely queue-jumping, that clients of building societies and of local authorities are basically similar. Unfortunately, building societies have all the data on such clients and as of January, 1979, the only variable they provided to compare own and referred clients is house price (BSA Bulletin no. 17 January 1979, p. 23)¹. They argue that the lower average loan for the support scheme (8,602 pounds vs. 10,589 pounds) is because these loans are for older properties and not low-incomes, but no deeper analysis has been done. The building societies argue that the major benefit of the referral program is not the mortgagee but the improved local authority-building society relationship in the community.

¹C. Whitehead has informed me that there exists a 20% sample of LA loans. Unfortunately, while in London, I did not come across any studies that use this survey.

Sale of Council Housing

The final issue to be examined in the area of owner occupation concerns the sale of council housing. Under this program, local authorities are permitted to sell their housing to sitting tenants, at various discounts depending on length of occupancy. The major issue separating the two political parties is the extent to which sales should be encouraged. In the May, 1979, election, the Conservatives promised a large-scale increase in the scale, largely on political grounds and not on the basis of any evaluation of the program.

In fact an excellent evaluation of this program had been undertaken by Murie (1975). He argues quite cogently that tenure itself does not affect geographic mobility and therefore a policy of selling council houses cannot be justified in terms of its effects on mobility. Similarly, one tenure is not superior to another in terms of household satisfaction. But the sale of council housing does provide a direct financial benefit to the purchaser to the detriment of the potential household in need who might otherwise have been housed by the local authority. In his analysis, Murie not only describes in fascinating

detail the political changes and conflicts at both local and national levels, but also reports on a survey of purchasers of council housing in Birmingham. He does not however consider the implicit Conservative party argument that the sale of a house to a sitting tenant is a compensation to the tenant for not buying previously. Any discussion of sales of public housing in the Canadian context can benefit from Murie's approach and analysis.

Council Housing

With regard to tenancy in council housing, two key issues have dominated the discussion: the quality of the units built, and the access of households to council tenancy. With regard to the former, the Housing Development Directorate of the Department of the Environment has just completed the development of a housing appraisal kit. This kit is to be made available to any local authority wishing to evaluate the satisfaction of tenants with particular projects. The kit includes a questionnaire and a computer program for processing the results. Participation by local authorities is entirely voluntary, although participating

authorities are expected to give the Department a copy of their data for use in national comparisons. The kit is very recent and it is too early to decide whether it is effective. In addition to this national effort there are also numerous sociological studies of tenant satisfaction in particular projects, many of these studies being sponsored by the Department of the Environment itself.

The concern with producing quality estates is directly related to the Department of the Environment's concern with obtaining value for money. Since the Department ultimately finances a major portion of the costs for all projects, it tries to maintain cost controls through the use of cost yardsticks, essentially maximum house prices which vary by unit type, size and location. The green paper has responded to criticism from local authorities that this method is too detailed, time-consuming and rigid, and has suggested it be replaced by simpler cost controls which fix the amount eligible for subsidy; if a local authority wishes to build more expensive units, it must pay for the excess cost itself. However, a Department study (1974) found little relation between housing costs and final tenant satisfaction. It

also found little relation between tenant evaluation of a housing project and "expert" evaluations of the quality of planning and architecture.

The recommendation to replace the yardstick has been widely accepted by most respondents to the green paper. Unfortunately there appears to be no group willing to examine the positive aspects of direct Department control, particularly in the smaller local authorities that lack the expertise for controlling their cost and quality. In the next chapter, we shall return to the question of local autonomy.

The second major issue in council housing involves the accessibility to council housing. Cullingworth (1969) and numerous commentators before and after have argued that local authority point-rating lists should not discriminate against non-residents, childless families, or single individuals (Housing Services Advisory Group, 1978). Nevertheless in many authorities such discrimination persists and the central government is unable to compel local authorities to change. The green paper hopes that, by compelling authorities to publish

their point-rating systems, the fear of adverse publicity will reduce discrimination, although this is unlikely since most local authorities justify current procedures with the support of the community, on the grounds that the community should have first priority in local housing. Only if the local authority begins to build up surplus stock will it begin allocating units to other groups.

The central government's argument is that local authority policy reduces the geographic mobility necessary for optimum national economic activity. It has been argued that local authority tenants are much less mobile between local authority jurisdictions than owner-occupants because of their housing policy and a number of mobility studies have looked at this behaviour on the basis of interviews and ex post statistical analysis. While these results are generally accepted they have not been sufficient to convince local authorities.

Private Rental Housing

The third major tenancy group is in private rental housing. Most studies have accepted the decline of

private rental as inevitable. Although in the 1960's there was some attempt to promote private rental by de-controlling rents, the fact that such measures merely increased the rate at which rental units were sold for owner-occupation rather than increased the stock of rental accommodation, has meant that governments no longer hope to revive that sector. The major government concern is to ensure that tenants currently living in rental accommodation are adequately protected. This concern is based largely on the fact that a large number of private rental tenants are the poorest in society and their units are in greatest need of repair, a fact brought out in the 1976 survey of housing conditions.

The problem of what to do with the private rental sector is avoided in the green paper by the setting up of a special group within the Department to review the Rent Acts just before the green paper was published. The green paper thus refers questions of private rent policy to that body. Although the Rent Acts Review received submissions early in 1977, it has not yet published its report and indications are that no major report will be forthcoming.

Submissions to the Rent Acts Review have generally been based on philosophical positions rather than actual evaluations of previous policies. Thus, Shelter (1977) advocates a greater tenant security, including the right of the tenant to undertake repairs on his own initiative. Many other submissions are concerned with the day to day workings of the rent control mechanisms of appeals.

There are however a few studies examining the effects of earlier rent acts. MacLennan (1977), using data for Glasgow, compares forecast lettings from a projection of 1967 to 1973 data with actual lettings in 1974 and 1975. He finds the latter significantly lower and argues it is due to the Rent Act of 1974 which controlled rentals of furnished units. Reynolds (1977) looked at effects of the 1974 Rent Act on London in terms of changes in the level of evictions, the number of letting and the number of vacant units. By examining such diverse sources as court proceedings, newspaper advertisements and hydro records, she succeeds in putting forward the case that, while the Act did reduce supply, it also improved the position of existing tenants.

One of the problems with analysing the private rental sector is the lack of adequate data. Information on rents are available from the tribunal but this gives only final rent and not phasing in of these rents. Under rent controls it can take up to three years to reach these approved levels, at which time rents are out of phase again. Furthermore since fair rents are supposed to be set on the basis of what they would be "without excess demand", most rents tend to be set consistent with previous rent decisions and unrelated to any private market determination. Furthermore, there is almost no information on landlord behaviour. The Department of the Environment sponsored a fairly comprehensive survey in 1976 on attitudes to letting (1978) and found that most landlords were highly uncertain whether they would rent out again once the units became vacant. It is still too early to decide whether this survey is a good forecast of actual letting behaviour. If it is, such a survey might be of use in the Canadian context.

MacLennan and McVean (1977) surveyed Glasgow tenants and argued that the security of tenure provisions were most important in deterring landlords. They also

argued that the rental sector is really a dual market, consisting of two distinct types of tenants (the poor immobile and the middle-income mobile) and two types of landlords (those with large stocks of units and those with one or two houses, generally inherited). The implications of this dual market on housing policy has not been explored elsewhere.

Housing Associations

The final tenure class of importance is that of the non-profit housing association. Although some associations go back as far as the late 1800's, it was only in 1967 that significantly increased subsidies produced increased levels of production. In 1979, it is expected that associations will produce 40,000 housing units. The subsidy required to produce this level, however, is very deep, amounting essentially to the complete difference between costs and fair rents as defined by the rental tribunal. Housing allowances are also available for those unable to afford even these low fair rents.

Given this scale of operation, the Department of the Environment decided to control the associations through a semi-independent body called the Housing Corporation. This Corporation, established in 1974, maintains a register of all associations; being on the register is a prerequisite for receiving assistance. To be on the register, an association must prove its competence to the Corporation.

When first set up the Corporation was under-staffed resulting in long delays. The situation has now improved and criticism of the Corporation has declined. The Corporation remains the central agency responsible for the program and must decide on the allocation of the national budget for housing associations, apart from the small number of associations that receive assistance from the local council directly. In this sense the Corporation's main interest appears to be in reviewing the viability of potential projects and not with the broader view of the role of housing associations. Nor does the Department of the Environment appear to take a wider perspective (Baker, 1976).

Several local housing authorities are concerned that housing associations are taking over traditional roles of the local authority. Some welcome this as a means of getting rid of households most in need and of housing stock in need of major repair. Others view housing associations as undesirable competitors. However there has not yet been any major evaluation of the association program.

Dissatisfaction with current tenure systems has led to calls for new forms of tenure involving mixtures of ownership and rental. However no one has yet come up with a system that proves popular, that incorporates the advantages and not the disadvantages of the current system.

Summary

Britain has been very concerned with the various tenure possibilities open to households and much has been written on the subject. Much of the written material reflects the positions of one or the other of the various pressure groups and the arguments supporting particular tenure pattern are generally based on a priori philosophical

values. This approach to housing policy differs from the more pragmatic, almost non-philosophical, attitude to housing policy in Canada. As a consequence, little of this work is directly applicable to Canada. The most relevant conclusions are:

- (1) the rejection of inter-tenure cost comparisons largely because such comparisons are based on questionable assumptions and ignore non-monetary aspects of the various tenures;
- (2) the use of a housing appraisal kit developed nationally but made available to housing estates who wish to evaluate their own projects;
- (3) the Housing Corporation as a useful means of controlling non-profit associations provided that it is adequately staffed especially in its earlier years when it has a large backload of associations to check;
- (4) the need to have a readily available and current data base on the housing market and on housing programs. The monopoly by the building societies of data on homeownership has certainly made it difficult for others to review their housing policy. Although the Department of the Environment has undertaken some interesting surveys, such as attitudes to letting, these have only very recently been used on any large scale;
- (5) the need for the central government to ensure that all parties affected by new housing policies have some impact on the discussion. In Britain it is the major pressure groups

that have had the greatest effect, for example the building societies, through their data on homeownership and their commissioning of a study on tenure preferences. As shall be seen in the next chapter, the small local authorities have had no major input into the development of the new housing investment program; and

- (6) in implementing new policies, such as subsidies to homeownership, program rules should be relatively simple. If lending institutions are involved they should be consulted before the rules are published.

It is only in the last 3 to 4 years that economists have begun to be involved in housing analysis. While some of the work is interesting, for example the work on the Rent Acts, it has not yet reached the stage of being useful for policy evaluation. To promote an improved level of discussion of housing policy outside of government departments, the experience with the green paper illustrates the need to provide the public with current and meaningful background information to government policy and programs.

CHAPTER III

CENTRAL-LOCAL GOVERNMENT RELATIONS

The green paper recognized the important role of the local government in defining its own needs and priorities while, at the same time, recognizing that the central government must ensure that the total budget is allocated equitably and that money is spent efficiently. There must therefore be developed a delicate balance between local and national government powers, and such a balance must exist not only in housing but also in health, education and welfare.

To achieve a new balance in housing, the green paper helped to introduce the housing investment program (HIP). Under this system, each local authority defines its own needs and, on the basis of Department of the Environment review of needs across the country, the capital budget for housing is allocated to each authority. Although it is still too early to evaluate the system, public discussion has highlighted a number of areas which will be watched: the definition of need, the use of need statements in the allocation of the budget and the controls vested in the central government for ensuring efficiency in value for money. All of these areas are of concern to Canada because under the 1979 Housing Bill, the

responsibility of the provincial governments has increased significantly.

Definition of Need

HIP requires each local authority to provide a three part statement of need. The first involves a verbal description of housing policy in the authority, the second involves the presentation of specific numbers on the level of need, such as number of units in need of repair, extent of over-crowding, and so forth. The third part presents the local authority's expenditures in the past year, current year's request and a five year forecast of future expenditures. These are presented by program area and grouped into three major blocks: new construction and rehabilitation, housing associations and area improvement. Funds are then allocated to local authorities for these three blocks.

The major difficulty with this approach is that it assumes local authorities are able to describe their need levels with some degree of accuracy. In actual fact, data at the local level are very poor; these data are out of date before they are even published and national surveys

are not reliable at the local level. Questions on income are rarely asked in major surveys or the census. Although some large urban areas like Manchester can undertake surveys, the quality of such surveys is variable and most smaller authorities do not undertake them.

The Department of the Environment has agreed to the request by some local authorities to include information on waiting lists as part of the needs statement, but does not use this information because waiting lists are based on local point rating systems. The Department of the Environment prefers to use the difference between the number of households and the number of dwellings as a key indicator of expected future shortage. This measure is also suspect because forecasts of household formation and migration at the local level are highly unreliable and a 5% error in forecasting either demand or supply can result in a 100% error in estimating the size of the short-fall.

If needs are so difficult to measure using current procedures, the question arises whether some other approach to measuring needs should be used or whether need at the local level ought to be used at all. Niner (1976)

suggests that need estimates need not play an important role. She prefers a careful monitoring of the entire housing system so that as difficulties or pressure areas appear they can be detected quickly and budget reallocated accordingly. The Department of the Environment has given the Centre for Urban and Regional Studies at the University of Birmingham a large 4 year grant to develop a framework for monitoring the housing system and to implement it in a number of centres on a pilot basis. Niner (1979) reports on the gradual evolution of their thinking.

Originally they had advocated fairly sophisticated data systems and the collection of new data to fill in gaps. More recently, they prefer using available data as much as possible and trying to package the data. The primary reason for this evolution in their approach, apart from cost, is the realization that local authorities are generally incapable of coping with too much information yet want to be constantly informed about the state of the housing system.

Crofton (1977) suggests that any nationally imposed method of estimating needs is unreliable. He recommends local authorities be allowed to define their own levels of need in a manner most suitable to them. However, this would make the Department of the Environment's responsibility for allocating funds between authorities difficult and make the system of allocation appear even more arbitrary than at present. Boxhall (1978) would go even further and allow local authorities to spend whatever they want since they are directly responsible to their own electorate. However, capital expenditures today generate subsidy costs in the future and these subsidy costs would have to be borne by the central government.

In establishing the needs framework, the Department appears to have been fully aware of the problems involved and commissioned a number of studies to look at the performance of the system as it developed. The interim results of this on-going monitoring is that authorities will only use the needs systems if they feel that the Department is also using it. In other words, if they feel that the Department of the Environment is not using needs forecast, including the verbal statements and local

perceptions of needs that are not incorporated in the simple statistical series now required, they will not put the necessary effort into producing quality statements. Thus, Paris (1979) found that Oxford City Council did not devote resources to the process because they felt the Department allocations would not be based on the quality of the submissions.

Leather and Murie (1978) feel that the HIP system by its very flexibility will allow a local authority to produce as complex need statements as the local authority itself requires. This optimistic view of the local authority, i.e. that on their own they will seek to improve the needs definition, is valid for only a small number of the English local authorities. Given the constraints of time and money, most will do the minimum permissible, although the authors give some examples of where the data required by HIP have proven useful to local councillors in other contexts as well.

Godfries (1978) is afraid that the housing needs statements may be too parochial and that such statements ought to examine industrial and employment policies as

well. Going still further, Hambleton (1977) feels that the different Departments of the central government are each individually moving towards needs statements in their own sphere, but that there is no provision for integrating these studies. He describes the pilot program in Gateshead as one successful attempt to centralize local planning through the creation of a strong agency within local government that can coordinate the different plans. He recognizes however that branches of local government assigned the role of administering the programs are often in conflict with this agency.

Summing up, the concept of locally defined needs appears to have been generally accepted, although most commentators feel local authorities should be given greater flexibility in defining and monitoring needs and that the Department make it clear that these statements of needs are used. Central government must also begin to move towards coordinating its requirements of local authorities so that the latter are capable of overall and not just sectoral planning.

Allocation of Funds

According to the theory of HIP, funds would be distributed to local authorities according to the relative level of local need and local demand for funds. This concept of a finite amount of funds or relative scarcity is new to many local authorities who had grown accustomed to receiving whatever they requested. Although scarcity of funds had existed previously for some of the programs, such as home improvement, HIP for the first time curtailed the overall budget. The HIP system was designed not only to force local authorities to set priorities, but also to force them to resolve their own bottlenecks and inefficiencies.

In the expectation of not receiving all they wanted, many local authorities appear to have asked for more than they can use. A second reason for over requesting is that work on a submission must begin twenty-one (21) months before the year in which they are spent. Very few authorities have a firm planning horizon this long. When uncertain, it is safer to over-request. In addition, in the last two years, a large number of authorities switched from Labour to Conservative councils,

with the latter committed to significant reductions in public spending budgeted by the previous Labour-controlled authorities.

The overall effect of these forces was a significant underspending or shortfall in actual expenditures relative not only to what was requested but also to what was allocated by the Department of the Environment. Many authorities who had complained that the Department was too secretive and arbitrary in cutting their initial requests now are in the embarrassing position of underspending this same allocation.

In order to use up the Department budget, the central government put pressure on local authorities to come up with new projects that would generate expenditures in the very short run. Thus, HIP which was designed to promote long run planning, had to be revised to achieve short run expenditure requirements. The entire episode seriously brings into question whether government can do long-range planning. Although local authorities have requested the Department to guarantee commitments for at least two years, the central government, as it tries to

"fine tune" the economy through fiscal policy cannot provide these guarantees. Most commentators recognize that this dilemma is insoluble but also recognize that HIPs are going to remain for some time and therefore try to improve the workings of it. For example, the Department of the Environment promised increased consultation in the making of its allocations, and many local authorities began reorganizing their housing divisions to ensure more competent submissions. As an illustration of the latter, the Greater London Council recently took the housing research and planning function out of the research unit and made it an integral part of the housing division itself.

Controls

In announcing the HIP system, the government undertook to remove other instruments for controlling quality and direction of local investments, the two major controls being the minimum construction standards and the cost yardstick. The Parker-Morris standards are felt by some local authorities to be too high and thus require the construction of overly expensive housing. It is however difficult to either prove or disprove this claim.

The cost yardsticks represent the maximum allowable capital costs for a unit built by a local authority. This is being replaced according to the green paper by a maximum subsidizable cost; if the local authority wishes to exceed the cost it must find financing on its own. Work is currently going on at the Department to try to develop a technique for updating these costs and providing for regional variation. The procedures being suggested include a regression model of costs in the previous period on a number of factors such as unit type, size, and location. Local authorities would then try to limit their costs to these levels.

Theoretically it is possible that HIPs themselves could provide a means of controlling quality, with authorities building quality projects efficiently receiving the greatest relative increase in their allocation. It is unlikely however that such a system would be implemented because of the reluctance of the central government to evaluate local projects. The central government appears willing to let LA's define their own needs and establish their own quality control. If HIPs by themselves are not adequate means of

controlling quality then is it wise for the Department to give up its other controls? This no doubt is a dilemma that faces current senior administrators at the Department, explaining their reluctance to hand over control to local authorities. The difficulty is increased by the knowledge that some local authorities are fully able to ensure quality performance whereas others are not. Yet the Department feels it must treat all authorities in the same way. It would appear however that a major Department of the Environment approach to housing in the near future will involve the differential treatment of local authorities according to their capabilities.

One approach to ensuring quality might be through the creation of a joint committee of local authorities and the Department which would be responsible for promoting quality and at the same time bringing pressure to bear on authorities not building into their projects adequate control. Grey (1979) describes some efforts in the Greater London Council to achieve cost controls and reviews the results of a committee set up to examine the means of getting value for money. The latter report

suggests value can be achieved by continued monitoring of costs and the requirement of comparing alternative proposals in terms of their costs and market values.

Subsidy Costs

HIPs are concerned primarily with the sharing of capital costs. The green paper also suggests a new method for cost sharing of subsidy costs, the difference between local authority income and local authority expenditure on their housing account. The new system is fairly simple, based on current actual deficit plus Department of the Environment estimates of what revenues and costs would be if costs and rents grow at a fixed rate. This system was part of the 1979 Housing Bill. However the bill died because of the election and it is not clear what the new government will introduce. One rationale for this new system is that it allows local authorities freedom to set rents at whatever levels they wish. Historically local authority tenants pay very low rents, on average 269 pounds per year in 1977. The Department is anxious that rents be higher and thus the subsidy be lower, with a housing allowance and rebate scheme being used to subsidize the low-income household

(Housing Centre Trust, 1979). When the Department of the Environment tried to take rent setting out of the hands of local authorities in 1972, the reaction of the local authorities was very strong and was partly responsible for the change of government in the 1974 election.

This situation of very low local authority rents is significantly different from the North American system where rents are a function of income. The British are fearful of creating ghettos of the poor in their council housing and the image of American public housing is constantly in front of policy-makers. Nevertheless, there are some British council estates that have become ghettos of the poor often with large minority populations. This is reflected in the "hard to let" list, lists of projects which have acquired a bad reputation and in which it is consequently difficult to place tenants.

There have been numerous attempts to improve these projects and reduce the hard to let problems, but these have not met with very much success. The approaches

vary from the selling of hard to let units on the open market to the turning over of these units to local housing associations or housing advice centers (Harloe, 1978). Although many of these projects have been promoted in the journals, there has been no serious attempt to compare or evaluate their relative success. In most cases, the transfer of hard to let units and/or difficult tenants to housing associations merely moves the responsibility without solving the problem.

In terms of project costs the two major elements are management and debt repayment. Interest in improving the quality of local authority management is only now beginning to develop. The Department of the Environment financed a major study of management at City University but has not yet begun new programs to upgrade the level of management (Housing Services Advisory Group, 1978). The major suggestion of the report was the development of a range of programs for management training including degree programs and career improvement incentives, at an estimated cost of one million pounds per year, a fairly small amount considering the size of the public sector.

The second aspect of management is the setting of norms for estimating management costs for the coming year as part of the new subsidy system. A Department of the Environment working group has suggested a regression equation of costs on a series of need factors such as project size, age and number of new tenants. The difficulty with such an approach is that much of the variation is "unexplained" by the variables used but might still be related to need. In addition, it focuses on costs but not on the level of services. In the US there has been some experience with an expanded equation; they encountered continual pressure to widen the list of needs factors to a point where the system is highly complex and felt to be counter productive. The United Kingdom, because of its greater secrecy, may succeed in avoiding these pressures. In Canada there is as yet no system for encouraging management efficiency through the subsidy system. While such a system might eventually prove desirable, there has not been sufficient experience in the United Kingdom with the system to provide guidance.

The final aspect of costs relates to debt cost.

Each local authority pools the debt in council estates so that their units built at lower costs and with lower interest rates subsidize new projects. The green paper rejected the use of national pooling because it is regionally inequitable. However, numerous critics have questioned the logic of the paper, arguing that equity can only be treated by comparing households, not locations (Housing Centre Trust, 1978).

Summary

As in Canada, Britain is also moving to a system of greater local autonomy and discretion in the field of housing policy. The British system requires local authorities to define their level of needs. The Department is then responsible for allocating the total budget among the competing local authorities.

Although in theory the system appears highly reasonable and one which is likely to remain for some time, a number of serious problems have appeared and in this respect British experience can be useful in Canada. First, for statements of need to be prepared seriously by local authorities the central government must use

them. Failure on the part of the latter to make it evident that such statements are of value can destroy the entire system.

Second, needs and plans require a longer horizon than one year. This may require the central government to reduce significantly the role of central-local transfers in on-going fiscal policy. This is an area in need of much greater attention than has to date been given it either in Canada or in Britain.

Thirdly the opposite side of the coin to giving local authorities greater autonomy is the reduction in central government control on the level of quality and costs in projects. Britain has been reluctant to provide such decontrol because it recognizes that not all authorities have the expertise or money to provide such controls on their own. It is senseless to treat all local authorities uniformly when it is evident that authorities vary greatly, just as the provinces of Canada differ. A major drawback of the HIP system to date has been its failure to come to terms with this difference. By promoting constant monitoring, the

government may hope that problem authorities will be "ashamed" into providing greater control, but it is already evident that the central government has no clear idea of what is involved in monitoring or whether monitoring by itself is at all useful. Just as the Canadian government hopes an "evaluation" will be useful for ensuring proper control, similarly the British government hopes that monitoring can somehow provide a high level of supervision.

CHAPTER IV

HOUSING REPAIRS AND IMPROVEMENTS

Derrick (1976) has traced the gradual evolution of British thinking from the 1940's, when new construction was to be the panacea to all housing problems, to 1976 when home improvement on an area-by-area basis was viewed as one of the major tools for housing the needy.

In developing his history, Derrick shows how widespread has been the interest in Britain in rehabilitation: over 150 books and articles are quoted in his bibliography and this represents only a fraction of the total. Most of this work however, is based on experiences in individual areas and very few have tried to look at improvement policy from a national perspective.

A major reason for this local perspective is the lack, until recently, of adequate information on the quality of the housing stock and on the level of program activity geared to improving the dilapidated stock. In his report on Scotland, Cullingworth (1969) was able to use available information to guess at the size of the problem in Scotland, 273,000 unfit houses. At the rate of improvement and demolitions undertaken since then,

TABLE 4-1

HOUSING CONDITIONS IN ENGLAND, 1971-76

	1971 '000 of Units	1976	Percentage Change From 1971
<u>Amenities</u>			
- Dwellings lacking one or more amenity	2655	1493	- 44
<u>Repairs</u>			
- With repairs under £250 (1971 price)	13618	14431	+ 6
- With repairs over £250 under £1000 (1971 price)	1883	1773	- 5
- With repairs over £1000	636	911	+ 43
Total Dwellings with Repairs	16137	17115	+ 6
Repairs over £500 (1971 price) by Tenure			
- Owner-Occupied	586	832	+ 42
% of all Owner-Occupied	7	9	
- Local Authority	103	216	+110
% of All LA	2	5	
- Private-Rented	804	755	- 6
% of all Private-Rental	30	33	
- Vacant	143	194	+ 36
% of all Vacant	30	39	-

Source: DOE, English Housing Condition Survey, 1976
(HMSO, London 1978), Introduction

TABLE 4-2

IMPROVEMENT GRANTS: ENGLAND

	1973	1974	1975	1976	1977
Total Number of Grants Approved	329368	216121	117591	118632	118881
- Local Authority	110053	73513	36163	38983	37551
- Housing Association	4978	5260	5248	13866	19258
- Private Owners	214337	137347	76180	65783	62072
Discretionary					
- Owner-Occupied	122642	82709	49319	41787	40983
- Other	54746	34609	16276	13202	11221
Standard					
- Owner-Occupied	25456	13304	7847	8273	7501
- Other	11499	6726	2738	2526	2367
Improvements - Grants Approved in Designated Areas					
- GIA's	32621	15799	12318	6593	N/A
- HAA's			782	2703	N/A
Average Cost per Dwelling					
- L.A.			3519	2129	2582
- Housing Association			5551	9217	8012
Average Grant for Private Owner					
- Discretionary			1053	1108	1433
- Standard			269	373	413

Source: DOE Housing Construction Statistics 1978
Table 28-31

slightly more than one half of this would have been dealt with through public policy. At the same time many more units would have become in need of repair. Housing conditions are worse in Scotland than in England and many persons in England felt that their level of dilapidated housing was rapidly declining. However, when the housing condition survey of 1976 was published in 1978, it gave policy makers a shock: rather than decreasing, the stock of housing in need of major repair was actually increasing, at least from 1971 when the previous survey was undertaken.

The survey was based on a sample of 9000 dwellings. Building inspectors were sent out to examine in detail the quality of the housing and the information on structural quality formed a basis for the estimate of housing conditions. In a Canadian context, so little is known on the quality of the stock that such a survey should be undertaken as soon as possible. Without this information it is extremely difficult to identify the scope for a rehabilitation program. Of course, such information is not the only requirement for an evaluation of the home improvement program. Information

is also required on the level of program activity, the type and quality of work undertaken and the characteristics of households receiving assistance.

In Britain, most assistance has gone towards the construction of basic amenities in the units where they were previously absent. These are available to all households as a right. In addition, local authorities have discretion in providing improvement loans to bring housing up to minimum standards so that the units will have a life of at least 30 years. Grants for repairing a part of the home, as distinct from improving it, are only available in designated areas and at the discretion of the local authority.

Although the scale of improvement is quite large, there has been no full scale monitoring of the program. Apart from giving information on the level of activity, local authorities do not compile any data on their programs. Consequently, most comments are based on first hand experience and the results of the occasional survey.

The major impact of the program has been to help the local authorities improve their own stock of housing. Under the standard grant program, most owner-occupants have managed to put in the essential amenities. As a result the stock of units without amenities is now concentrated in the unfinished rental sector. Without a repairs program, poorer owner-occupiers have been reluctant to undertake repairs. This explains the trend to increasing disrepair of the stock. The Department is currently planning a study of housing repairs but it is possible to foretell at least two of their major conclusions; that more money will have to be made available for repairs and that repairs must be viewed as a necessary part of the construction cycle.

The latter point has already been made by Cullingworth (1969). He argues that just as new construction is a major housing policy, similarly repair and maintenance of this stock should be viewed as a complementary and not a supplementary policy. As a house ages, it is inevitable that it will require repair, and failure to ensure it will be undertaken will accelerate the rate of decay.

Cullingworth makes the same point a decade later (1979). He argues that the government has not yet fully realized the scale of activity required in the area of home improvement. Although programs on an area basis may be adequate for the area in which they occur, they are far from sufficient to cover the large number of houses in need of repair in the entire country and outside of these designated areas. He also suggests that most housing authorities set standards of repair that are far too high for the lower income homeowner to afford. Donnison (1979) shows that in some rural areas the value of the house is not worth the cost of repairs, not because the house is in such poor condition but simply because the demand for housing, and consequently price, is so low. His recommendation is for significantly increased repair grants, especially to owner-occupiers and possibly even a local authority company to be set up to undertake repairs.

But, apart from a once a year publicity campaign to encourage home improvement, most government efforts at rehabilitation are concentrated in designated areas with surprisingly little interest among analysts, or

TABLE 4-3

LOCAL AUTHORITY ACTION BY ASSESSMENT
IN PHYSICAL SURVEY, ENGLAND

	In Designated Action Area		Not In Action Area		All Dwellings	
	'000 of Units	%	'000 of Units	%	'000 of Units	%
<u>Condition</u>						
Unfit	303	38.2	491	61.8	794	100
Fit	583	3.6	15,738	96.4	16,321	100
<u>Amenities</u>						
Lacking one or more	333	22.3	1,160	77.7	1,493	100
With All	553	53.5	15,069	96.5	15,622	100
<u>Repair Cost</u>						
£500 and over	518	19.0	2,211	81.0	2,729	100
Under £500	368	2.6	14,018	97.4	14,386	100

Source: DOE, English Housing Condition Survey, 1976,
Table 27

even government, in the efficiency or effectiveness of the improvement program outside of these areas.

Britain has three major types of designated areas: the general improvement area (GIA), housing action areas (HAA), and inner-cities. GIAs were introduced in 1969 in response to criticism of urban renewal programs. In recent years, two very good evaluations of the program appeared (Robert, 1976 and Williamson, 1978). Robert is critical of the Department of the Environment for not giving local authorities adequate leadership or advice. Although the Department undertook four pilot projects designed to provide local authorities with some indication of the type of work possible, these projects in fact concentrated more on small scale beautification projects. Neither the Department nor most local authorities had the necessary expertise in town planning as applied to older parts of the city. As a result, proper control is spread out over several departments with responsibility centres rarely identified. To support his argument, Robert undertook a survey of 75 local authorities with GIAs and tried to develop measures of program success, such as the level of home

improvement and participant satisfaction.

Williamson's work involves a much larger survey, over 210 GIAs and was commissioned directly by the Department of the Environment. The final report is not yet available, although she has reported some of her results in journals (1978). She is reluctant to generalize her results because of the great variety of GIAs.

In 1974, the Government set up housing action areas in response to criticism that the GIAs were not dealing with areas most in need. Under the new program, assistance for home improvement can go as high as 90% of cost (versus 50% in areas outside the HAA) and greater stress was laid on local resident participation. Very early in the program DOE felt it necessary to maintain on-going monitoring of the program, thus making a significant break from the earlier practice of monitoring only after problems arose. The two major monitoring exercises, by the Centre for Urban Studies at Birmingham University and by the Centre for Environmental Studies in London, are still being written

and results are not yet available, although their interim results have apparently been a factor in the adjustment of program rules.

Kirby (1977) systematically developed a model for testing a number of hypotheses about the effect of GIAs, such as whether they occur in areas of greater stress, whether they are used in low cost areas and whether they are used in local authorities with Labour councils. He then proceeded to statistically test these hypothesis using available data. His work is of interest because of the method and logical way in which he lays out and then proceeds to test expected effects of the program.

The third major program for designated area improvement is the inner-city program. Particularly favoured by the former Minister, the Honourable P. Shore, the program attempts to revitalize the inner-cities of the largest urban centres. The program is based on a set of pilot studies for inner-cities in three large cities. Each study, undertaken by a different consultant, tried to collect information, identify problems and propose solutions for the

respective inner-cities in cooperation with the local authority. All three proposed massive injections of funds to provide not only housing but also infra-structure, employment and services to the inner-city. As the program is just beginning, it is not yet evident what type of monitoring or evaluation will be undertaken.

Summary

In the area of home improvement British housing policy has been successful in ensuring that most houses have basic amenities, largely because of the standard grant that is available as a right to anyone lacking these amenities. Canadian housing policy should follow the British example and establish a similar grant. Although the number of households that would be eligible for such a grant is small (and therefore the overall budgetary cost is also small) the government as a matter of principle ought to undertake to eliminate this aspect of housing deprivation, and ensure that it is enforced in the rental sector if necessary.

On the broader issue of home improvement,

Cullingworth's contention that housing repairs is an integral part of housing policy deserves greater attention in Canada as well as in Britain. This would require significantly increased assistance for repairs open to wider segments of the population. Failure to adopt this approach in Canada will lead to problems similar to those in Britain: an increasing number of homes in need of major repair. The only reason why Canadians are unaware of this problem is that Canada has not attempted to measure the quality of its housing stock outside the metropolitan areas since 1951. A survey of the quality of the stock, possibly every five years, should be an immediate priority for Canada Mortgage and Housing Corporation.

Much of the evaluation in Britain has focused on the area improvement programs and the use of deeper home improvement grants in these designated areas. The end to the neighbourhood improvement program in Canada, provided it is not accompanied by a reduction in the rehabilitation budget, will probably be welcomed by those in Britain who feel that their area improvement program has tended to restrict the level of

rehabilitation work. However, CMHC should carefully monitor the extent to which the provinces and municipalities on their own are able to use the new programs within their own housing policy framework and whether Canada Mortgage and Housing Corporation ought to provide leadership in this area. Similarly CMHC should review whether its standards of repair are too high or too low relative to the need.

CHAPTER V

SUBSIDIES TO THOSE IN NEED

Most households in need of assistance in meeting their housing problems can turn either to the public housing stock and/or to the housing allowance and rents rebate schemes. As already discussed in Chapter II, access to housing in the public sector is supposed to be based on need, but, once in, the rent is levied on the basis of the local authority's estimate of rent, not taking household circumstances into account. Access to council housing is based on need as perceived by the local authority and is not necessarily affected by national values. Thus residency in the area is frequently a prerequisite for entry into council housing and undesirable households may be refused.

In contrast, the housing allowance and rebate scheme is open to all rental households who qualify. The amount of assistance is based on a formula comparing income and rent paid to a needs allowance based on family size, type and location. Additional gross income is effectively taxed at 50%, with 33% being the basic tax from the tax system and a further 17% being taxed through the allowance formula.

As Cullingworth (1979) notes, the British have never been clear whether the assistance should be linked to housing or just to income. Although the justification of linking it to housing is that rent is an important portion of total expenditure, it is also true that with rent controls and council housing, very few households experience sharp fluctuations in housing expenditures, so there is no need for this system to be sensitive to changes in expenditures. Ricketts (1976) points out that with a limited housing supply and price control, the allowance is really an income transfer. Since he finds the amount of assistance to be regressive with regard to income, Ricketts argues that the system should be completely replaced by a pure income transfer so that assistance is only a function of income.

As noted in Chapter II, the green paper rejects any extension of the housing allowance system, preferring the current system because of its fear of upsetting the status quo. Nor does it even discuss the possibility of linking the allowance to some set of minimum housing quality standards, mainly because of the lack of

mobility within the private rental sector.

As a result of these dual forces, i.e. the view of housing allowances as essentially income transfers and the desire not to upset the current system, there has been very little interest in examining whether the program is worthwhile or not. Instead, interest has focused on improving the program operation. This shift in focus from evaluation of a program in terms of its achieving a set of goals towards trying to improve the delivery of the program signifies a new role for program evaluation.

An interesting means of reviewing the operation of the allowance program is the creation of an advisory committee of outside experts. The role of this committee is to be a sounding board for the Department of the Environment; the latter must submit all proposals for changes in the rules and regulations to this committee. This procedure gives the Department an opportunity to get outside advice from experts with experience in the field. The committee also produces regular reports (Advisory Committee on Rent Rebate and

Rent Allowances, 1977) that reproduces the decisions given during the year and reasons for them as well as reviews various research projects undertaken for the Department or the committee itself. The committee is a major step forward in increasing the openness in which government decisions are made. Perhaps because of this the Department has limited the role of the committee in recent years.

Among the research projects reported by the committee, most are concerned with the low level of take up of the housing allowance in the private rental system. Whereas in council housing the local authority, as a "social" agency, is concerned with tenant welfare, and will therefore try to ensure that all eligible households apply for a rebate, in the private sector the government must rely on households coming forward to apply for the allowance. This confidence in the rebate system may be unfounded. Page and Weinberger (1979) found that only 50% of eligible households get the rebate although the Department of the Environment says that it is over 70%. The authors blame the inadequacy

of tenancy records for the low take-up¹. With regard to allowances for private renters, DOE estimates are that under 50% of all eligible households apply. Cullingworth (1979) points out that participation is low because of ignorance of the program, the stigma attached to public welfare and the complexity of program rules. Walker (1978) reviewed several experiments to increase take-up: mailing out brochures, door-to-door canvassing and media publicity. He found all are expensive and not very effective. Legg and Brion (1978) review in great detail the entire administration of the program and make a number of very practical suggestions for improving the efficiency of the entire process.

Major implications of the research is that it is very difficult to increase program participation significantly after the first initial drive for registration. Secondly, it is useful to have

¹Whitehead has suggested that the difference may be due to the fact that DOE includes supplementary beneficiaries and pensioners in their estimate.

independent review of program administration, preferably done by someone outside the government.

Recently there has been increasing attention in Britain to the overlap in housing assistance between the housing allowance and the supplementary benefits programs, the latter being a welfare system based on personal interviews and open only to the unemployed. Donnison (1979) estimates that there are 400,000 households currently enrolled in the wrong program, i.e. not receiving maximum assistance because of ignorance of the various rules and regulations used for calculating aid and eligibility. He argues for a single unified system of assistance. The Department of the Environment is involved in an inter-departmental committee examining the question of compatability of the two programs but is unlikely to significantly change the current system because of the different clienteles and goals of the two program. In Canada the question of program compatability has arisen with regard to welfare recipients and public housing tenants but, as in Britain, it is not likely to be easily resolved.

Housing for Special Groups

Not surprisingly, British analysts have done a great deal of work looking at the housing of the various sub-groups of the population. Two sub-groups have received special attention in the past few years: the homeless and the single parent family.

As mentioned previously, the 1970 movie "Cathy Come Home" alarmed the government to a new problem, that of the homeless family. Since then a great deal of sociological analysis and publicity has been given to the problem of households who, because of residency or other requirements are not allowed into council housing and who, because of the dwindling supply of private rental units, are unable to find any accommodation. In 1977 the government finally passed a Homeless Persons Act making the local authority responsible for housing these persons. In Canada the issue of homeless persons has not arisen. The interesting question is whether this is due to the lack of a problem or the failure of existing research and analysis to detect the problem.

A second major category of housing need is the

single parent family. Although the British government in 1969 established a public committee to investigate the entire area, the committee folded in 1974 without publishing a final report. Apparently there was significant strife and a lack of consensus on the committee. The Department of the Environment later issued a separate report reviewing the work of the committee, especially its work in identifying the scale and housing dimensions of the problem, but did not develop a specific policy approach. In 1978, the Housing Services Advisory Group of the Department of the Environment issued a further memo, directed towards local authorities, to help them care for one parent families. Their recommendations are very practical, for example adapting point rating systems and the use of mixed projects. Because so little work has been done in Canada to explore the housing of single parent families, even though such families form the bulk of public housing waiting lists today, the 38 recommendations of the Housing Services Advisory Group can serve as the basis of a review of existing housing policies for this population in Canada.

In addition to these two groups, the elderly, the handicapped and the welfare families have all received substantial attention from British housing analysts. Unfortunately, time did not permit a review of the relevant literature in these fields.

Summary

The major British program designed to help households in need is the housing allowance and rebates program. Because of rent controls, the program is basically an income transfer although the amount of assistance is regressive with regard to income. If plans to implement a housing allowance in Canada go through, this structure should be borne in mind.

Because of rent controls, the allowance program has had no obvious effect on the demand or supply of rental housing. Consequently most of the evaluation work has concentrated on the delivery of the program, including attempts to improve the take-up among the eligible population. Greater focus on program delivery appears to have been of greater value to the program administrators than a broader overall evaluation.

Although the British have looked at specific needs of numerous population groups, they have focused on two particular groups in the past few years: the homeless and the single parent family. Work in the former area has been concerned primarily with the measurement of the homeless population. Since much of the homeless problem is due to the combination of scarce cheap rental accommodation and the restriction on entry into council housing, Canadian research might involve pilot studies where these two conditions exist to see if in fact there is a homeless problem here as well.

With regard to single parents, the failure of the Finer Commission illustrates the difficulties of undertaking large scale investigations in this area. A limited evaluation focusing on the 38 recommendations of the Department of the Environment would likely be more fruitful.

CHAPTER VI

SUMMARY AND RECOMMENDATIONS

This report has examined a number of the major housing policies in Britain. Before summarizing the Report, two important qualifications must be re-iterated. First, housing policy is a very large and complex field. No short paper, especially one based on only a few months experience, can do justice to the entire area of housing policy. It was essential to simplify many aspects of this complex field and to omit many areas which some readers may regard as important. Second, in drawing conclusions from the British experience that may be of relevance to Canada it must be remembered that the Canadian housing sector, its structure, history, distribution and policy, are all significantly different. The Report has tried to focus only on those areas where the author felt there was significant similarity to permit the drawing of conclusions. Consequently, many areas of evaluation that the British feel are very important have been dealt with only briefly, if at all, because the author felt that they would not be of relevance to Canada.

Tenure Choice

A major issue in Britain is what form of tenure should the government promote. Because of a basic dislike of private landlords and because of the desire to protect the poor tenant in his struggles with the landlord, the British have succeeded in virtually destroying the private rental stock. Thus the successive Rent Acts have placed rents under strict controls while tenant protection acts have made it all but impossible for a landlord to evict an undesirable tenant. As a direct result, no new private rental accommodation is being supplied and landlords of existing properties do not keep up the general level of repairs. Much of the worst housing in Britain is owned by private landlords. Efforts in the 1960's to stimulate the sector merely increased the rate at which units were transferred to owner-occupation.

On the basis of a Building Societies Association survey, home-ownership is the preferred tenure of most British households. British programs to subsidize owner-occupation, primarily through mortgage interest deductibility is no doubt a key factor in this

popularity. However, mortgage deductibility is income-regressive, with the rich benefitting more, although the option mortgage does compensate somewhat for the poorer home-owners. The new program to subsidize first-time home-owners is not likely to have much effect because the size of the subsidy is very small.

Because of the high price of housing, especially in the large metropolitan areas, the problem exists of housing households not eligible for council housing yet unable to afford the purchase of a home. One of these groups is the poor family that doesn't meet the residency requirements of the local authority. This is a large group, approximately 20,000 households, whose plight has received a great deal of attention. The 1977 law now compels the local authority to provide housing. Since most Canadian urban areas have a large rental market, this may not be a problem here. However, it is probably worth investigating, at least in a small number of high-cost rental markets, whether a problem exists.

A second category of households caught in the gap between council housing and home-ownership is the single person or childless family, that because of L.A. need definitions, do not qualify for council housing. Lacking a viable rental market, many of these households no doubt have difficulty finding suitable accommodation. Unfortunately, very little is known in Britain about this group. Likely, many are entering home-ownership to benefit from the subsidy available there.

Because of the different types of subsidies available in council housing, association housing and owner-occupied housing, the British have generally rejected the concept of making inter-tenure cost comparisons. Consequently, policy decisions regarding which tenure to promote are based primarily on philosophical positions rather than costs. This Report has argued that they have gone too far in rejecting inter-tenure cost comparisons. While such comparisons ought to be used with caution, they nevertheless can provide useful background information for policy decisions. The failure to use cost comparisons has resulted in the government promoting non-profit

association housing without due regard for the costs involved.

As in Canada, the concept of non-profit housing has a great appeal in Britain. To promote this sector, the government has given significant subsidies, covering virtually the entire deficit of the project. While doing this, the government recognized the need to establish controls on sponsors. It set up a semi-independent agency, the Housing Corporation, to do this. Given the expected scale of non-profit housing here in Canada, the creation of such a body should be given serious consideration.

Early experience of the Housing Corporation illustrates how important it is not only to provide sufficient staff to catch up on the accumulated backlog, but also to ensure that program rules are relatively simple and well-understood. Complex regulations and numerous forms to be completed create too many problems. Although the CMHC Manuals were designed to simplify and systematize general Corporation rules, there is no doubt that they have made the system more complex.

In a similar vein, when introducing a new program, such as the first-time home-owners plan in Britain, it is hoped that the government will recognize the necessity to consult with interested parties before the final decisions are made.

Central-Local Government Relations

Although the Canadian federal system is significantly different from the centralized British system, the similar trend of giving greater autonomy to the lower levels of government can be found in both countries. Both central governments are struggling with the problem of how to control and supervise the allocation of funds without being involved in individual project supervision. In Britain, the Housing Investment Program was developed to meet this problem in the area of capital expenditure. It requires each locality to provide a detailed statement of needs and planned future expenditures. Experience to date suggests the importance for the central government to utilize the needs statements if they want the local government to properly fill them out. In addition, the temptation to use housing expenditure as a short-run fiscal lever

brings into question the general concept of long-range planning.

Although it is unlikely that Canada can force provincial governments to provide detailed needs statements, the problem of short-run changes in housing investment plans remain. Much greater attention should be given to the desirability of using long-range planning in Canada if these short-run pressures are to be avoided.

As the central government gives local authorities greater independence, it is also beginning to reduce its controls on individual projects, such controls as cost benchmark and construction standards. The move to subsidizable costs is a direction that Canadian policy-makers ought to seriously consider. On the other hand, CMHC must recognize that not all provinces have an equal ability to provide the necessary on-site project control, and some help from CMHC should be forthcoming.

Home Improvement

The British program of providing standard grants for the construction of basic amenities is one that has

succeeded in significantly reducing the stock of housing otherwise lacking them. The Canadian government ought to seriously consider a similar program here. Since the incidence of lacking amenities is not high, the provision of such a grant would not impose a major cost burden on the government.

On the other hand, assistance for other repairs has not been on a sufficient scale in Britain to prevent the increasing rate of disrepair. Not only should the Canadian government undertake periodic surveys of housing quality so that it knows what is happening to the stock, but also it should recognize that repair is a necessary complement to a new construction policy, requiring a much higher scale of operation. British experience with limiting the program to designated areas may be of use in these areas, although their programs leave ineligible the majority of the housing stock requiring repairs.

Subsidies to those in Need

The Housing Allowance and Rebate schemes have been in operation in Britain for almost a decade.

While many persons in need of assistance actually receive it, implementation of such a program in Canada ought to be carefully examined. To begin, because the program operates in an environment of rent controls and a large stock of council housing, the program is really an income transfer. But, because allowances are tied to housing expenditures, they have been found to be regressive with regard to income. The question must be asked whether the alternative to a housing allowance is no other program or the possibility of a direct income subsidy.

The program has also suffered from administrative problems involved with low take-up and the general high cost of running the program. Canadians should examine the various British suggestions for improving their administration before setting up any system here. First in the level of concerns should be the making of an allowance formula that is consistent with welfare and other housing subsidy programs so that the problem of "best off" does not occur.

Regarding individual population groups that have particular housing problem, the British have spent a great

deal of effort examining single parent families. Since this is a population of importance in Canada as well, CMHC should undertake an evaluation of their needs and of programs available to them, using British experience as a possible framework.

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