



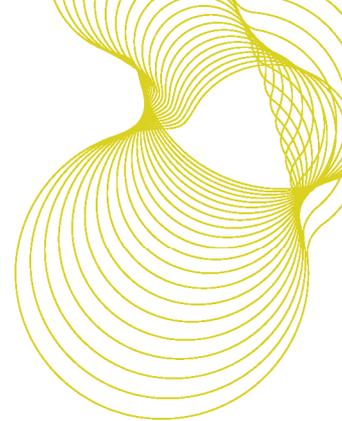
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**Final Document Relating  
to Possible Repeal of the  
Legislation**

Prepared for: Simon Roberts

15 October 2013

Client report number 290663



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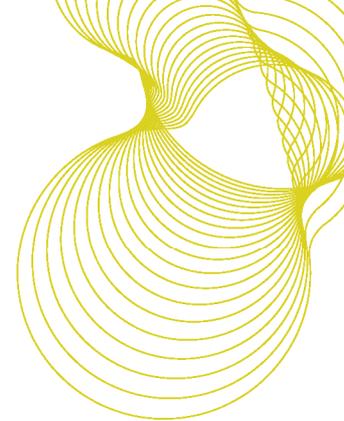
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## Executive Summary

PRC Homes built across the UK to supplement the output of the traditional building industry were examined in the early 1980's following problems discovered in an Airey house. This process led to a range of PRC Homes being designated defective and consequently unmortgageable without an approved upgrade.

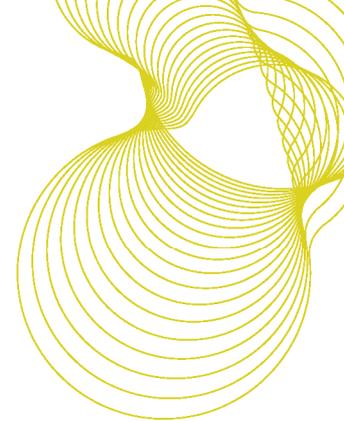
The designation was followed by the introduction of the PRC Homes Scheme run by the National Housebuilding Council (NHBC) and this permitted designs for upgrading to be licenced. These designs were considered acceptable by the lenders as an effective way to restore mortgageability for affected properties. This scheme ended in 1995 and therefore there is no current system of approval for design of upgrading. The homes designated defective have provided reasonable housing for many families until the present day and many private homeowners who purchased one of these properties is confused over the disparity between their experience of the homes and the market value attributed to them as defective properties. The initial investigations that led to the designation were detailed and extensive and produced reasonable conclusions based on the potential for problems to develop over time. The end of the PRC Scheme however, which was intended to channel grants for upgrading the homes has left a gap between the effect of designation at that time and the situation now. There is no financial assistance available now to assist with upgrading and there is no clarity over how these homes can be restored to stability and mortgageability.

It has been recommended that the legislation leading to designation in Scotland should be repealed. Consultation on this issue has led to agreement on repeal from local authorities who own many of these properties and disagreement from the Council of Mortgage lenders (CML) who are unhappy about what they perceive to be the effects of repeal. It is simple in some cases, when considering obsolete legislation to establish the case for repeal. For the designation of the PRC non-traditional houses, the situation is complex producing the opposing views with some welcoming the recommendation to repeal and others clearly opposed.

It must be noted that the repeal of the designation will not make the houses structurally sound but may open them up to the possibility of a full structural assessment. In addition, homeowners with affected properties that have not been upgraded are confused since their experience appears to indicate that their homes are of a comparable standard to those around but are being penalised by what seems to them to be a historical administrative labelling. This perception is not an accurate reflection on the condition of these properties but the homeowners have in the majority of cases little evidence of deterioration and no clear options on restoring value to their property.

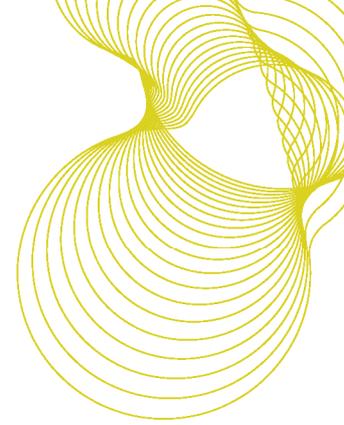
This report continues the recommendation to repeal in the 2013 Housing Bill but suggests that repeal is delayed until further consultation with CML members is undertaken and attempts at a resolution of this are concluded. With the effective demise of the PRC homes scheme for upgrading, a new system must be established to provide reasonable options for homeowners or the method of assessment must be opened up to permit qualified engineers to carry out assessments and design individual upgrades.

These discussions should also provide an opportunity for a re-assessment of the situation in terms of private householders and the valuation of the houses.

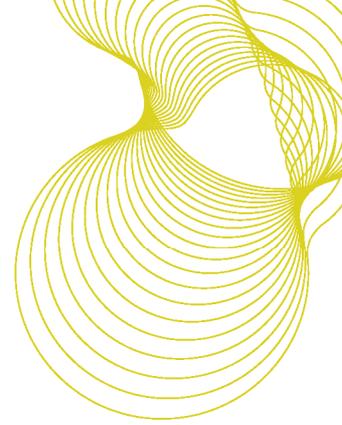


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## Introduction

This is the final report for an investigation into the current situation related to specific types of PRC (Pre-cast Concrete) homes. It is a grant funded project based on BRE research proposal 128430.

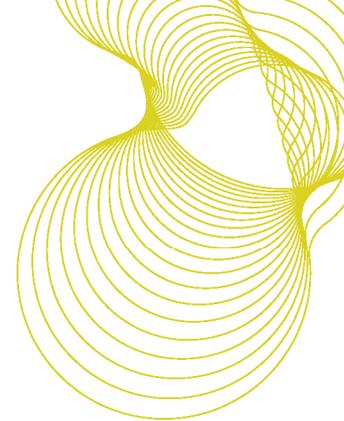
The subject homes were built in Scotland following both world wars. They were part of a system building programme designed to maximise the provision of new social housing following the war years when little construction took place. These houses became available for tenants to purchase under the Right-to-buy scheme in 1980. They were designated defective in the 1983 Housing Act following the identification of potential problems and after extensive investigations, mortgages for these properties became difficult to obtain.

Current owners of these types of properties have discovered, although the information has been publicly available since the legislation was enacted in 1983, that their properties have little value in comparison to others with similar space standards and amenities in similar areas.

This investigation sponsored by the Scottish Government is an attempt to clarify the scope of the problem and potentially assess the options available for these properties.

Non-traditional forms of construction include reinforced concrete and steel column structures for homes built during the Inter-war period and following the Second World War. Some of these structures, specifically some of the precast concrete structures (PRC) have since been identified as 'Defective' [i.e. "Potentially at risk of disproportionate collapse due to material degradation"]. The awareness of this potential form of failure has seriously affected confidence in the durability of the affected properties by mortgage providers and consequently created problems for owners wishing to sell these types of homes. Mortgages for these properties have always been more difficult to obtain due to the designation but the majority (perhaps all) of those mortgages still available for purchase and upgrade of defective properties were withdrawn in late 2009 as the mortgage industry retreated from the problems associated with the Sub-Prime market.

There were originally approximately 600 different types of non-traditional homes designed, for use across the UK. Many of these were built with their own individual or small scheme variations due to shortages of appropriate materials during the construction period. There is no current record of the number of properties demolished or upgraded and consequently no method for assessing the current number of homeowners (Public or Private) facing these problems. This study is intended to collect and collate the available information on these properties to permit an assessment of the scale of the problem and to broadly review the difficulties facing owners in relation to achieving a reasonable value for their homes. The main focus on this is those properties built originally as social housing since the records of construction of Defective properties built by the private sector are poor and do not appear to be accessible.



The project is split into five work Items as follows:

Work Item 1	Background review
Work Item 2	Non-traditional numerical survey results - Part A
Work Item 3	A review of the structural assessment of affected properties – Part B
Work Item 4	Final Report (An interim report was issued early for consultation)
Work Item 5	Reporting and management

This report completes Work item 4 while work item 5 has been on-going throughout the investigation.

System building offers an alternative approach to designing and erecting homes. It is a popular approach to constructing both domestic and non-domestic buildings today. There is a history of system building in the UK extending back to steel houses manufactured in England for gold rushes in San Francisco and in Australia almost 170 years ago.

The perception of this form of construction has varied from viewing it as an innovative approach, capable of boosting the construction industries ability to deliver high quality housing faster than traditional methods, to viewing it as a bland inflexible routine approach limited to producing unimaginative and unattractive housing. The reality, as is often the case, lies between these two extremes.

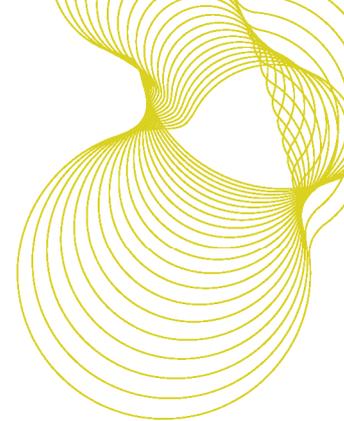
System building and prefabricated construction methods are capable of improving the standard of building construction and can be used to compete with and in some cases exceed the aesthetic targets common to other construction approaches.

The prefabrication of components, at its best, permits rapid construction with low construction tolerances that will generally exceed the standard of finish produced in traditionally built forms of construction. The shorter time spent on site makes this approach less vulnerable to weather conditions and less disruptive to the occupiers of adjacent properties.

The PRC homes considered in this report delivered rapid construction methods in a context of material shortages and limitations on the availability of skilled construction workers.

The problems leading to the identification of these properties as defective occurred initially as the result of a fire in an Airey house. Cracking was noted during the removal of the fire damaged finishes and inspected before the refurbishment was completed. There was no recorded indication of the cracking within this property before the fire, and many of these Airey houses have continued to provide good accommodation since that initial discovery. The Airey houses were not built in Scotland and therefore the initial concern was for the population of Airey houses across England and Wales

The reports of the cracking in Airey houses initiated a series of investigations on other houses of PRC construction and this involved houses built in all parts of the UK. The resulting investigations identified a number of house types built in a similar manner structurally with potentially similar problems. This use of precast concrete components with a risk of deterioration of the concrete was classed as a qualifying defect and following an investigation of samples of all homes incorporating this form of construction the potential deterioration of each was assessed and those deemed at risk were designated defective.



## 2 Background

PCR Homes were not the only non-traditional forms of construction developed during these periods as innovative timber, steel, and aluminium domestic structures were also developed and built across the UK.

The success and durability of each of these forms of construction varied from system to system and the majority of the homes covered by the non-traditional label, including PCR homes, have provided good homes for many families across the UK.

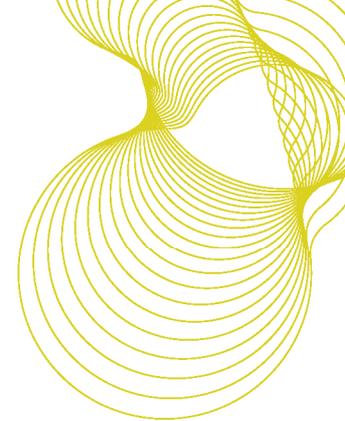
Some of the initial non-traditional house types were classed as “temporary” structures with a targeted lifetime of 10 years. The ten years was not generally regarded as a limit to the durability of these properties but referred to the non-traditional approaches as a stopgap measure until the traditional construction industry revived and could once again be tasked with meeting the national housing demands. The new systems could also remain part of the future of the industry but it was assumed by many, that traditional construction would once again be restored as the primary approach to building homes. The vast majority of these “temporary” homes lasted significantly longer than the initial 10 years and the only homes that were removed after 10 years were timber homes leased from the USA. They were returned after the ten year period since the continued leasing costs were prohibitive and the money could be spent in a more financially efficient manner to provide new housing.

All of the non-traditional types were then incorporated into the housing stock and treated simply as stock units. The majority of the houses initially were built for Local Authorities who were generally responding to housing targets and a proportion of the money available for building was ring fenced for the non-traditional approaches. The Scottish Special Housing Association was set up in 1937 with a focus on non traditional homes and was wound up in 1987 with the stock transferred to Scottish Homes. This stock has subsequently been transferred to housing associations across Scotland.

The success of several of the housing types built for public housing was picked up by the private market and some types were purchased directly from the manufacturers for one-off building on the purchasers own land. Reports from engineers suggest that many Dorrans have been built across the Highlands on private land and this feedback suggests that there may be as many Dorrans privately built in the Highlands as were built for social housing.

The context in which many of the homes have been built means that the forms of construction can vary even within a named type. The specific building details of the house types (i.e. Orlit, Dorran, Winget, etc.) can vary within the affected types due to the material shortages when they were built and therefore modified versions of each type are possible. The legislation leading to designation therefore referred to each of the affected house types by name but included also any other housing built with similar components in a similar manner. This was to ensure that modified versions of each type would also be subject to the legislation.

The book “A guide to Non-Traditional Housing in Scotland” was published in 1987 providing information including numbers, on all the non-traditional types and identifying those designated defective. Part of this investigation attempted to assess the current numbers of the PCR homes.



### 3 Numerical survey

All local authorities and some housing associations were contacted to ask about the number of affected properties owned by them. All of the local authorities responded and provided figures but in some cases precise figures were not known (the affected houses are generally regarded simply as stock units and would not be identified as non-traditional unless they were sold) and therefore only approximate figures could be provided for some authorities.

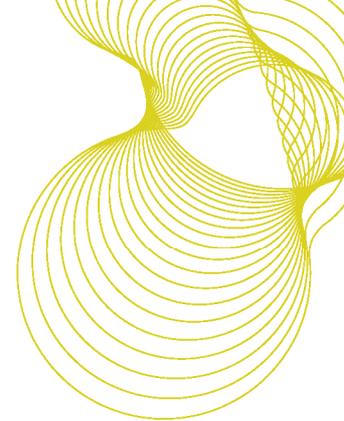
The ownership of homes has been affected by stock transfers between the local authorities and housing associations and therefore a risk of double counting in the feedback was recognised. The returns were scrutinised and compared with historical records on house numbers. Where significant discrepancies were noted the figures were re-assessed to check for inaccuracies and to minimise the likelihood of this occurring. Where discrepancies between the older figures and the current feedback were deemed significant (i.e. more than ten) the respondees were contacted again to confirm their figures in the light of the conflicting numbers. This rechecking should have removed any of the larger discrepancies but is unlikely to have identified all examples. Since the figures obtained from the survey results are to be used as an indication of numbers across Scotland, the general numbers are accepted as broadly accurate and they will provide an indication of the overall picture of distribution across Scotland. The results can be viewed in the second report within this project “Non-traditional numerical survey results - Part A”

In summary, the numbers of defective PRC homes currently identified from the responses is 10,433 against 15,220 in the 1987 survey and these figures are broken down for each house type in table 1

**Table 1 – Comparison between 1987 figures and current survey returns**

Construction type	Numbers declared in 1987	Numbers reported in this survey
Ayrshire County Council (Lindsay)	718	611
Blackburn Orlit	420	1312+
Boot	1046	1046
Dorran House	400	540
Myton-Clyde	1038	730
Orlit	6207	3097
Tarran	273	398
Tarran-Clyde	226	-
Tee Beam	393	347
Unitroy	182	31
Whitson-Fairhurst	3049	2178+
Winget	1268	990

The values in the table show that the 1987 figures do not always match the current responses. Where the latest figures are less than the originals this is understandable but the reverse is more difficult to explain since it is assumed that none of these types have been built since the earlier figures were published.



## 4 Review of structural assessments

### 4.1 Structural assessment of building materials

Structural assessment of building structures is normally undertaken by civil and structural engineers who are relied on within the industry to design buildings, from the very simple to the very complex. They are tasked across the industry with ensuring that the built environment is designed and constructed in a manner that ensures the safety of those using the buildings. The arrangements for assessing the PRC buildings have restricted the assessment and design process to those familiar with the individual types and who have documented their approach for the approval process.

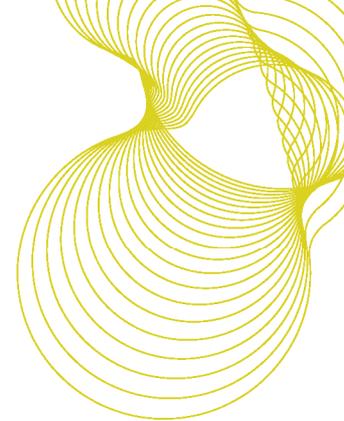
### 4.2 Structural assessment of PRC Houses

The Housing Act 1980 incorporated the legislation to implement a Right-to-Buy scheme for council tenants. The sale price of a council house was based on market valuation with a discount to reflect the length of tenancy (i.e. the rents paid by tenants) and also to encourage take-up. The sales were popular with tenants and hundreds of thousands of homes were sold across the UK.

The discovery of potential problems with PRC homes in the early 1980's led to legislation in the Housing Act 1983 resulting in labelling or designation of the affected houses as "defective". This designation consequently led to reduced confidence in the structures and adversely affected mortgagability. However many of these houses had been purchased before the industry were fully aware of the problems.

As a result of the designation, mortgages became unavailable from some lenders and in other cases the remaining mortgages for these types of property carried the penalties of higher interest rates and/ or a lower percentage of the assessed value of the property available for a loan. The properties therefore became difficult to sell in the private market and although the valuation of the properties dropped significantly, interested buyers required additional funds for downpayments and potentially the ability to pay higher monthly mortgage payments in relation to the valuation before they could arrange to bid on one of these properties. Attempts to sell therefore resulted in confusion for owners over their perception of a house which has provided them with a good home and the industry assessment telling them they live in a defective property.

Homeowners therefore remain in a situation where they have purchased a house assuming a reasonable value and discovering that their investment was worth only a fraction of the expected value. Part of the confusion occurs due to the lack of any obvious evidence, to the layperson, of the problems and therefore it appears to be a mistaken assessment of the functional performance of the property.

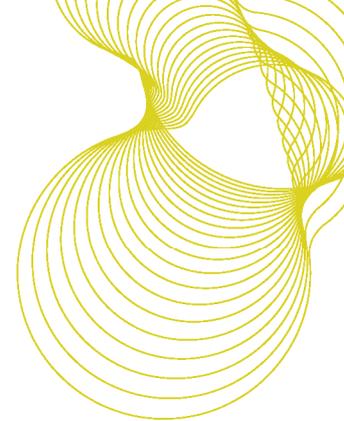


This is normally where an engineer would be invited to undertake a full structural survey to assess the condition of the property and the availability of a mortgage would be based on the structural report. These houses however, following the designation defective have not been able to utilise the experience of engineers for this purpose. The designation of these properties as defective since the 1980's has led to a limited assessment on the majority of these houses since the majority of engineers working in the domestic field are reluctant to price for full structural assessments. They recognise that even a good assessment will make little impact on the designation and the value of the house will not rise without an approved upgrading, which can only be undertaken by licence holders. Also this can only occur if there is an approved upgrade design available for that type of house.

Several of the PCR homes have no approved design method and some of the others have not been used for some years and therefore may no longer be fit for purpose. Owners in these properties therefore are pointed to a theoretical route to mortgagability, where this exists, but denied the normal means of assessing stability for even our largest and most complex buildings. A new approach to this is necessary.

In the current situation, many of the affected houses have been reduced to little more than labels and therefore they are trapped as defective properties, with no clear route to mortgagability. The end of the upgrading scheme operated between 1985 and 1995 means that the affected properties without approved upgrade schemes are left with no clear options other than demolition to rebuild or to realise the value of the land. Even this may not be available where a semi-detached home has been purchased and the neighbouring owners are happy to remain in their home without major expense. There are alternative schemes for upgrading which are intermittently recognised by parts of the mortgage industry but these are vulnerable to market conditions, they cannot be consistently relied on and again only apply to some types of defective properties. Some of these schemes however may supplement the range of the PCR scheme.

The defective status of these homes, and the subsequent grant aid arose out of a wish to improve conditions for the owners and to provide assistance to restore these homes to a condition where they were accepted as normal. The homes could be restored to full mortgagability and therefore become simply part of the housing stock. The PCR Upgrade scheme however was only partially successful and has left many thousands of houses in "mortgage limbo".



## 5 Recommendations from the interim report and consultation feedback

### 5.1 Recommendations

The interim report in this project (BRE 268902-A), now superseded by this report, recommended that the “Defective” status should be repealed from the legislation (Housing Act 1983) related to PCR Homes. The designation was originally intended to clearly delineate this group of houses to facilitate grant assistance for upgrading to an approved standard. That scheme operated for ten years and finished in 1995. Therefore, for the past seventeen years these houses have carried the same label without any relevance to the original purpose of focusing grant money. The designation, following the legislation, has been adopted as a label identifying those PCR houses where the roof, and where appropriate the first floor, are supported on precast concrete components. The continued use of the designation is understandable since the houses involved belong to a broad group with a common problem but the “defective” label lacks nuance and therefore the houses are treated as if they were all in the same condition and all treated as the worst example of the affected types. The label defective also creates its own confusion since there are two defined meanings to the term “defective” in relation to the Scottish Statutory Housing Standards. The glossary in Appendix C shows these as “Defective Building 1” and “Defective Building 2” but the term “defective” can be used on its own with no distinction of which term is being referred to.

The label “defective” is now associated with these houses with no on-going purpose in relation to the original designation. The label however prevents the houses being assessed in a similar manner to all other houses, and discourages engineers from carrying out the appropriate tests for the type of structure.

### 5.2 Consultation

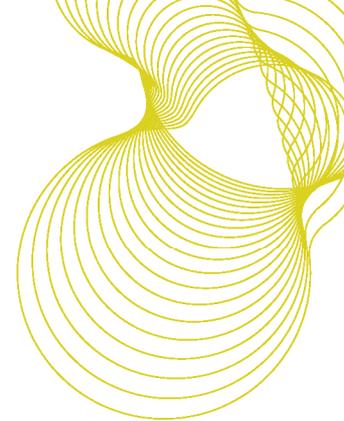
A number of stakeholders were selected to receive information on this project and be asked for feedback to the recommendations made. An interim report prepared before the investigations were completed but to permit consultation to take place was sent to each of the stakeholders with the recommendation that the Defective designation be repealed as an obsolete piece of legislation.

Two main questions were sent out to the stakeholders by the Scottish Executive.

- (1) Whether the Scottish Government should repeal Part 14 of the 1987 Act, and
- (2) What impact this would have on you?

The interim report was also sent to the stakeholders and a response to the proposal was requested.

A variety of responses to the recommendation was received. Some of the response related to individual properties and some to homes in particular locations. Specific issues arising from the feedback have been summarised in the following section and comments provided on the points made.



## 6 Responses to recommendation to repeal

This part of the report is based on reviewing a selection of the responses, which outline the range of views expressed and provide a comment on each. The consultation was sent out by the Scottish Executive and a summary of the results were sent to BRE to include in this report. Not all responses are included but the issues identified by the responses are all represented here. The respondents are not identified clearly unless the response makes the source obvious.

The responses to the consultation exercise are broadly in agreement with the recommendation to repeal although there was significant opposition from the Council of Mortgage Lenders (CML) following their discussions with their members (see section 6.8) the views of this group should not be considered as a single response as delivered but as the response of a group of stakeholders with a significant influence on how the market will treat these properties. The mortgage lenders, both individually and as a group are critical to how the industry will deal with the issues raised and their views must be given due consideration within the overall discussions.

### 6.1 Respondee A

Agreement on repeal of Part 14 of the Act

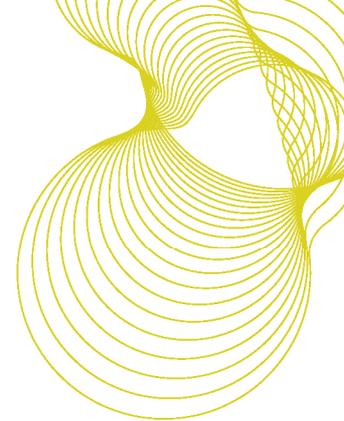
#### 6.1.1 Feedback comment A

“The repeal of the defective status will return these houses to their former standing of solid safe well built houses. Before the act was introduced, the rent on these houses were the highest in the area, this was based on the fact that these were the highest spec houses on the rental market. I have lived in one of the so called defective homes for 35 years, and the house is as solid as it was when I first took possession. This timescale proves that these houses are not defective.

#### 6.1.2 Comments on response from A

This view appears to arise from an assumption that the houses are sound, that the designation caused the difficulties and the consequential lack of confidence in each of the house types simply arose from that point. From this perspective therefore, the removal of designation is viewed as righting the wrong and that the houses from the point of repeal will be treated in the same manner as any other traditionally built house.

This view, from an owner of an affected house, is reinforced by the individual’s experience of living in this property for 35 years (i.e. occupied the property in 1977) with no perceived problems related to the specific concerns leading to designation.



This perspective is understandable given the householders experience, but the form of deterioration identified in the initial surveys cannot be identified by simply living in the house unless the potential deterioration leads to cracking or movement. In addition, it cannot be applied in general to the house type or to the broader pool of designated properties. The initial investigations were undertaken in a robust manner and relate to potential latent deterioration of the building structure. Gradual deterioration will not always be obvious to an occupant and therefore being unaware of problems does not mean they do not exist.

In addition, it is assumed that this person is currently an owner who either owned the house during the period (1985 to 1995) when grants were available for upgrading, or alternatively bought the house later at a discount and with the information that there were likely to be problems with mortgagability.

The repeal will not in itself resolve any structural issues since it will not physically change any of the building components. Also, there are owners who purchased the houses privately following the use of these designs within the public sector, who are now in a similar position with respect to mortgagability. The majority of these private sales may have occurred before the potential problems were widely identified and researched. Since there was no register of private sales of any of the PRC type houses, it cannot be assumed that all private owners were notified of the potential problems.

The expectation of being restored to full mortgagability is more than the proposed repeal can deliver and therefore expectations may require to be managed if this proceeds.

## 6.2 Respondee B

### 6.2.1 Feedback comment B

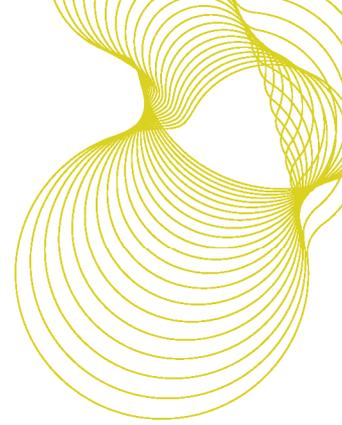
"From a Building Standards point of view we hold no strong views either way as to whether the Scottish Government should repeal Part 14 of the 1987 Act. The repeal of the legislation would have no effect on Building Standards because if we felt a house had issues that affected structural safety we would use the powers under the Building (Scotland) Act to deal with them.

I refer to your email below and of the twelve types of non-traditional construction classed as defective under Part 14 of the Housing (Scotland) Act 1987, within the South Ayrshire Council area there are some 50 Ayrshire County Council (Lindsay) houses, all in Tarbolton. The vast majority of these properties remain in Council ownership. There are also five known Tarran houses (all in Maybole); a handful of Dorrans (mainly in rural areas); and over 460 Blackburn-Orlits, in Prestwick, Ayr and Tarbolton.

None of these properties have been the subject of the dangerous building procedures under the Building (Scotland) Act 2003, nor has the Building Standards service been called out to any due to their structural condition.

In these circumstances the Council:

1. Would support a move to repeal Part 14 of the 1987 Act, as this would allow more freedom of action in dealing with any of these types of properties which required remedial works, rather than being restricted to approved repair schemes, which may help in the improvement of these properties, and
2. Would not expect any great increase in work if the designation was removed."



### **6.2.2 Comments on response from B**

This Council have more than 500 of the properties designated defective. This feedback states that none of these has reached a stage of being considered dangerous due to structural condition, despite them being classed as defective for over 30 years. This again does not prove that no problem exists, but suggests that over the period of time since the original problems were identified, the rate of deterioration has been relatively slow and has not reached the stage of instability in any of these 500 properties. This pattern of potential but unrealised problems has been repeated across the country.

## **6.3 Respondee C**

### **6.3.1 Feedback comment C:**

“We agree that the Scottish Government should repeal Part 14 of the 1987 Act, and we would support the view that these properties have provided adequate accommodation for a number of years and continue to do so.

Impact on this Council and our housing partners is likely to be minimal. A small proportion of the former Council housing stock which was transferred to Argyll Community Housing Association in 2006 comprises Orlit, Dorran and Whitson-Fairhurst property types and the Association has been targeting these as part of a planned upgrade programme, and in general the houses remain in demand alongside traditional properties in the same areas. Therefore, neither the council nor the housing association would anticipate any significant implications arising from this proposal.

### **6.3.2 Comments on response from C:**

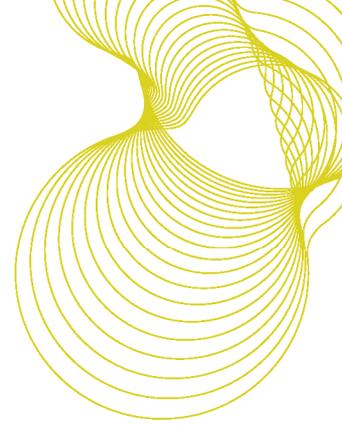
This is an example of a positive response to repeal. The significant part of this response is the positive view of the properties, the properties “remain in demand alongside traditionally built properties in the same areas”. The planned upgrades however may not achieve the PRC approved standards in which case the money spent would not achieve any progress in terms of mortgagability.

## **6.4 Respondee D**

### **6.4.1 Feedback comment D**

“1) Whether the Scottish Government should repeal Part 14 of the 1987 Act?”

We agree with the BRE report that the precast reinforced concrete (PRC) housing classed as defective that we have in our housing stock should not now be deemed defective under the 1987 Act. While it will not remove the potential issues regards to lending, it will open the possibility of the twelve types of buildings with potential problems reverting to a structural assessment that is meaningful for each property.



The removal of the designation will not remove the potential problems or change the confidence of mortgage lenders in these properties immediately. It will however open the possibility of the twelve types of buildings with potential problems reverting to a structural assessment that is meaningful for each property. This will remove the requirement to categorize the properties as a group and allow individual condition to be identified.

(2) What impact this would have on you?

East Ayrshire Council currently has:-

- 330 Ayrshire County Council (Lindsay)
- 45 Blackburn Orbits
- 4 Dorran
- 24 Orbits
- 36 Tarran (prefabs)

As an Authority, we do not see any impact with regard to house sales. The prospective owners are advised of the potential problems with the construction of these properties and are advised to have independent investigations carried out. We do not provide assistance with mortgages."

#### **6.4.2 Comments on response from D**

The response is self-explanatory and requires no comment.

### **6.5 Respondee E**

#### **6.5.1 Feedback comment E**

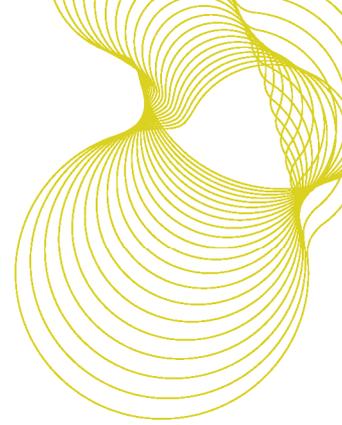
"(1) Whether the Scottish Government should repeal Part 14 of the 1987 Act, and We believe, yes. We have been treating them as any other property; if approached by a private sector owner seeking grant assistance we assess structural integrity of the property and offer grant based on this assessment. Assessment requires to be carried out by one of a "panel" of surveyors (locally based). We have not sought grant aid to improve" mortgagability".

(2) What impact this would have on you?

We believe there would be little or no impact.

#### **6.5.2 Comments on response from E**

This council are offering a local response to the designated properties but the extent of the structural assessment will be important. It is also significant that they are not attempting to attain mortgagability.



## 6.6 Respondee F

### 6.6.1 Feedback comment F

"I can confirm that of the defective construction types, North Ayrshire Council hold the following stock:

Ayrshire County Council (Lindsay) -	342
Orlit -	54

I note the research/survey information that you have undertaken and agree that where no inherent defects are noted with the various construction types, it may well be appropriate to have the "defective" designation removed.

In order to answer your questions, I would comment as follows:

1) Where there is sufficient evidence to support the theory that the construction types are in no way defective or have any inherent defects, then it would be appropriate to repeal part 14 of the Act.

2) In terms of impact, there is unlikely to be any direct impact on the Council. However, it may well be the case that private homeowners in North Ayrshire, who live in defective house types, may not currently be in a position to dispose of their properties as and when they choose to do so. The removal of the designation will hopefully assist these home owners.

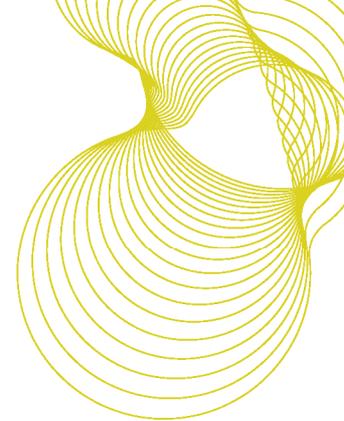
### 6.6.2 Comments on response from F

This is a qualified response and does not clearly support repeal or oppose it. The point of the recommendation is not to state that the properties do not have problems but that the designation has no current relevance related to its initial intention (i.e. to focus grants).

## 6.7 Respondee G

### 6.7.1 Feedback comment G

"I refer to your recent correspondence regarding the above and would advise as follows on behalf of North Lanarkshire Council. The council has over 600 designated defective homes, the majority being either Myton Clyde or Whitson Fairhurst. We have undertaken upgrading works mainly comprising insulated render and re-roofing to these properties and we would concur with the general findings of the BRE report that the properties were found to be structurally sound. We are aware that a number of owners of Whitson Fairhurst properties feel particularly frustrated that having participated in refurbishment works that their property values are still very low due to the defective designation, despite there being no evidence of any structural issues with their properties.



I would therefore confirm that we would support the removal of the defective designation for these homes. However the critical issue is whether prospective purchasers of these properties will in the future be able to get mortgages on these properties. Currently we have a duty to advise prospective purchasers of the defective designation so they are fully aware that they may have difficulty obtaining a mortgage or selling the property in the future. If the defective designation is removed but lenders are still reluctant to lend on these properties it could result in tenants who purchase under the Right-to-Buy feeling aggrieved with the council if they have difficulty selling their property in the future. Subject to the outcome of your discussions with CML and lenders it may therefore be appropriate that there is still a duty on councils to advise prospective purchasers under the Right-to-Buy of the former defective designation”.

#### **6.7.2 Comments on response from G:**

Once again this council is stating that their experience with the designated properties is that they are structurally sound. It must be noted that although all of the designated houses are built with similar concrete components and are therefore subject to the same potential deterioration, they are situated in different locations, subject to different weather conditions and the construction of the components will also vary. The rate of deterioration of individual components and the effect of concrete deterioration on each individual house type will vary. There is however no variation in the perception of risk for each property and the response of the industry on the effect on value.

The second point: unless a new approach on mortgagability is established across the industry, prospective owners should still be advised that the properties are unlikely to achieve the full market value of similar properties build by traditional means. This is a valid and important point.

## **6.8 Respondee H**

### **6.8.1 Feedback Comment H**

#### **“Designation of Precast Reinforced Concrete (PRC) Homes in Scotland**

#### **Response by the Council of Mortgage Lenders to the Scottish Government Consultation**

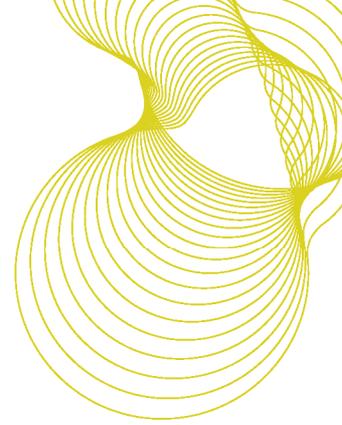
##### **Introduction**

1. The Council of Mortgage Lenders (CML) is the representative trade association for mortgage lenders. Our 114 members and 88 associates comprise banks, building societies, insurance companies and other specialist mortgage lenders who, together, lend around 95% of the residential mortgages in the UK. In addition, the CML’s members have lent over £60 billion UK-wide for new-build, repair and improvement to social housing.

2. CML Scotland welcomes the opportunity to respond to the Scottish Government consultation on the removal of the designation “defective” from PRC homes in Scotland classed as defective under Part 14 of the Housing (Scotland) Act 1987.

##### **Interim Report from BRE**

3. It appears that the Scottish Government is considering removal of the defective designation based on an interim report from BRE which draws no conclusions and makes no recommendations. Given that it is only an interim report on the basis outlined it does not seem right that a decision on whether or not to remove the designation defective will be reached on the back of this report.



4. The information contained in the interim report is limited particularly as a large number of Local Authorities and Housing Associations have failed to respond to requests for information. As a consequence research on individual units has been very limited and testing has been noted to be minor only. It is the experience of our members that defects in these types of construction often remain hidden until significant and it is often the case that only a full invasive structural assessment of the property can reveal issues with them.

5. To date it would appear that only 2 invasive investigations have been conducted from which it is not possible to conclude that these property types do not have significant structural issues. The survey of the Dorran property concluded that it was substandard with many of the defects typical of this type of construction with a prediction that it would remain structurally adequate for only another 7 years. This contradicts the comments in Section 3.1.2 which advises that the Dorran property is in a reasonably good condition.

6. It is also noted that Work Item 2 (survey to assess the scope of the problem at this time) has been delayed to permit the completion of the current stock condition survey and to pursue information which has not been forthcoming to improve the quality of the feedback for this project.

7. In our view before any decision on the removal of the designation “defective” is considered the final report from BRE should be awaited.

#### **Lending Policies in relation to PRC Homes**

8. This is an area in which lenders adopt individual lending policies but most lenders will accept as security a PRC home where it has been repaired under one of the licensed repair schemes operated by the former PRC Homes Limited. It is however the case that some of these types of property will not meet lenders’ policies due to other defects and failures. The likes of asbestos roofs and problems with thermal insulation are potential issues which come to mind.

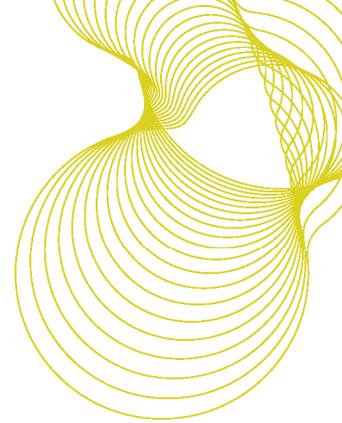
9. It is accepted however that not all types of PRC properties are covered by the licensed repair schemes and we believe that there are no such repair schemes for flats and maisonettes. In the case of the former if the defect was structural the repair would be required to the whole block and not just the individual flat.

10. It is also accepted that many of the PRC licensed repair schemes are now out of date in that they do not comply with current building regulations and there is also confusion about who owns these schemes, has the rights to use them and to sign off the certification. There is currently a need to update these schemes.

11. Mention is made in the interim report of the Winget properties in Carntyne in Glasgow where a number of lenders agreed to lend against this type of property following upon a repair scheme having been agreed. It should be emphasised that this was seen by the lenders involved as being very much a “one off” and was agreed on the following basis:

- Each property would be individually assessed and if found to be beyond repair would be demolished.
- Individual properties were only considered where all adjoining properties had been or were to be repaired.
- Each improved property would have a certificate specific to that individual property, from AJ Balfour and Adams, Consulting Engineers confirming that the reinstatement works had been designed to give an anticipated life of 60 years. In addition a certificate was to be provided in respect of each individual block.

This repair scheme was seen to be similar to acceptable PRC licensed repair schemes and if it had been available when PRC Homes Limited was established it would have been accepted and given a licence number.



### **New Repair Scheme for PRC Homes**

12. We understand from a presentation which BRE made to our valuation panel earlier this year that they are currently involved in work which would involve the creation of new approved repair schemes for PRC properties and this would effectively replace the former PRC Homes Limited approved schemes.

13. The proposals being put forward by BRE we believe involve the removal of all defective parts, their replacement to meet a 60 year design life and would effectively create a new regulation body with repair schemes being granted certification numbers.

14. This in the view of our members represents an approach that is more likely to address their concerns regarding PRC Homes. We would suggest that the Scottish Government should be working with BRE to ensure that these new repair schemes are established and operate in Scotland.

### **Conclusion**

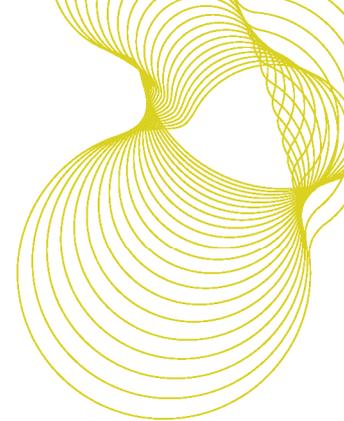
15. We do not believe the removal of the designation “defective” from PRC homes in Scotland will improve the availability of mortgages on these types of property. There is little doubt that the problem and stigma attached to these properties is fairly deep rooted. Lenders will still adopt a cautious attitude to them and unless approved repairs have been carried out to them they will still be regarded as not being suitable as security.

16. The present proposal has also the ability to create a confusing picture so far as our members are concerned. The majority of lenders operate on a UK wide basis and many of the PRC house types exist in both Scotland and England and Wales. It will raise questions going forward of why in Scotland these house types are not considered defective but in England and Wales they are.

17. As stated earlier we do not believe that a decision on the removal of the designation “defective” should be based on the current interim report from BRE.

18. The interim report refers to discussions around dealing with these properties on an individual basis but at no stage have we been involved in any discussions in this regard. One of the issues with these types of property being former Local Authority or Housing Association stock is you tend to find similar types of property in the same locality. It is therefore likely that where lenders are lending on an individual PRC house which has been repaired under an approved scheme that they will wish some comfort that other similar properties in the locality have been repaired on the same basis given the potential for there to be market failure if this were not the case.

19. The development of new approved repair schemes with BRE is in our view more likely to bring long term benefits in relation to PRC homes although it cannot be guaranteed that such schemes will meet all aspects of every lenders’ individual lending policies.



### 6.8.2 Comments on response from H (CML feedback)

The feedback from CML is negative in relation to the removal of the designation “defective” for the affected houses. There appears to be almost universal agreement from their members that repealing the legislation would be unhelpful and confusing. The core of their concerns appears to relate to three issues.

1. The designation is a simple and effective method of identifying all properties affected by the qualifying defect.
2. The removal of the designation would create a different situation in Scotland to that in the rest of the UK since the designation would not at this time be removed in those other areas and that the lenders operate on a UK wide basis. This would create a different approach in Scotland for the national lenders and this would be unhelpful for them.
3. The lenders are generally averse to dealing with upgrades to individual houses and prefer to see significant groups of houses upgraded in a more controlled manner.

The three concerns do not deal with all CML responses comprehensively and the section above should be referred to for other issues raised. The perspective of this report varies from these concerns but recognises that the concerns are valid and require consideration before any changes occur.

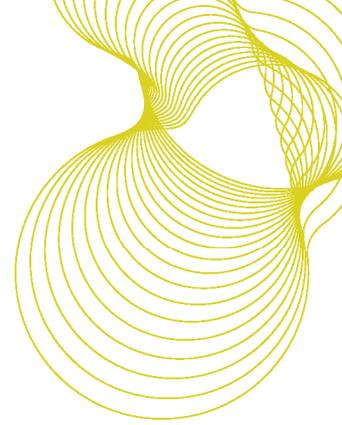
The following comments address these three points briefly but are provided on the assumption that further discussion with CML will occur before repeal of the legislation.

1. Simplicity is a positive feature of any system but always carries the danger of being taken too far and reaching the level of over-simplification. The defective designation covers 12 PRC systems built in Scotland and similar designation covers 34 types built in the rest of the UK. Some of the 12 property types have been built across the UK and some have been built only in Scotland. The legislation in Scotland only covers the properties that were identified as being built in Scotland and having the qualifying defect. The qualifying defect is similar in all affected properties.

The original purpose of the legislation and the designation arising out of the original investigations in the 1980's was to channel grant money, targeted to assist in the upgrading of the affected properties, while preventing it being used for other purposes (i.e. other forms of upgrading). The word “defective” associated with the designation, while having some merit in describing the potential problems was used as a title delineating the properties for which grants were available.

Since the legislation was enacted, the names of the house types affected have become almost synonymous with the label defective and therefore for many in the industry and specifically in the mortgage industry each of the type labels of the affected properties simply means defective. This status is only removed by the house (This refers to the block i.e. two semi detached homes together or a full terrace upgraded as a single project) being subject to approved upgrading which restores the group of homes to a level acceptable for mortgage purposes. The varying types and conditions are not fully addressed by simply labelling the affected houses as defective.

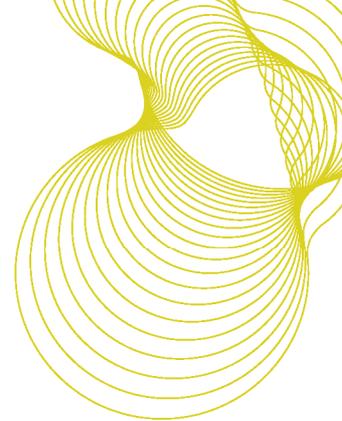
2. The repeal of the designation in Scotland without a corresponding change in other parts of the UK will, on the surface, introduce an approach that is different in Scotland to that employed in other parts of the UK. Repeal of the legislation could require the lenders to modify their terminology relating to these properties in Scotland. The removal of the designation “defective” however, to say, an “unmodified” or “original” Orlit house type, does not render it mortgagable. It will still be treated in a similar manner and therefore the removal of the term defective does not in itself, materially



change anything. It simply removes an obsolete piece of legislation. It must be emphasised that the potential problems with each of the designated forms of construction will remain if the designation is removed. The removal of designation in Scotland therefore will simply restore the normal systems of structural assessment noted in section 4.1 of this report. Moreover, where engineers are familiar with these properties it would be expected that they would factor in the form of construction to an assessment.

In addition, an anomaly over assessments between Scotland and other parts of the UK already exists and does not appear to have led to confusion. There are Cornish houses and Reema houses in Inverness. Both of these types are classed as defective in England but were not added to the legislation for Scotland. This means that although they are officially not classed as defective in Scotland presumably they will not be considered mortgagable because they are not addressed by the legislation when located in Scotland. They will still be treated as defective and therefore unmortgageable. The treatment of these properties across geographical and legislative boundaries therefore does not depend on having the defective label but simply that the industry understands both the form of construction and the structural condition.

3. The preference for significant numbers of defective houses to be upgraded rather than single properties is understandable and a reasonable approach when viewed strategically. This makes sense both financially (it should lead to lower costs for upgrading) and in terms of effect. It can be difficult to achieve market values for individual properties following upgrades where they are located within an estate of original defective houses. This should not however be used to penalise individuals who wish to upgrade to mortgagable standards. If homeowners are made aware of the difficulties of achieving full market value as first adopters and wish to proceed it seems unnecessary to discourage them from improving their homes. If through time a significant number upgrade individually then the mass of upgraded homes progresses toward a tipping point where the valuation of the properties moves toward market value, not only for each successive upgraded property but for those previously upgraded.



## 7 Discussions

It is simple in some cases, when considering obsolete legislation to establish the case for repeal. For the designation of the PRC non-traditional houses, the situation is complex and has produced opposing views with some welcoming the recommendation to repeal and others clearly opposed.

The introduction of designation combined with grant aid following the identification of potential problems in PRC homes was a reasonable response at that time. The unmodified homes remain affected with these problems but in the public mind and certainly to the longer term owners the vast majority of the houses are continuing to perform their required functions with little indication that they are different from the neighbouring traditionally built properties. They continue to be described as defective.

It must be noted that there are various expressions used to describe houses that do not meet current standards or are deficient in some manner. Appendix C contains a glossary of the expressions used in the Scottish Housing Standards. There are two uses of the term defective in the table. Only the first use (i.e. Defective Building 1) applies to the discussions within this report.

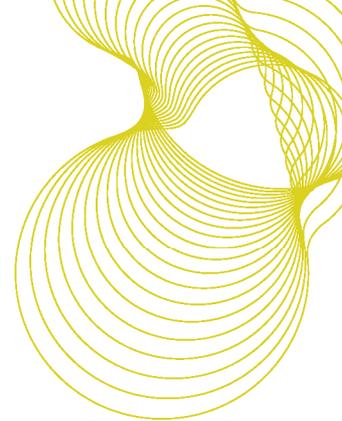
The legislation introducing defective status was designed for a specific situation in the early 1980's and the effect of the legislation was time-limited (1985 to 1995) to provide a window during which the intended grant supported upgrades would occur and support would then cease. We are now eighteen years beyond the end of that period and the financial support has ceased as intended in 1995. The legislation therefore has run its course and the opportunity to upgrade the affected properties assisted by public finance has gone. The legislation as drafted therefore, no longer has any purpose and the current confusion of the owners needs to be re-considered and clarified to meet current demands.

The houses have been stigmatised and the owners confused by the label defective and conversely for the industry the use of the label has simplified matters in a functional manner despite no longer serving the original purpose.

### 7.1 The stigma of defective designation

All of the houses identified by the label defective are generally classed as unmortgageable in their original condition. The perceived risks identified in the 1980's and related to the qualifying defects were considered too high for lenders to risk mortgages on the affected properties.

For some types of affected properties, the designation was based on carbonation of the concrete and dampness reaching the reinforcement following the progressive removal of the alkaline environment around the steel. The risk of corrosion was therefore considered to be high and should this occur, the corrosion is likely to lead to spalling of the concrete around the steel. This problem would be present in some measure in all of the affected properties but the risk and consequences will vary depending on the quality, size and arrangement of components. The risk of corrosion will also be related to the risk of water penetration, since water is a necessary part of this type of corrosion. Therefore where the components remain dry, the risk of corrosion is significantly reduced. This variation in risk is not reflected in the inflexible designation of "defective" for all affected house types.



Some of the concrete components however contain chlorides that have been added to the mix when the concrete was cast. Chlorides help concrete to set faster but in addition add to the corrosion risk. Keeping the concrete dry would still be a benefit but corrosion can still occur where significant levels of chloride have been added, without the levels of moisture necessary for corrosion due to carbonation.

All houses therefore designated defective are treated as unmortgageable and therefore any distinction or variation to the risks is ignored and all risks are assumed to be above an acceptable level.

This was a reasonable approach at the time of designation since the information on concrete durability for many of the house type was limited. The performance however in the last thirty years where there have been few problems with designated house types should provide some consideration of the variation in components and detailing.

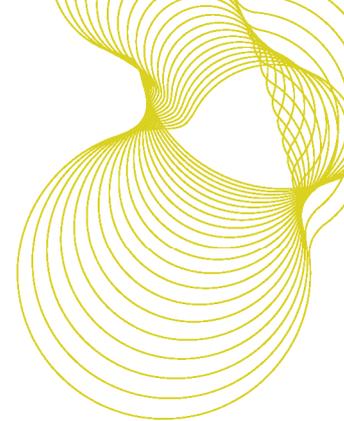
It has not been possible during this project to examine the various house types to the degree necessary to assess comparative risks but the records of structural assessment in Part B of the report show that in the majority of cases full structural assessment does not occur since it is of no benefit to the client, being unable to affect the designation.

## **7.2 The simplicity of defective designation**

The designation arising from the legislation covered all the affected houses. The term defective therefore, is used extensively as a collective term within the industry to refer to the houses with the qualifying defect outlined in the legislation. This has occurred despite each group having a different form of construction and requiring an individual outline of the detailing of the components in the legislation. The description of the qualifying defect is common to all. In addition, the use of this term for the whole of the UK means that the references do not change when crossing national boundaries.

The previously approved methodology for upgrading was supervised by NHBC under their PRC Homes scheme. Approved designs were subject to approval and certification by PRC Homes and subsequently house types could be upgraded by following the approved design. This was accepted by CML for mortgage purposes and therefore where an approved design existed the homeowner had options available to them for restoring the property to mortgagability. Where no approved schemes existed for specific house types the houses were simply unmortgageable with no clear route to approved repair. It should be noted that for some of the house types the difficulty and expense of repair could deter designers from investing in the time and cost of developing a design for approval, but for some other types, the low number of properties built could also lead to no design development since the size of the market would be relatively small.

The PRC scheme when put in place was intended to be the only route to upgrading but due in part to the cost of these schemes alternative schemes were prepared by some designers. These have been accepted by some lenders at certain times but are not always available. Generally these alternative schemes did not meet the full requirements of the PRC approved designs but were considered acceptable by certain lenders in terms of structural stability.



The PRC scheme still theoretically exists but is seldom used. Houses previously repaired by the prescribed methods were considered sound following approved repair and they should still be considered sound if repaired by these methods today. One of the problems however is that the approved schemes required upgrading to meet current building regulations and the regulations have changed significantly since the schemes were approved. The alternative schemes will also still exist but they have also been affected as the market became more risk adverse.

### 7.3 Future assessment

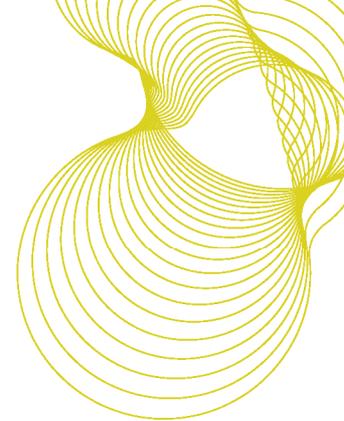
The approved designs under the PRC Homes scheme provided a recognised way to deal with the problems covered by designation. The licences granted to scheme designers and contractors demonstrating their knowledge and understanding of the forms of construction and proving their methodology for upgrading formed an option for householder's to restore their properties with the approval of lenders. The scheme also limited approved upgrading to those demonstrating their experience and holding a licence for the work. This is reasonable since the development of a scheme requires an investment in the design and detailing of the work.

Only some of the house types designated defective had licences for upgrading under the PRC Homes scheme. The ending of the scheme means that the panel approving upgrade schemes is no longer operating and therefore additional schemes for house types not already covered are no longer possible by this route. The companies holding the existing licences will presumably still retain the rights to the licence. However, due to the infrequency of upgrades in the last twenty years, these companies may have few staff, if any, familiar with the designs or techniques for upgrading. In addition some of these companies may no longer be operating. These factors will further diminish the options for householders and, if a company that is no longer operating held e.g. the only licence for the upgrade to a specific type of house, then it may not currently be possible to achieve a PRC Homes approved upgrade.

It must be recognised that restricting the assessment of these house types by civil and structural engineers (see comments in section 4.2) can only be considered reasonable provided another approval scheme is current and will provide options for these homeowners. The opening out of the accepted assessment process to civil and structural engineers should be seen as the fallback position for homes that have no other way to demonstrate their stability following a designed upgrade.

The approved licences are now considered dated and would require to be re-assessed structurally and against the current building regulations to ensure that they are suitable for upgrading properties in the current market and to current regulations. There is no operating scheme which meets those requirements across the market and a replacement for the PRC Homes approach is urgently required. Discussions have recently taken place between CML and BRE. These discussions have related to a potential scheme for approving upgrades. This scheme is currently in preparation and with a structure in place for assessment of new approaches to upgrading, could potentially address the needs of many of these houses for a route through the current impasse.

The process diagram shown in Appendix C outlines the approach intended for this scheme and further development of this scheme would provide an up-to-date supplement or replacement for approved upgrading for the affected properties.



## 8 Conclusion and recommendations

### 8.1 Conclusions

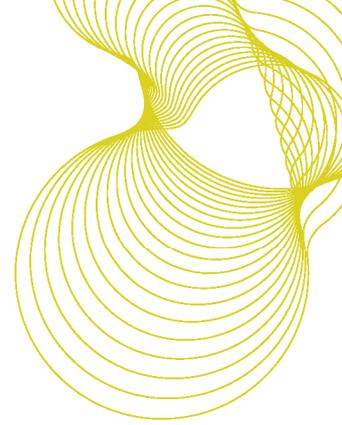
The recommendation from the interim report was that the designation of defective for the twelve types of PRC Non-traditional housing should be repealed. The consultation on this produced general agreement for repeal from the local authorities who responded, and a similar response from a homeowner who felt that the designation was unreasonably restricting the value of his home. This reaction was countered by the collated response from members of the Council of Mortgage Lenders who were against any change and wished the designation to remain in place, at least until there was a change across the UK and potentially in response to the new assessment scheme being developed. They also highlighted other issues that they felt would favour the status quo and therefore indicated that repeal should not occur.

The wish for consistency across the UK is a reasonable aim but does not reflect the current situation. The homes built in Inverness, which are designated defective in the rest of the UK, but not in Scotland, create a longstanding anomaly in terms of assessing these houses for mortgage. This has not been a problem and is unlikely to be since the defective label has passed into common use and does not need the legislation to support its use.

The differing views on repeal should not be permitted to deflect from the fact that the legislation is obsolete. The purpose of the legislation has gone and the period over which the grant assistance was valid has passed. This would indicate that the repeal should occur.

### 8.2 Recommendations

The CML are an important group within this discussion and their perspective requires to be given appropriate weight. Further discussions should be held with representatives of CML to explore the way forwards. It is recommended therefore, that the repeal is included within the 2013 Housing Bill but not implemented until these follow-up discussions take place and provide an opportunity for a re-assessment of the situation in terms of the private householders, valuation of the houses and identifying an updated route to upgrading. However homeowners must be provided with a route to upgrading where this is reasonably possible.



## Appendix A – Consultation Letter

The following letter was sent out to stakeholders in relation to the recommendations in the interim report on this project (see section 3 of this report). The responses were then reviewed and collated and the discussion on their responses is provided in section 6 above.

Housing and Regeneration, Culture and the  
Commonwealth Games Directorate  
Housing Sustainability and Innovative Finance Division



T: 0141 271 3786  
E: [housing@scotland.nhs.uk](mailto:housing@scotland.nhs.uk)

by email to copy list

19 October 2012

Dear Stakeholder

### Designation of Precast Reinforced Concrete Homes in Scotland

The Scottish Government has commissioned research from the Buildings Research Establishment Ltd (BRE) into designs of precast reinforced concrete (PRC) housing classed as defective under Part 14 of the Housing (Scotland) Act 1987. The Scottish Government is now considering whether to repeal Part 14 of the Act. This letter is written to seek your views on this proposal.

### Background

The classification was originally introduced in 1984 to support a grant scheme to fund remedial work on affected homes that had been sold under the Right-to-Buy scheme. This grant scheme expired in 1994.

Twelve types of construction were designated as defective in 1984. These were –

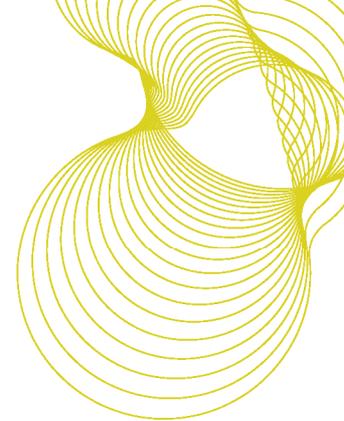
- |                                    |                    |
|------------------------------------|--------------------|
| Ayrshire County Council (Lindsay)* | Tarran             |
| Blackburn Orit*                    | Tarran-Clyde       |
| Boot                               | Tee Beam*          |
| Dorran                             | Unitroy*           |
| Myton-Clyde                        | Whitson-Fairhurst* |
| Orit                               | Winget             |

Those marked with an asterisk are types found only in Scotland. Myton-Clyde is the Scottish equivalent of the Myton in England.

We estimate that there are approximately 15,000 houses designated as defective in Scotland, of which approximately 3,000 are in the private sector.

Highlander House, 58 Waterloo Street, Glasgow G2 7DA  
[www.scotland.gov.uk](http://www.scotland.gov.uk)





### Research

The initial indications of the research are that, on the basis of the information from owners, social landlords and a small sample of homes which have been physically examined, the general condition of the homes does not reflect the perception created by the designation. The majority have been classed as defective for almost thirty years and continue to provide effective and safe homes. A copy of the interim report is enclosed for reference.

### Next Steps

We are now considering whether to repeal the the defective designation in Scotland.

One of the concerns raised in relation to the affected homes is the difficulty in getting mortgage lending against designated property. The Scottish Government recognises that the designation is only one factor affecting lending decisions and that repeal may not lead to changes in lending practice in the short term. However, if repeal is considered appropriate we would like to work with lenders and other stakeholders to remove barriers to investment in this part of our housing stock.

We would like to seek any views you may have on –

- (1) Whether the Scottish Government should repeal Part 14 of the 1987 Act, and
- (2) What impact this would have on you?

We invite you to respond by **3 December 2012**. Responses should be send to the Housing Stock Quality Team at the Highlander House, 58 Waterloo Street, Glasgow G2 7DA or by email to [simon.roberts@scotland.gov.uk](mailto:simon.roberts@scotland.gov.uk). Alternatively, please let me know if you would like meet to discuss this proposal in more detail.

Yours sincerely

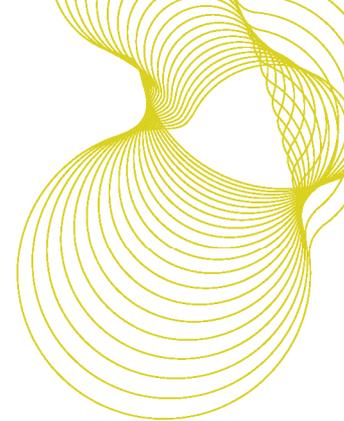
Simon Roberts  
Housing Stock Quality and Private Sector Climate Change Regulation Team

### Copy List

Local Authority Chief Executives  
Local Authority Heads of Housing  
Registered Social Landlords  
Licensed Repair Systems  
Mortgage Lenders  
Convention of Scottish Local Authorities  
Scottish Federation of Housing Associations  
Buildings Research Establishment Ltd  
Association of Local Authority Chief Housing Officers  
Chartered Institute of Housing  
Scottish Housing Best Value Network  
Council of Mortgage Lenders  
PRC Repair Licensees  
Institute of Civil Engineers Scotland  
Institute of Structural Engineers Scotland Regional Group  
Department for Communities and Local Government

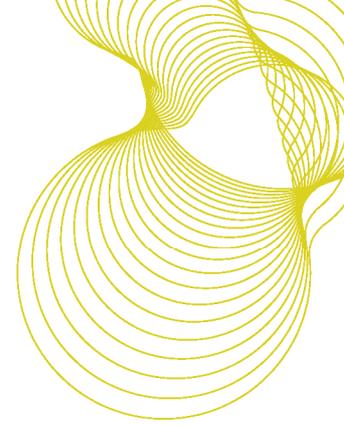
Highlander House, 58 Waterloo Street, Glasgow G2 7DA  
[www.scotland.gov.uk](http://www.scotland.gov.uk)



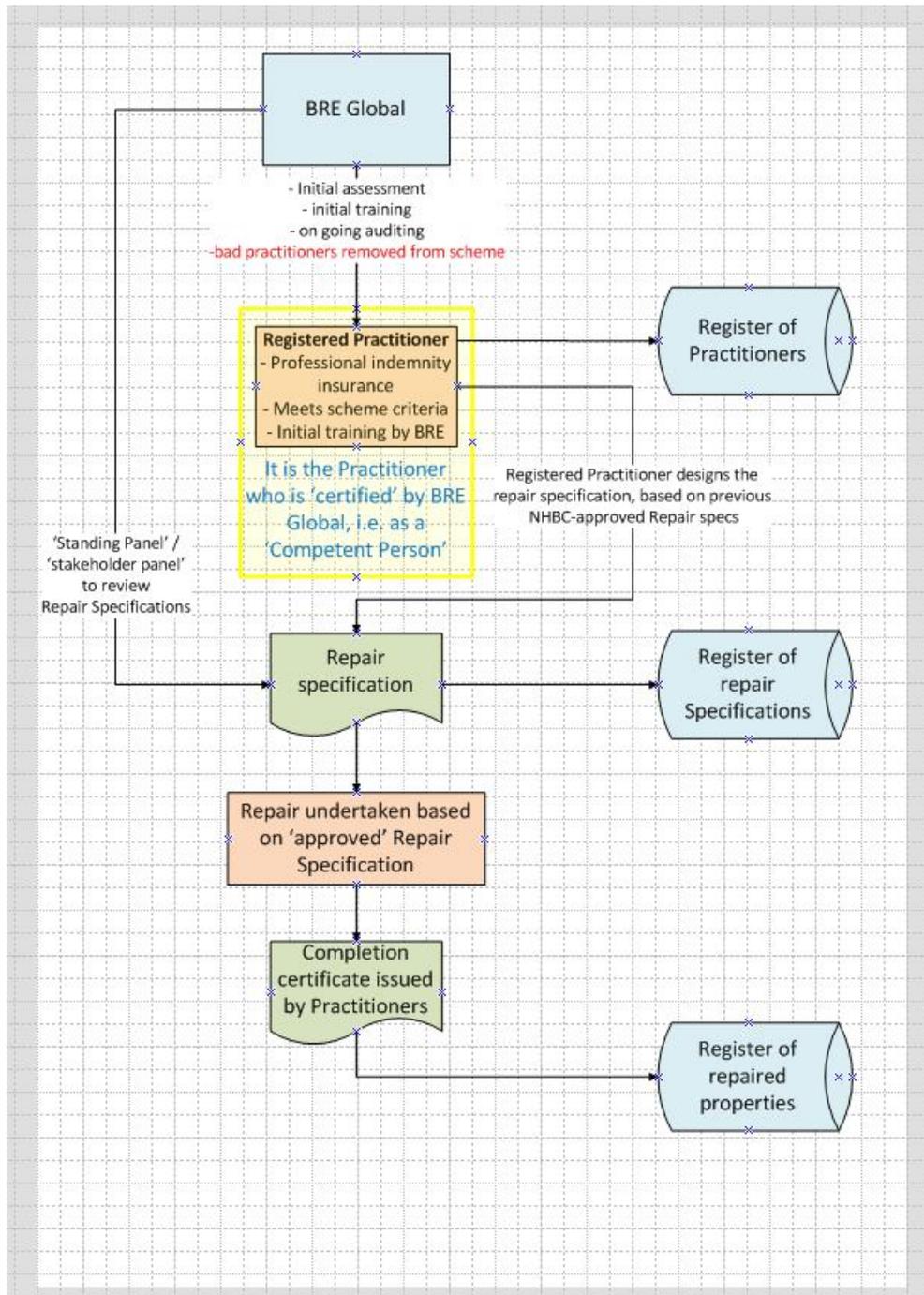


## Appendix B – Glossary of expressions used in Scottish Statutory Housing Standards

<b>Expression</b>	<b>Reference</b>	<b>Definition</b>
<b>Dangerous Building</b>	Building (Scotland) Act 2003, section 29	A building which constitutes a danger to persons in or about it or to the public generally or to adjacent buildings or places.
<b>Defective Building 1</b>	Housing (Scotland) 1987, section 257	A building which belongs to a class designated by the Secretary of State as defective by reason of design or construction. Twelve designs of precast reinforced concrete house have been designated as defective in Scotland. This is the definition of “defective building” used in this report.
<b>Defective Building 2</b>	Building (Scotland) Act 2003, section 28	A building on which a local authority has served a notice requiring the owner to rectify defects in order to bring the building into a reasonable state of repair having regard to its age, type and location. This is not the kind of “defective building” considered in this report.
<b>Sub-Standard Housing</b>	Housing (Scotland) Act 2006, section 68	Under the 2006 Act a house is sub-standard if it does not meet the tolerable standard, is in a state of serious disrepair, or is in need of repair and, if nothing is done to repair it, is likely to deteriorate rapidly into a state of serious disrepair, or damage any other premises.
<b>Tolerable Standard</b>	Housing (Scotland) Act 1987, section 68 (as amended)	The tolerable standard is a condemnatory standard for housing, a house that falls below tolerable standard is not acceptable as living accommodation. A local authority has a duty to ensure that a house that does not meet the tolerable standard is closed, demolished or brought up to the standard. The tolerable standard was first introduced in 1969 and has been revised and expanded several times since then.
<b>Unfit for Human Habitation</b>	Housing (Scotland) Act 1962, section 24 (repealed)	The tolerable standard was predated by a definition of housing unfit for human habitation. This expression was first used in a Scottish housing Act in 1856 but is not used in the current statutory standard. However, both private and social landlords are required to ensure that homes they let are reasonably fit for human habitation.



## Appendix C – Outline of Proposed Assessment Scheme



**Figure 1 - Process diagram for proposed replacement PRC upgrade scheme**