



The Decent Homes Standard: update

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Detailed background on the decent homes standard can be found in Library Research Paper 03/65, *Delivering the Decent Homes Standard: social landlords' options and progress*.

This note provides an update on progress in achieving the standard since this paper was written in August 2003.

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A. Introduction

The Government adopted a Public Service Agreement target in 2000 (PSA 7) to bring all social housing up to a decent standard by 2010. This target applies to council and housing association (registered social landlord, RSL) owned properties alike. As part of the Spending Review 2002, John Prescott announced that private sector homes occupied by vulnerable households would also be brought within the decent homes target. PSA 7 is now a legacy target which the Government has made a commitment to monitor.

On the introduction of PSA 7 the key issue for social landlords, particularly local authorities, was how sufficient investment would be secured in order to carry out the necessary work to their stock. The Government initially (in 2000) identified four investment options available to local authorities for stock refurbishment, namely:

- Using their own resources and those made available through the Major Repairs Allowance and the single capital pot;
- Transferring their housing stock to one or more housing associations;¹
- Setting up an Arm's Length Management Organisation (ALMO); or
- Pursuing a Private Finance Initiative (PFI) scheme.

In *Sustainable Communities - building for the future*, (February 2003), the Office of the Deputy Prime Minister (ODPM, now Communities and Local Government, CLG) said that authorities that did not pursue either a stock transfer, an ALMO, or a PFI scheme could not expect to receive increased funding to ensure that the decent homes target would be met. Housing authorities with stock (i.e. those that had not already transferred their stock) were expected to produce an appraisal of their investment options for Government approval by July 2005. The Government said it would intervene where authorities failed to act.

The achievement of the decent homes standard therefore became a key driving force behind local authorities' decisions in relation to the future management/ownership of their housing stock. By December 2008 of the 354 district and single tier local authorities, 170 had transferred all their stock to a housing association, with six more planning to do so. 112 had retained direct management of their stock while 66 authorities had set up an ALMO, of which 15 had also transferred some of their stock to one or more housing associations.²

B. The definition of a decent home

The 2001 guidance³ defined a decent home as one which meets all of the following four criteria:

¹ Also referred to as registered social landlords (RSLs)

² HC Deb 15 December 2008 c365W

³ Decent Homes Guidance, July 2001, *A Decent Home – the definition and guidance for measurement*

- it meets the statutory minimum standard for housing;
- is in a reasonable state of repair;
- has reasonably modern facilities and services; and
- provides a reasonable degree of thermal comfort.

In 2003-04 the ODPM: Housing, Planning, Local Government and the Regions Select Committee carried out an inquiry into the decent homes standard. The Committee concluded that the standard had been set “at too basic a level” and would be out of step with “reasonable tenant expectations” by 2010. The Committee recommended the development of a “more aspirational Decent Homes Plus standard” to be achieved at a later date.⁴ The Government’s response to the Committee’s report emphasised that the standard acted as a threshold to trigger action to improve homes which fall below it and was “not a standard to which work should be carried out.”⁵ The Government also said that it understood the Committee’s reasons for suggesting a ‘Decent Homes Plus’ standard but believed it was too early to consider a target for a period beyond 2010:

In addition, the current target is a challenging one and we believe it is vital that people’s energies focus on meeting the 2010 target. To introduce a further target at this stage would cause confusion and distract their attention.⁶

In June 2006 CLG published revised guidance, *A Decent Home: the definition and guidance for implementation*. The guidance explains how the Housing, Health and Safety Rating System (HHSRS)⁷ must now be applied as part of the decent homes standard:

The Housing Health and Safety Rating System (HHSRS) came into effect on 6 April 2006 and replaces the fitness standard as the statutory element of the Decent Home Standard. However, HHSRS is a risk assessment procedure and does not set a standard.

To be decent, a dwelling should be free of category 1 hazards, and the existence of such hazards should be a trigger for remedial action unless practical steps cannot be taken without disproportionate expense or disruption. Landlords should consider the circumstances very carefully in the interests of the occupiers of the dwelling before concluding that a hazard cannot be dealt with effectively, and in such cases should ensure that the occupiers are fully aware of the position.⁸

The introduction of the HHSRS into the definition of a non-decent home resulted in an increase in the numbers of non-decent homes in the social sector from 1.1 million to 1.3

⁴ ODPM: Housing, Planning, Local Government and the Regions Select Committee, *Decent Homes*, Fifth Report of Session 2003-04, HC 46-I

⁵ Government Response to the ODPM: Housing, Planning, Local Government and the Regions Select Committee’s Report on Decent Homes, July 2004, Cm 6266

⁶ *ibid* p7

⁷ Introduced by the *2004 Housing Act*

⁸ paras 2.19-2.20

million. The impact was more significant in the private sector where the number of non-decent homes increased from 4.8 million to 6.8 million.⁹

C. Progress towards achieving the target

The target for reducing the number of non-decent homes in the social housing sector was adopted at a time when 42% of the social housing stock (1.7 million dwellings) was estimated to be ‘non-decent.’¹⁰ Of the total, around 1.2 million dwellings were estimated to be local authority owned and 500,000 to be owned by housing associations (also known as registered social landlords, RSLs). The Housing Green Paper of April 2000, *Quality and Choice: a decent home for all*, identified a £19 billion backlog of repairs and modernisation work for council housing alone.

Progress against the decent homes standard in the social and private sectors was initially measured through the English House Condition Survey (incorporated into the English Housing Survey from April 2008) which is published annually, against a baseline of 2001. CLG also monitors progress through annual landlord statistical returns. Following the change in definition on the introduction of the HHSRS in April 2006 CLG said it would report the actual number of non-decent homes using the new statutory standard definition with a revised baseline. It is not possible to continue to provide comparative figures against the 2001 baseline because of the definitional change.¹¹

Assisting in the achievement of the target and monitoring progress has now been taken over by the new Homes and Communities Agency (HCA, created on 1 December 2008).

1. Local authorities

The ODPM Select Committee’s 2003-04 inquiry into the decent homes standard took evidence from Roy Irwin, Chief Inspector of Housing at the Audit Commission, on the likelihood of the target being reached by 2010. He said:

I think it would be unlikely that every authority would meet the Decent Homes Standard by 2010. I think there will be acceleration, both in terms of performance and the speed at which they achieve it, and the fact that people do programmes of individual bits of work rather than actually treating each house as a unique piece of real estate to get up to standard, but I think it would be unlikely by 2010.¹²

Mr Irwin highlighted a lack of funds, planning and poor management as likely causes of a failure to meet the target. He also referred to the problematic position of authorities whose

⁹ “New definition deals blow to decency figure”, *Inside Housing*, 1 February 2008

¹⁰ *The Decent Homes Implementation Plan*, ODPM, July 2002 (the figures relate to 1 April 2001)

¹¹ CLG’s *2008 Annual Report*, para 7.25

¹² ODPM: Housing, Planning, Local Government and the Regions Committee, *Decent Homes*, Fifth Report of Session 2003-04, HC 46-I, para 102

tenants rejected stock transfer as an option but whose performance was not good enough for them to apply for ALMO status.¹³

The Committee concluded that a lack of funds, together with delays caused by the options appraisal process and tenant ballots, might result in local authorities missing the 2010 target.¹⁴ In response, the Government agreed that the target was challenging but argued that significant resources had been made available since 1997 and that there had already been a 1 million reduction in the number of non-decent homes:

We expect to be on course to achieve, since 1997, a reduction of at least 1.6 million non-decent homes by 2008 as a result of the excellent Spending Review 2004 settlement for housing.¹⁵

In July 2004 Keith Hill, then Minister for Housing, reiterated that the Government was on track to ensure all council and housing association tenants live in a decent home by 2010.¹⁶ In the wake of the 2004 Spending Review housing commentators noted that little attention had been paid to the decent homes target, although the commitment to achieve the target was still there. John Perry, policy advisor to the Chartered Institute of Housing wrote:

The slow growth in ‘basic’ housing investment of under 2 per cent means there is little space for new spending on decent homes especially if any spare money is going to boost new build.¹⁷

On 5 June 2006 the then Minister for Housing, Yvette Cooper, reported on councils’ progress in developing plans to meet the decent homes standard:

Yvette Cooper [*holding answer 12 May 2006*]: The majority of councils now have time plans in to meet the decent homes standard for existing stock. Seven councils have plans for delivery but are awaiting Government Office sign off (Birmingham, East Devon, Stroud, Isles of Scilly, North Tyneside, Ribble Valley and the London borough of Merton) 46 authorities have firm plans in place but are waiting for the bidding round for arms length management organisations and stock transfers which will be launched shortly. Two currently have no plans in place (Camden and Ellesmere Port.)¹⁸

On 7 June 2006 the new Secretary of State for Communities and Local Government, Ruth Kelly, announced the final bidding rounds for authorities seeking to improve their stock via the stock transfer and Arm’s Length Management Organisation routes. As part of this

¹³ *ibid* para 104

¹⁴ *ibid* para 107

¹⁵ Government Response to the ODPM: Housing, Planning, Local Government and the Regions Committee’s Report on Decent Homes, July 2004, Cm 6266, p8

¹⁶ ODPM press release, 2004/0165, 15 July 2004

¹⁷ ‘Plans on the line’, *Inside Housing*, 23 July 2004

¹⁸ HC Deb 5 June 2006 cc204-5W

announcement she said that as much as possible of the basic decent homes work would be done by 2010 but recognised “that some will take – and must be allowed to take – a little longer.”¹⁹ She described the sort of circumstances in which more time may be allowed for the achievement of the target:

The majority of local authorities and RSLs should not expect to change their timetables for delivery. However, for a small minority of homes, it may make sense to continue beyond 2010 in order to deliver value for money or achieve wider objectives. Therefore, the Government will be prepared to negotiate individual delivery timescales for a minority of areas where there are strong reasons to extend the work.

Where the Decent Homes deadline risks preventing local authorities and RSLs delivering more transformational progress on major estates on which there are wider options to increase regeneration and deliver more mixed communities the Government will consider whether work needs to be extended beyond 2010. The Government will also consider sympathetically extensions to the 2010 deadline for those areas where accelerated delivery may reduce value for money. Where ALMOs are late starting the programme and also those where there have been performance difficulties will have individual timetables negotiated on the basis of their local circumstances. For PFI programmes and stock transfers which are commencing late in the programme the Government will consider the individual circumstances in order to agree realistic timetables.²⁰

In 2006 the Government said that it expected 95% of social housing to be decent by 2010.²¹ Most recently, when questioned on the likelihood of all local authority dwellings meeting the standard by 2010, the Minister, Iain Wright, said:

On 22 January 2008 we published the Local Authority Housing Statistics, England 2007-08. This reported that local authorities reported that 150,000 dwellings will remain non-decent by 1 April 2011.²²

As at 1 April 2008 714,000 social homes did not meet the standard, representing 18% of the social housing stock.²³

CLG’s [2008 Annual Report](#) reported “slippage” against the 2006 milestone of reducing the number of non-decent homes by 45% and 50% over the 2001 baseline. Performance against the 2008 milestone (a reduction in non-decency of between 65-70%) will be reported in winter 2009. The report said that there were some discrepancies between the numbers

¹⁹ CLG Press Release 2006/020, 7 June 2006

²⁰ *ibid*

²¹ HC Deb 17 July 2006 c123W

²² HC Deb 11 February 2009 c2062W

²³ HC Deb 11 February 2009 cc2071-2W

reported in the EHCS and local authorities' own figures. Two reasons for missing the milestone were given:

First the Building Research Establishment's report on *Implementing Decent Homes in the Social Sector* concluded that 'overall, element-based programmes are more common than whole dwelling refurbishment or other packages of work'. 'Elemental' programmes introduce a significant lag in the reduction in the number of non-decent homes as homes do not score as being made decent until all the necessary works have been completed and these can be programmed over a number of years. This would indicate that there will be a surge in homes made decent as delivery programmes come to an end.

The second reason is that Decent Homes investment programmes are also coming on stream slower than previously anticipated. A number of authorities establishing ALMOs have put back their inspection dates, taking time to implement the significant organisational changes and improvements in services required, so that they can be as sure as possible of passing inspection at the first time of applying. However once ALMOs are up and running, they are delivering decent homes at the rate predicted.²⁴

An *Inside Housing* article of July 2008 reported that 31 local authorities would not achieve the decent homes target by 2010. Authorities that opted to retain their stock are critical of a housing finance system that requires them to pay any surplus on their Housing Revenue Accounts (essentially money raised through rental income)²⁵ to the Treasury, arguing that they should be able to retain this money and direct it towards achieving the standard.²⁶

In the 2009 Pre-Budget Report the Government announced that expenditure would be brought forward to sustain and accelerate the decent homes programme:

In the pre-Budget report (PBR) we announced additional brought forward expenditure to sustain and accelerate the Decent Homes programme in 2009-10. Significant elements of this will support expenditure above existing national budgets provided to schemes previously identified by partners in the ALMO and transfer programmes. Additional brought forward capital, up to a maximum total value of £100 million, will be available to ALMOs in 2009-10 and the HCA has written to ALMO chief executives on the process for accessing this.

We also announced that £175 million would be brought forward from 2010-11 for major repairs to council housing stock, CLG has written separately to councils and ALMO chief executives on the process for accessing this resource. CLG and the HCA are currently reviewing bids for funding so no assessment of the effects of the bringing forward of capital spending can be made yet.²⁷

²⁴ CLG's *2008 Annual Report*, paras 7.22-3

²⁵ For additional information see Library note SN/SP/4341, *Housing Revenue Account Subsidy*

²⁶ "Councils rob Peter to pay for Paul's decent home", *Inside Housing*, 11 July 2008

²⁷ HC Deb 9 March 2009 c32W

A study of local authority housing management performance in 2007/08 carried out by Professor Hal Pawson for the Housing Quality Network and published in February 2009, reportedly predicts that around 12 to 14% of total council stock will be non-decent in 2010. The reasons for this predicted shortfall include:

- Delays caused by tenants voting against transfer, resulting in a need to “go back to the drawing board”; and
- Councils underestimating the scale of their decent homes backlog.²⁸

On 29 June the Prime Minister announced an additional £1.5 billion to build 20,000 affordable and energy efficient homes over the next two years, and a further 10,000 homes delivered through the private sector. The Prime Minister said that this additional money for housing would come from “the reallocation of funds”.²⁹ In the wake of this announcement there was much speculation about how this re-allocation of funds would impact upon existing programmes. HM Treasury provided a breakdown which indicated that £690 million of the £1.5 billion would be found from capital programmes within CLG. Subsequently it was confirmed that £150 million would be deferred from ALMOs in respect of achieving the decent homes standard. The Minister reportedly said that the decent homes money is being “deferred” and will be paid to the affected ALMOs in 2011/12.³⁰ The brunt of this deferral of funding has fallen on 13 ALMOs that have yet to attain “2 star” status following an Audit Commission inspection. This news was greeted with dismay by the affected ALMOs:

Mr. Paul Burstow (Sutton and Cheam) (LD): Before we break for the summer, I want to raise a matter that requires action by the Government before the end of the recess.

I wish to present a petition on behalf of thousands of tenants in my constituency and that of my hon. Friend the Member for Carshalton and Wallington (Tom Brake), and, indeed, thousands of tenants well beyond the confines of the London borough of Sutton. It relates to the shocking news that decent housing funding, which is there to pay for major renovation and other works, is to be redirected to the construction of new buildings, including new homes.

There should not be a choice between renovation and new build. In the case of Sutton, where £112 million was expected to be available to pay for the replacement of more than 800 antiquated box bathrooms, insulation and other energy efficiency work, and much-needed improvements to plumbing and electricity in many developments, it is really disturbing to learn that the money is to be siphoned off. It comes as a blow to the morale of staff in Sutton Housing Partnership who have been working hard to draw up the plans and prepare for the Audit Commission’s inspection this autumn, and has caused a sense of betrayal among the tenants.

²⁸ *Inside Housing*, “2010 target to fall short by 10 per cent”, 27 February 2009

²⁹ HC Deb 29 June 2009 c22

³⁰ *Inside Housing*, “Fury at PM’s raid on decent homes cash”, 24 July 2009

The petition reads as follows:
To the House of Commons,
The Petition of the tenants of Sutton Housing Partnership and others,

Declares that the decision to postpone and cut back funding to support home improvement works to meet the Government's decent homes standard will condemn thousands of tenants to a future in poor and inadequate housing while continuing to pay millions of pounds in rent as a negative subsidy to the Treasury.

Further declares that the decision to switch funds from improvement to new build is misjudged and was made without consultation with local authorities, Arms Length Management Organisations or tenants.

The Petitioners therefore request that the House of Commons calls upon Her Majesty's Government not to renege on its promises and stand by their pledge to tenants by fully funding the decent home programme.

And the Petitioners remain, etc.³¹

The 2006 bidding round for PFI,³² stock transfer and ALMOs³³ was the last within the decent homes programme. In the future the Government has said that it wants a more integrated approach that involves local authorities, RSLs and ALMOs:

The case for investment in improving social housing should be considered alongside other investment necessary to deliver sustainable mixed communities and not as a separate programme. The Government wants councils, with residents and local partners, to consider how they might more effectively use existing resources and assets to improve the sustainability of their neighbourhoods and to reach their own view on what the relative priorities are. Local Area Agreements could offer the opportunity to do this and the Government will explore this as part of the Comprehensive Spending Review.³⁴

2. Registered social landlords (RSLs)

On 29 September 2006 the Housing Corporation announced that all RSLs were on course to meet the 2010 deadline to upgrade their stock to the decent homes standard. However, the Corporation has said that it was willing to consider a limited waiver from the deadline where RSLs are delivering a major estate renewal.³⁵ The Housing Corporation's role was taken over by the new Tenant Services Authority from 1 December 2008.

³¹ HC Deb 21 July 2009 c855

³² Bidding round launched in December 2005 and closed on 31 March 2006

³³ Bidding round launched in June 2006 and closed on 31 July 2006

³⁴ CLG Press Release 2006/020, 7 June 2006

³⁵ Housing Corporation Press Release 96/06, 29 September 2006

The Corporation's *Thematic Review: Decent Homes Standard* (June 2007) noted that housing associations "overwhelmingly report that they will meet the target set by the Decent Home Standard." However, an article in *Social Housing* magazine (January 2009) analysed data released by the Corporation before its abolition on 1 December 2008³⁶ and found high levels of non-compliance amongst large scale voluntary transfer associations. Some "traditional" associations also reported high levels of non-compliance, such as Home Group (14.3% non-decent) and Metropolitan Housing Trust (11% non-decent). The overall average rate of non-compliance stood at 9.4%. The article suggests that all associations are unlikely to meet the decent homes target and cites "ongoing funding constraints in the private lending market" as a contributory factor which will restrict RSLs' delivery resources.³⁷

Inside Housing magazine reported in August 2009 that the Homes and Communities Agency, which inherited the gap funding programme for RSLs managing ex-local authority stock, has called for meetings with around 25 of these organisations after realising that the gap-funding budget was under "pressure." Gap funding was agreed for RSLs taking over council stock where the rental income was insufficient to repair and maintain homes to the decency standard. This "pressure" has apparently arisen because some transfers were delayed, resulting in a build up of spending in advance of the decent homes deadline. The first quarter payments of gap funding have been made for the 2009-10 financial year but stock transfer RSLs have been advised of the intention to re-negotiate settlements for the remainder of the year and for 2010/11.³⁸ The HCA has said that it recognises the importance of maintaining the confidence of lenders in these RSLs and of delivering the decent homes standard for tenants. Sector advisers have said that this provides a disincentive for RSLs to out-perform their initial business plans.³⁹

3. The private housing sector

The target in the private sector is to bring 70% of dwellings occupied by vulnerable households up to the decent homes standard by 2010. Vulnerable households have been defined for the purposes of the decent homes standard as those in receipt of at least one of the principal means tested or disability related benefits.⁴⁰

The ODPM Select Committee expressed concerns over the lack of information available on progress in achieving this aspect of the target. It also recommended that the Government should give higher priority to achieving the standard in the private sector through funding incentives and statutory measures.

³⁶ The data is based on RSL key performance indicators submitted in March 2008 and published in November 2008

³⁷ "Traditional RSLs: giant associations battle the meet 2010 Decent Homes target", *Social Housing*, January 2009

³⁸ *Inside Housing*, Housing associations face cuts or delays in gap funding for repairs work, 7 August 2009

³⁹ *Social Housing*, "HCA makes bid to claw back transfers' gap funding cash", August 2009

⁴⁰ These are listed in para 6.26 of the June 2006 DCLG guidance, *A Decent Home: the definition and guidance for implementation*

In response the Government said that the inclusion of the private sector in the target was relatively new; the charge that inadequate funds were being made available to achieve the target was rejected:

We do not agree with the Committee's conclusion that there are inadequate Central Government funds available to secure the Decent Homes target for 2010 for private sector housing. The target can only be achieved through a combination of enforcement action, housing advice, and programmes of financial assistance. There are a wide variety of such programmes, which will help secure this element of the target.

Decisions on spend on private sector Decent Homes work are a matter for individual local authorities, in light of the funds available, including those provided by Central Government, and the national and regional priorities for use of this funding. Following recommendations made by the Regional Housing Boards, local authorities were allocated £801m for 2004/05 and £864m for 2005/06 from the Regional Housing Pot for all types of housing investment.

As noted by the Committee (paragraph 118) £30m of the Regional Housing Pot funding for both 2004-05 and 2005-06 has been allocated to encourage innovative ways for local authorities to provide financial assistance for this purpose, including loans and equity release. A number of innovative loan schemes are now being developed which will secure additional private sector leverage and enable the pace of progress towards the target to be increased.

In addition, the Housing Market Renewal Pathfinders have funds of £500m over three years (2003–06) and a considerable proportion of this will be invested in either demolishing or renovating substandard private sector properties. The spending review settlement substantially increases these resources. Other Neighbourhood Renewal programmes such as New Deal for Communities will make a contribution. The Warm Front programme, overseen by the Department for Food, Environment and Rural affairs (Defra), for improving thermal comfort is also making a substantial contribution towards making homes decent in the private sector, especially in dealing with the large number of homes, which fail to meet the standard on energy efficiency grounds alone.⁴¹

The ODPM Select Committee also argued for a longer term target to be set for bringing all homes up to the decent homes standard by 2015, including the development of funding incentives and statutory enforcement vehicles in the private sector.⁴² While agreeing that every household has a right to a decent home, the Government stressed the need to focus

⁴¹ Government Response to the ODPM: Housing, Planning, Local Government and the Regions Committee's Report on Decent Homes, July 2004, Cm 6266, pp 9-10

⁴² ODPM: Housing, Planning, Local Government and the Regions Committee, *Decent Homes*, Fifth Report of Session 2003-04, HC 46-I, para 197

assistance on those groups who are least able to take responsibility for the condition of their homes.⁴³

In October 2006 the then Minister for Housing responded to a question on the number of authorities that were not expected to achieve the private sector target:

The information requested is not held centrally. Estimates from the English House Condition Survey in 2003 and 2004 indicate that nationally we are ahead of trajectory towards meeting the private sector decent homes target that 70 percent of vulnerable households in that sector are living in decent homes. Between 1996 and 2004 this targeted percentage has increased from 47 percent to 66 percent. The survey also shows that no regions are significantly behind the overall national position. It is the responsibility of Government Offices to monitor progress in their own regions and satisfy themselves that local authorities have robust policies in place. It is a requirement for local authorities to produce housing strategies that review a wide range of housing-related issues in their areas and to establish their priorities for action including the need to meet this target.⁴⁴

Part 6 of the CLG's June 2006 publication, *A Decent Home: the definition and guidance for implementation*, set out the tools available to local authorities to tackle private sector renewal.

In June 2006 *Inside Housing* magazine reported that unpublished research by DTZ Pineda, carried out on behalf of the Government, found that local authorities were struggling to meet the decent homes standard in the private sector with just £26 per property at their disposal. This research reportedly claimed that funding levels "are out of all proportion to the scale of the problem."⁴⁵ *Inside Housing* carried out a snapshot survey of 48 councils across England in June 2006 which, it reported, "reveals further difficulties the government could encounter in meeting this target". A lack of funding was identified by the respondents: 36 councils said that achieving the target would cost £1 billion between them. Twenty three per cent of the councils surveyed said they had no idea what meeting the target would cost, while a quarter said they had no plans in place to meet the target.⁴⁶ Other problems identified included the low political priority afforded to private sector renewal by local councils and the lack of staffing and expertise in this area. None of the 48 councils surveyed held comprehensive information on the location of run-down private sector stock.⁴⁷

CLG's [2008 Annual Report](#) said that performance against this target was "above trajectory":

The 2006 EHCS showed we had achieved 68 per cent of vulnerable households living in Decent Homes by 2006, from the baseline position of 57 per cent in 2001 under the

⁴³ Government Response to the ODP: Housing, Planning, Local Government and the Regions Committee's Report on Decent Homes, July 2004, Cm 6266, p.17

⁴⁴ HC Deb 9 October 2006 c393W

⁴⁵ "Woeful lack of funds for private goal," *Inside Housing*, 2 June 2006

⁴⁶ "Unequally balanced", *Inside Housing*, 16 June 2006

⁴⁷ *ibid*

original definition of the standard. This is above trajectory. The EHCS estimates the percentage of vulnerable households living in decent homes to have increased from 66 per cent in 2005 to 68 per cent in 2006.⁴⁸

As noted previously, the introduction of the HHSRS into the definition of non-decency resulted in an increase in the number of non-decent private sector homes from 4.8 to 6.8 million.⁴⁹ Some 4.2 million private sector homes have a category 1 hazard, the most commonly cited of these hazards are excess cold and risk of falls. The updated definition of decent homes is to be used to create a new baseline for 2006 of 57 per cent of vulnerable private sector households living in decent homes. This figure is not comparable with the original definition because of the incorporation of the HHSRS in the updated decent homes standard.⁵⁰

D. Beyond decent homes

When giving evidence to the CLG select committee on 13 October 2008, Richard McCarthy, CLG Director General, Housing and Planning, was questioned on what might follow the decent homes programme; he responded thus:

Mr McCarthy: You may be aware that this year Yvette Cooper, when she was Housing Minister, announced the review of council housing finance, a extraordinary complex piece of finance rules and regulations and as part of that review we will be looking at what should replace the Decent Homes standards going forward beyond the 2010 figure. The intention is to try to create a finance system that is sustainable and that recognises the costs of managing and maintaining stock owned by local authorities either within ALMO or directly controlled by local authorities themselves. That review is the place where we are thinking about the long term standards and long term funding of what has been a very special programme involving already £29 billion of expenditure and likely to end up in excess of £40 billion of expenditure, dealing with a huge backlog of repairs and improvements required to local authority stock. We are doing that work now but it is not easy, it is complex, it is tied to the whole review of the housing revenue account. That work is happening right now.⁵¹

This issue was also raised with the then Minister, Margaret Beckett, on 27 October 2008:

Margaret Beckett: It would be wrong of me to suggest that we can hurry forward I think. As I think the Committee will know it is in fact considerations like what follows Decent Homes and what will be required and expected in terms of good maintenance and indeed improvement going forward of the housing stock. It is partly those considerations that have lain behind the decision to have a review of housing finance. I think the Committee is well aware this is something being undertaken

⁴⁸ Para 7.26

⁴⁹ “New definition deals blow to decency figure”, *Inside Housing*, 1 February 2008

⁵⁰ Para 7.27

⁵¹ [Uncorrected evidence](#), 13 October 2008, Q28

jointly with the Treasury. It is such an important issue I would not want to rush it, even though I completely understand and have great sympathy with the point that you make and people's wish to plan ahead and have more insight. I think the best thing I can say is that it is precisely because everyone is taking so seriously the need to do things to follow Decent Homes and not simply to say, "Well that's it, we've done, end of story" that it will take time to assess. I am sorry I cannot tell you that I think it will be easy to bring it forward but what I can tell you is what I think you are most concerned about is that we are looking to see what can come in the future, not least because we are very mindful of the problems that were experienced right at the beginning when of course there was a substantial backlog - some 19 billion I think - of dereliction, one might call it; indeed, one might call it investing while the sun shone.⁵²

The new Housing Minister, John Healey, issued a Written Ministerial Statement on 30 June 2009 in which he announced an intention to publish a consultation document on the reform of council housing finance before the summer recess. He said that there was an "intention to dismantle the Housing Revenue Account (HRA) subsidy system and replace it with a devolved system of responsibility and funding." The consultation paper, *Reform of council housing finance*, was published on 21 July 2009; consultation will close on 27 October 2009. In the June 2009 statement the Minister said:

We remain committed to completing our comprehensive decent homes programme and to maintaining this standard. The reforms I propose will safeguard this commitment. Capital funding will be provided to support this. We also intend to complete improvements required to common areas of estates and will ensure that there is sufficient funding in the system to maintain them in the future.

Our aim in setting up the self-financing system is to ensure that it delivers the investment needed to sustain and maintain the existing stock of council homes.

In the future within this self-financing system, local authorities may also wish to borrow to fund investment. Government are currently considering whether and how any local flexibilities for new investment could be reconciled with the need to ensure that the overall fiscal position for Government is not undermined.⁵³

The consultation paper sets out an option for a devolved self-financing system for local authorities under which there would be no redistribution of revenues in return for a one-off allocation of debt to local authorities. This allocation would be based on each authority's ability to service the debt and maintain their housing stock. In turn, this would be calculated using the projected rental stream from the stock and an assessment of the costs of management and maintenance and major repairs. The ring-fencing of the HRA would remain. The benefits of the self-financing model are seen as:

⁵² [Uncorrected evidence](#), 27 October 2008, Q158

⁵³ HC Deb 30 June 2009 7-10 WS

- councils will have enough money from the rental income from their stock to be able to service debt over time and to pay for ongoing maintenance at the Decent Homes Standard as well as works needed to maintain lifts and common parts
- because of this certainty of funding councils will be able to plan ahead for works and procure them efficiently; and
- councils will be better able to plan longer term for the management of their assets and manage them on a portfolio basis because they will be able to keep more of the capital receipts from Right to Buy sales and to reinvest this in replacement stock. There should be tangible improvements in service delivery and tenant engagement.⁵⁴

Councils would be able to retain 100% of their capital receipts from the sale of council houses with the requirement that the 75%, which is currently subject to similar pooling arrangements as those applied to HRA surpluses, would be reinvested in housing.

There is recognition that funding for management and maintenance of council housing stock needs to rise by at least 5% over its current level. The Building Research Establishment has carried out research which indicates that Major Repairs Allowances need to rise significantly to tackle newly arising need.⁵⁵ The report concludes that the ongoing post-decent homes backlog of works is £6 billion and the non-decency backlog is between £1.4 billion and £2.9 billion.

In addition to the commitment to deliver and maintain the decent homes standard as a minimum, the consultation paper includes a commitment to provide funding for items that were not included in the original standard such as lifts and common areas. There is also a commitment that social housing should meet and, where possible, exceed, standards of energy efficiency and heat and electricity supply as set out in the Heat and Energy Saving Strategy.⁵⁶ The Government is considering, with the Tenants Services Authority, the need to identify aspirational standards and benchmarks for energy savings and emissions reductions in refurbishment for different property types.⁵⁷ There is a recognition that improving energy efficiency in the social sector may require funding from external sources and “new financial financing mechanisms may need to be developed.” The CLG’s finance consultation paper also contains refers to consideration around the development of a “sustainability standard.”

Additional information on the reform of housing finance can be found in Library note SN/SP/4341.

⁵⁴ CLG, *Reform of council housing finance*, July 2009

⁵⁵ *ibid*

⁵⁶ <http://hes.decc.gov.uk>

⁵⁷ DECC, *Energy and Climate Change*, White Paper, 15 July 2009

