



House of Commons

ODPM: Housing, Planning,
Local Government and the
Regions Committee

Decent Homes

Fifth Report of Session 2003-04

Volume I: Report



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Decent Homes

Fifth Report

Volume I

Report, together with formal minutes

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The ODPM: Housing, Planning, Local Government and the Regions Committee

The ODPM: Housing, Planning, Local Government and the Regions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Deputy Prime Minister and its associated bodies.

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Committee staff

The current staff of the Committee are Kate Emms (Clerk), Libby Preston (Second Clerk), Ben Kochan (Committee Specialist), Haidee Brockway (Committee Specialist), Ian Hook (Committee Assistant), Ian Blair (Chief Office Clerk) and Emma Carey (Secretary).

This inquiry was led by Annette Toft, Committee Specialist, Scrutiny Unit.

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Summary

In 2000, the Government set itself a Public Service Agreement (PSA) target of bringing all social housing up to the Decent Homes standard by 2010. In 2002, this target was broadened to encompass also 70% of dwellings in the private housing sector, occupied by vulnerable households. The Committee welcomes and supports this target.

The evidence received in the course of this inquiry has, however, led us to conclude that the target is in danger of not being met, and that the Government needs to address a number of problems of policy formulation and implementation.

- We believe that the Decent Homes standard is set at too basic a level, and that by 2010 it will be seriously out of step with reasonable tenant expectations. As a consequence, we recommend that the Government set a more aspirational 'Decent Homes Plus' standard to be achieved at a later date.
- We believe that the target of achieving Decent Homes in the social housing sector is being used as a Trojan Horse by the Government in a dogmatic quest to minimise the proportion of housing stock managed by Local Authorities. The Government must put its money where its mouth is and leave it up to tenants to decide who should own and manage their homes. The Government should provide a level playing field in terms of funding so that tenants and Local Authorities have real choices.
- In the private sector, the limitation of the Decent Homes target to just 70% of dwellings occupied by vulnerable households makes little sense. The Government needs to give much higher priority to the achievement of the Decent Homes standard across the private sector. This should be done partly through funding incentives and partly through statutory means.

It is clear that more funding is needed in order to achieve not only the current Decent Homes target, but also any expansion of the target as currently conceived. We therefore urge both the ODPM and the Treasury to allocate the necessary additional funding in order to ensure that this vital target will be met by 2010, and that the expanded 'Decent Homes Plus' target, recommended in this report, can be achieved.

1 Introduction

A Decent Home for all?

1. The Decent Homes standard first saw the light of day in April 2000 as part of the Housing Green Paper.¹ The standard was subsequently adopted as a PSA target (Public Service Agreement) for all social housing² and for parts of the private housing market in England.

2. According to the standard, a Decent Home should, as a minimum, meet all of the following four criteria:

- a) It must meet the current minimum standard for Housing;
- b) It must be in a 'reasonable' state of repair;
- c) It must have reasonably modern facilities and services;
- d) It must have a 'reasonable' degree of thermal comfort.

The target

3. Following the 2000 Spending Review, the Decent Homes standard became the basis of a PSA Target (Public Service Agreement), aimed at bringing all social housing into compliance with the standard by 2010. An interim target was also set, aimed at reducing the number of non-Decent Homes in the social sector by one third by April 2004.

4. In 2002, the Government announced that the target would be extended to cover privately owned homes (whether rented or owner-occupied) where these are occupied by vulnerable families.³ The target is for 70% of vulnerable households living in the private housing sector (owner-occupied or rented) to have a Decent Home by 2010.

5. The PSA target in its current form reads:

“by 2010, to bring all social housing into decent condition, with most of the improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.”⁴

6. The Committee welcomes the policy of setting a minimum standard for a Decent Home.

¹ ODPM: Quality and Choice: A Decent Home for All: The Housing Green Paper; April 2000

² Homes owned either by local authorities or Registered Social Landlords (RSLs).

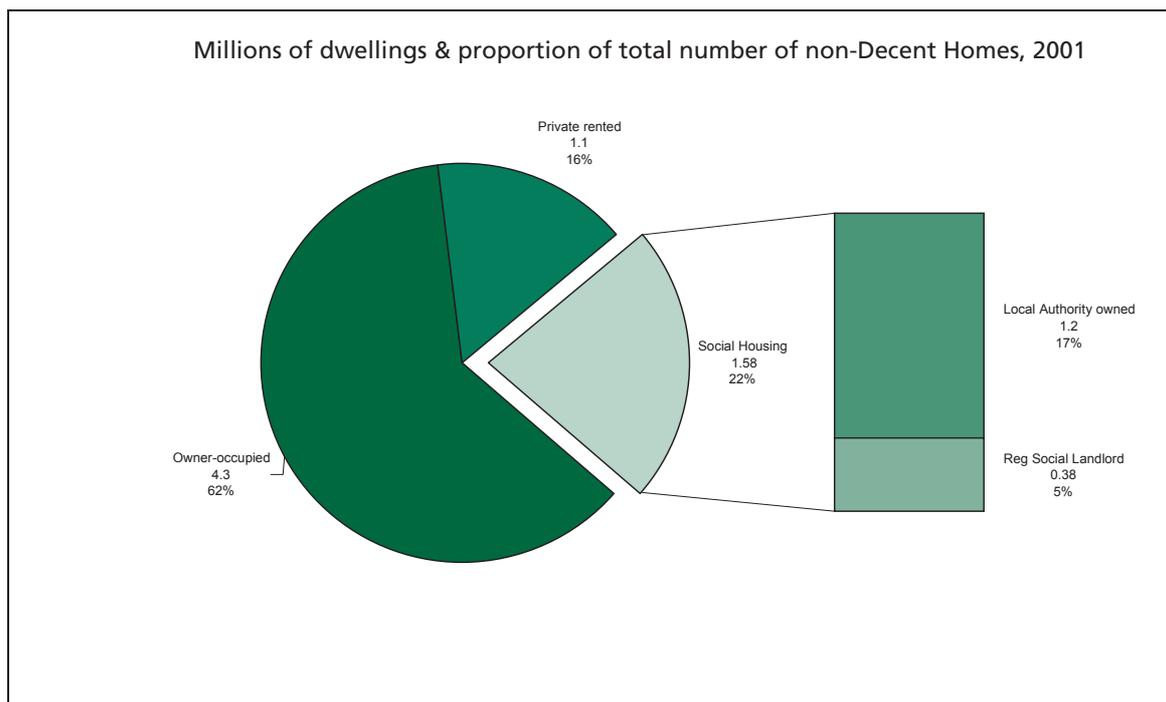
³ 'Vulnerable families' are defined as being in receipt of any one of a specified range of means-tested benefits or tax-credits.

⁴ ODPM: Decent Homes Target Implementation Plan, 2003;
http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_026912-01.hcsp#P21_425

The baseline

7. Data from the 2001 English House Condition Survey was used to establish a baseline of non-Decent Homes in different sectors of the market. Some seven million out of a total of 21.1 million homes in England failed the Decent Homes standard in 2001.⁵ As illustrated by Figure 1, a considerable majority of non-Decent Homes are owner-occupied (4.3m). However, since there are nearly 15 million owner-occupied homes in England (70% of all homes) the *proportion* of non-Decent owner-occupied homes is relatively low at 29%.

Figure 1: Homes failing the Decent Homes standard in England, 2001



Source: English House Condition Survey 2001, Table A3.7

8. As can be seen from Table 1 below, privately rented dwellings are more likely to be non-Decent than any other type of dwelling. In 2001, about half of all privately rented homes (49%) were deemed non-Decent.⁶

9. In the social sector, a total of about 1.6 million homes failed the standard,⁷ with approximately 1.2 million homes owned by Local Authorities (43%), and 380,000 homes owned by RSLs (29%).⁸

⁵ ODPM: English House Condition Survey 2001: Building the Picture; July 2003; para 3.2.

⁶ ODPM: English House Condition Survey 2001: Building the Picture; July 2003; para. 3.14.

⁷ There is a degree of uncertainty about the accuracy of this figure – see discussion on page 3.

⁸ ODPM: English House Condition Survey 2001: Supporting Tables: Table A3.7.

Table 1: Homes *failing* the Decent Homes Standard by tenure

	Number of homes 000	Percentage non-Decent in tenure category
Owner occupied	4300	29%
Privately rented	1083	49%
Local Authority stock	1200	43%
Registered Social Landlord (RSL) stock	380	29%

Source: *English House Condition Survey 2001, Table A3.7*

The terms of this inquiry

10. With the April 2004 milestone in terms of the PSA target for social housing upon us, it is an appropriate time to take stock and evaluate progress towards the target as well as its parameters and processes. There is now sufficient experience on the ground to assess the problems as well as the benefits of the target. There is however, little time to address problems or avoid unintended consequences. The terms of reference that we set ourselves for the inquiry were to evaluate:

“how this target is to be achieved, looking in particular at:

1. The definition of ‘decent’;
2. The scale of the problem;
3. The various mechanisms for funding and delivery – stock transfer, PFI, Arm’s Length Management Organisations, and Council housing;
4. The implications of the PSA Plus Review undertaken in 2003 and the recent studies by the National Audit Office and Audit Commission;
5. The role of tenant choice; and
6. The link between the Decent Homes target and other parts of the Government’s Sustainable Communities agenda.

11. The Committee received 67 memoranda from a very wide range of stakeholders. We held four oral evidence sessions, taking oral evidence from 23 different groups and organisations as well as the Minister for Housing and officials from the Office of the Deputy Prime Minister. We are very grateful to our specialist advisers, Peter Chapman and John Bryson. The Committee was also supported throughout the inquiry by staff at the Scrutiny Unit. The Committee wishes to thank all those who gave evidence to the Decent Homes inquiry, both orally and in writing.

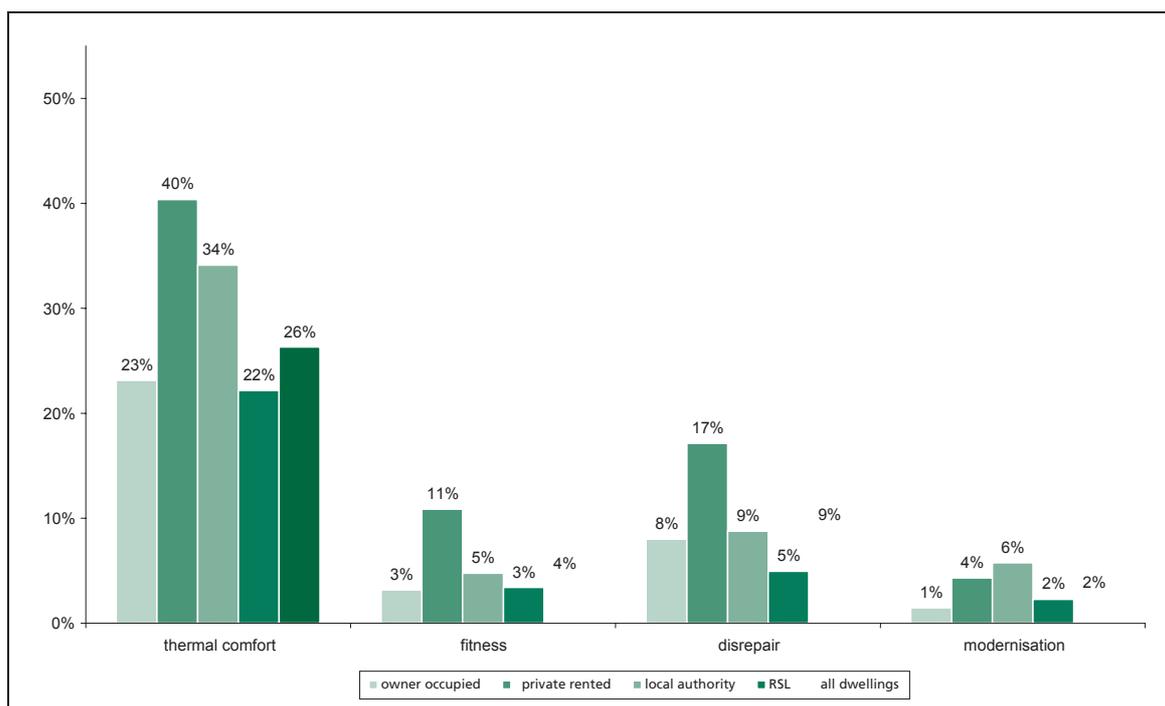
2 The definition of a Decent Home

12. Much of the evidence submitted to this inquiry was concerned with the way in which a Decent Home has been defined. The ODPM has stressed throughout that the Decent Homes standard should be understood as a *minimum* level below which action is triggered,⁹ rather than as an end in itself. However, many witnesses argued that in reality, some homes were improved so as *just* to meet the standard. Furthermore, the standard omitted important issues which are often given high priority by tenants and homeowners.

13. In this chapter, we will consider the four dimensions of the Decent Homes definition in the light of evidence given to the Committee, and we will subsequently consider aspects which are excluded from the definition, and the relationship between the Decent Homes policy and the Sustainable Communities Agenda.

14. Figure 2 below shows the proportion of all properties failing the Decent Homes standard on each of the four criteria, and also the proportions of stock in different types of tenure which fail the standard on each criterion.

Figure 2: Dwellings failing each of the four Decent Homes criteria by tenure, 2001



SOURCE: *The English House Condition Survey 2001, Table A4.28*

Criterion 1: Meeting the current minimum standard for housing

15. The first criterion for a Decent Home is that it meets the minimum standard for housing in force at any given point in time.

⁹ DEC01, para. 2.1. Office of the Deputy Prime Minister (ODPM)

16. The current minimum standard for housing is the “fitness standard”, as enshrined in the 1985 Housing Act. The fitness standard sets out a list of nine criteria with which a dwelling must comply, such as structural stability, sanitation, basic heating etc.

17. The Housing Bill currently before Parliament will, in due course, replace the Fitness standard by the Housing Health and Safety Ratings System (HHSRS). The HHSRS system will be based on assessments of the potential hazards of dwellings for the health and safety of its *actual* or *potential* occupants. In other words, the hazard assessment of a dwelling will depend not only on the characteristics of the dwelling, but also on the characteristics of the people who live there, or who are likely to live there.¹⁰ The ODPM assesses that the HHSRS may be brought in with effect from 2005, or later.¹¹

18. Some 900,000 homes (13% of all non-Decent homes) fail the Standard because of unfitness, with three quarters of these failing on at least one more of the four Decent Homes criteria.¹² Four out of five unfit homes are found in the private sector. About 11% of all privately rented dwellings fail the basic standard for housing, as compared to less than 3.5% of dwellings that are owner-occupied or owned by Registered Social Landlords (RSLs), and less than 5% of dwellings owned by Local Authorities (see Figure 2 above).¹³

19. In the latest set of guidelines issued in February 2004, the ODPM estimates that the change from the Fitness standard to the HHSRS is likely to result in an *increase* in the number of dwellings failing the Decent Homes standard of approximately 450,000. Only about 20,000 of these will be in the social housing sector, while the remainder is in the private sector, only partially covered by the Decent Homes target.¹⁴

20. The change from the Fitness Standard to a fundamentally different way of conceiving of and assessing a minimum standard for housing will inevitably impact on efforts to achieve the Decent Homes standard, not least the way in which Decent Homes compliance and progress is measured. A number of witnesses expressed concerns on the potential impact of this change on the Decent Homes processes.

21. The criticism broadly fell into two categories. Firstly, some witnesses pointed to the disruptive effect of changing the parameters halfway through the lifespan of the Decent Homes Target. For example, both the Chartered Institute of Environmental Health (CIEH) and the Places for People Group argued that the change is likely to render the measurement of compliance and progress problematic.¹⁵

22. The second area of concern relates to the *nature* of the new system. Several witnesses were concerned that the new system might be more dependent on subjective judgement than the Fitness Standard. Property Consultant Richard Hand wrote:

¹⁰ The Housing Bill: Explanatory Notes; December 2004; Para 46.

¹¹ DEC01, para. 2.6. Office of the Deputy Prime Minister (ODPM)

¹² ODPM: English House Condition Survey 2001: Building the Picture; July 2003; para. 3.7.

¹³ ODPM: English House Condition Survey 2001: Supporting Tables: Table A3.8.

¹⁴ ODPM: A Decent Home: The Definition and Guidance for Implementation: February 2004. Annex A: para 11.

¹⁵ DEC37 para 1.1.1, Chartered Institute of Environmental Health; DEC59, Section 1. The Places for People Group.

“...the new HHSRS appears much less well suited, less easy to capture and record on site [...] and open to wide variance through the non-specific interpretive nature of the system.”¹⁶

23. Whilst the National Housing Federation was similarly concerned with the level of subjectivity inherent in the HHSRS,¹⁷ the Atlantic Housing Group went further, pointing in particular to the problems associated with the fact that under the HHSRS, the action required to tackle the hazards of a dwelling will depend not only on features of the dwelling itself, but also on the characteristics of its inhabitants at any given time. Atlantic told the Committee that:

“... there are far greater implications than some people realise. There is a huge amount of interpretation. [...] We provide a lot of housing for people with dementia, for people with learning disabilities, for people recently discharged from mental institutions and people with recurring mental illnesses. A lot of those people live in supported housing which is shared and the Health and Safety Rating standard will, I think, prove difficult to implement there and I think there is going to be a huge amount of training for people involved here. [...] With the people we house, it is going to go like that: Mr A moves in, it is a Category 1 hazard; Mr A moves out, it is not a Category 1 hazard. I think there are a number of implications for this and I think there is a lot of thinking to be done about this standard.”¹⁸

24. Even if the impact in terms of increasing the number of non-Decent Homes in the social sector were minor, Bethnal Green and Victoria Park Housing Association told the Committee that it will be Local Authorities that will bear the brunt of the change. This is because it is Local Authority stock rather than Housing Association stock which is most likely to move from decent to non-decent with the change. Furthermore, Local Authorities will be charged with the monitoring and enforcement on private market properties.¹⁹ ODPM’s own figures broadly confirm this view:

“the net increase in the proportion of non-decent homes in local authority stock due to the change from fitness to HHSRS is 1.6%. The increase in the RSL sector is 0.5%. In the owner occupied sector the increase is 8.8% and 3.5% in the private rented sector.”²⁰

25. When conducting pre-legislative scrutiny on the draft Housing Bill in 2003, we expressed our concern about sufficient funding being made available for Local Authorities to handle the significant extra workload and training requirements following the introduction of the HHSRS. The Government accepted this recommendation, stating that:

¹⁶ DEC26, para. 2.6. Richard Hand.

¹⁷ DEC21, para. 3.2.1. National Housing Federation.

¹⁸ Q347, Dr Smith, Atlantic Housing Group.

¹⁹ Q314, Mr Greenwood, Bethnal Green & Victoria Park Housing Association.

²⁰ DEC01(c), p2. Office of the Deputy Prime Minister (ODPM).

“The Government will address this. The Government is committed to fully funding any new burdens that it places on local government.”²¹

26. However, when questioned on this topic, the Minister, Keith Hill, indicated that no extra money would be forthcoming to deal with increasing numbers of non-decent homes as a result of the change to the HHSRS.²² **We reiterate and extend our earlier recommendation that the Government should ensure the allocation of sufficient funding to deal with the consequences of introducing the Housing Health and Safety Ratings System (HHSRS). With an estimated increase in the number of non-Decent Homes of some 450,000, funding will be required not only for training Environmental Health Officers to enforce the new system, but also for dealing with an overall increase in the number of non-Decent Homes.**

Criterion 2: A reasonable state of repair

27. A dwelling satisfies this criterion unless:²³

- a. • one or more key building components are old *and*, because of their condition need replacing or major repair; or
- b. • two or more other building components are old *and*, because of their condition need replacing or major repair.

A building component can only fail to satisfy this criterion by being old and requiring replacing or repair. A component cannot fail this criterion based on age alone.

28. More than 1.8 million homes failed the Decent Homes standard on this criterion in 2001, the worst offender in relative terms once again being the privately rented sector where 17% of all homes fail the Decent Homes standard due to serious disrepair. 9% of Local Authority dwellings and 5% of RSL stock fail on this criterion (see Figure 2 on page 8).²⁴

29. Witnesses to the Committee did not voice any serious concerns with regard to this criterion.

Criterion 3: Reasonably modern facilities and services

30. A dwelling fails the Decent Homes standard if it lacks three or more of the following six characteristics:²⁵

- a. a kitchen which is 20 years old or less;

²¹ The Government’s Response to the ODPM: Housing, Planning, Local Government and Regions Committee’s Report on the Draft Housing Bill; CM6000, November 2003, para 10.

²² ODPM Select Committee 2003; Draft Housing Bill, CMHC751-III: Q640, Keith Hill.

²³ ODPM: A Decent Home: The Definition and Guidance for Implementation: February 2004. Annex A: paras 3.6

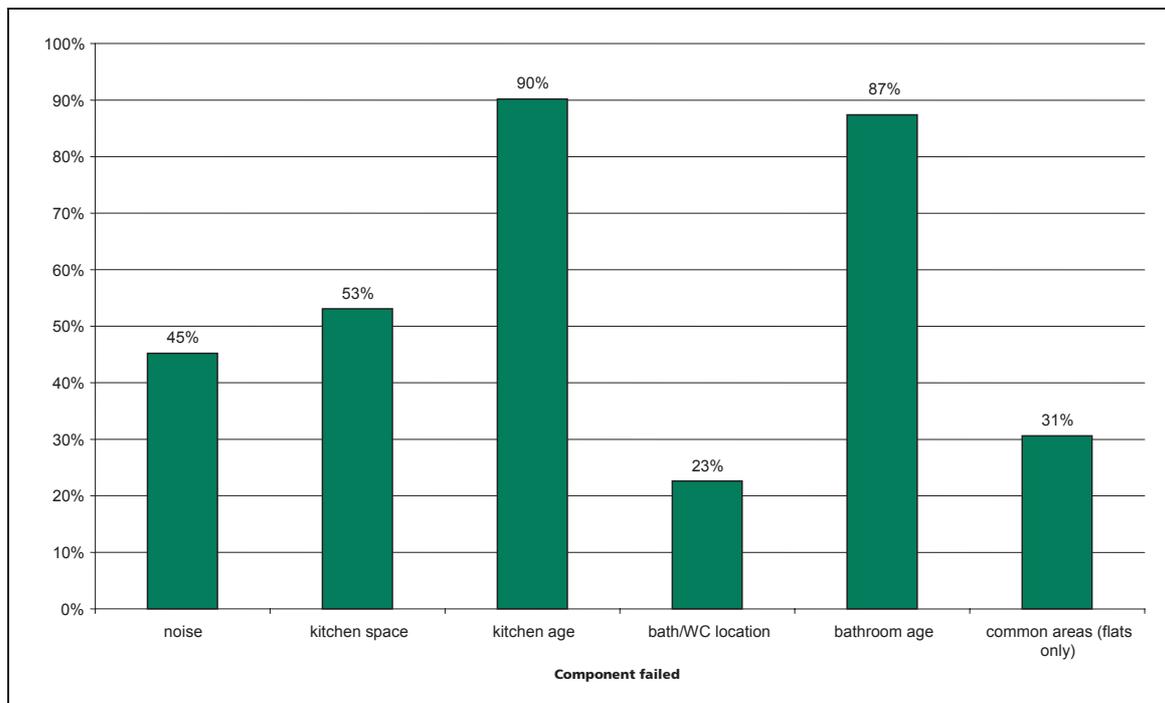
²⁴ ODPM: English House Condition Survey 2001: Supporting Tables: Table A3.8.

²⁵ ODPM: A Decent Home: The Definition and Guidance for Implementation: February 2004. Annex A: paras 3.17 – 3.19.

- b. a kitchen with adequate space and layout;
- c. a bathroom which is 30 years old or less;
- d. an appropriately located bathroom and WC;
- e. adequate noise insulation [external noise only]; and
- f. adequate size and layout of common entrance areas for blocks of flats.

31. As shown in Figure 2, only 2% of all dwellings in England fail the modern facilities and services criterion. The problem is greatest in Local Authority owned stock where 6% of stock fails on this criterion. About 90% of dwellings which fail the Decent Homes standard on the modern facilities criterion do so partly because of the age of the bathroom and kitchen facilities (see Figure 3). These two components are failed more often than any other components.

Figure 3: Stock failing on individual components as a percentage of all stock failing the 'modern facilities & services' criterion



SOURCE: *The English House Condition Survey 2001, Table A3.6*

32. In relation to the 'modern facilities and services' criterion, issues of flexibility and tenant choice caused the most concerns. The National Housing Federation, representing the majority of Social Landlords, summarised the concerns of their members into two categories:

1. "The degree of flexibility allowed in the criteria, and
2. The lack of a clear definition for one particular measure: the need for a kitchen with adequate space and layout."²⁶

²⁶ DEC21, para. 3.2.2. National Housing Federation.

33. Defend Council Housing elaborated on the issue of flexibility, explaining that in its current form, the guidelines do not allow tenants sufficient influence on the way money is spent. Defend Council Housing told us that this criterion:

“...has sometimes been used to force people to have new bathrooms when they are perfectly happy with the ones they have.”²⁷

Given that the vast majority of dwellings failing the modern facilities criterion does so partly because of the *age* rather than the *state* of facilities such as kitchens and bathrooms (see Figure 3), this point is particularly important. It makes little sense to replace facilities in perfectly good order, especially if it is against the wishes of the tenant.

34. The Chartered Institute of Housing (CIH) recognised the need for flexibility in order to accommodate tenants’ wishes, and suggested that:

“The approach we would like to take is guidance rather than being over-prescriptive because there is overlaid with all of this, [...] the issue of what tenant preferences are. Tenants, for example, might be quite happy to live with a 30-year old bathroom and prefer some other work being done to reduce their fear of crime or whatever and we need some flexibility to allow landlords to respond to that.”²⁸

35. The issue of flexibility was also of concern to many other witnesses, but not always for the same reasons. The Chartered Institute of Environmental Health (CIEH) were effectively concerned that this criterion was *too* flexible pointing to the randomness inherent in the fact that dwellings simply have to live up to *any* three out of six characteristics:

“There is a lot of concern with unmodern kitchens, unmodern bathrooms and noise [insulation] as to exactly what we are trying to achieve under the Decent Homes Standard with that sort of criteria where you can pick and mix to see if the house meets the standard and we would like to see some sort of a priority rating on those criteria and that particular element of the standard.”²⁹

36. These very different views might be a reflection of the diverging realities of the private and the social housing sectors. Defend Council Housing, seeks to represent tenants on estates where the Council landlord are likely to apply estate-wide policies on what is to be done, and how investments are to be allocated. In this scenario it is primarily a question of *how* (often scarce) resources are to be spent. In the private sector, it is often more a case of *if* the owner of a non-decent property can afford to, let alone be persuaded to, spend any money at all on improvements. Consequently, it might make good sense for tenants in social housing to call for greater flexibility of the modern facilities criterion, whilst conversely it might be more sensible for private sector tenants to ask for clear and unambiguous requirements and less flexibility.

37. The Committee recognises the need to safeguard the rights of all occupants to the level of facilities and services covered by criterion three. However, we also believe that

²⁷ Q221, Eileen Short, Defend Council Housing.

²⁸ Q13, Sarah Webb, Chartered Institute of Housing.

²⁹ Q13, Peter Brown, Chartered Institute of Environmental Health.

the Decent Homes standard is too inflexible in stipulating that kitchens and bathrooms of a certain age must be replaced. This means that in some cases facilities in good order, and with which occupants are perfectly happy, are replaced. In other cases, poor facilities which are not old enough to be replaced under the standard are left in place.

38. The challenge, therefore, is to create a criterion for ‘reasonably modern facilities’ which allows sufficient room for tenant choice whilst simultaneously preventing dwellings with facilities that are clearly unacceptable, such as outside toilets, from meeting the modern facilities criterion.³⁰ A possible solution to the latter is found in a proposal from the Chartered Institute of Environmental Health (CIEH), namely that the six dimensions of criterion three should be prioritised in some way,³¹ thereby preventing a ‘pick and mix’ approach to the provision of modern facilities. This could easily be combined with a proposal from Mr Cairns, an independent Environmental Health Consultant, that rather than stipulating particular life-spans as being acceptable for kitchens and bathrooms, the definition should stipulate that these facilities should be ‘serviceable’ or something of that nature,³² leaving room for a degree of judgement and tenant preferences.

39. We believe that the requirements for modern facilities should be weighted according to tenant preferences. A greater degree of flexibility and tenant choice should be applied in determining which facilities are to be replaced, with assessment based on quality and functionality as well as the views of occupiers, rather than exclusively on age.

Criterion 4: A reasonable degree of thermal comfort

40. This criterion was originally measured in terms of fuel poverty. A household was seen as being ‘fuel poor’ when it spent more than 10% of its disposable income on fuel. Consequently, dwellings would pass or fail this criterion on the basis of the relationship between the characteristics of the dwelling *and* the income of the household living there. This obviously meant that dwellings might move between decency and non-decency without any changes to the dwelling.

41. As of 2002, and following lobbying by social Landlords,³³ the thermal comfort criterion was changed in favour of one requiring a dwelling to have simply:

- a) **Efficient heating**, defined as “any gas or oil programmable central heating or electric storage heaters or programmable LPG/solid fuel central heating or similarly efficient heating systems which are developed in the future.”³⁴
- b) **Effective insulation**, where the level of insulation deemed to be effective varies depending on the heating system in the dwelling:

³⁰ A dwelling with an outside toilet would not be seen as having “an appropriately located bathroom and WC”, but as long as it was seen as having three other among the six characteristics, the dwelling might pass the Decent Homes Standard.

³¹ Q13, Peter Brown, Chartered Institute of Environmental Health.

³² Q411, Mel Cairns, Environmental Health Officer.

³³ DEC01, para 2.3. Office of the Deputy Prime Minister (ODPM).

³⁴ ODPM: A Decent Home: The Definition and Guidance for Implementation: February 2004. Annex A: para. 3.22.

- i. **“For dwellings with gas / oil programmable heating:** cavity wall insulation (if there are cavity walls that can be insulated effectively) or at least 50mm loft insulation (if there is loft space) is an effective package of insulation.
- ii. **For dwellings heated by electric storage heaters / LPG / programmable solid fuel central heating** a higher specification of insulation is required: at least 200mm of loft insulation (if there is a loft) and cavity wall insulation (if there are cavity walls that can be insulated effectively):”³⁵

42. Far more homes fail on the thermal comfort criterion than any of the other three criteria (see Figure 2 on page 8). In 2001, 5.6 million dwellings in England failed on the thermal comfort criterion³⁶ - more than one in every four homes in the country. Importantly, of these, more than three quarters fail *only* on the thermal comfort criterion, which in turn means that any change in the definition of this criterion might have a very significant impact on the achievement of the Decent Homes PSA target.

43. Thermal comfort appears to be a particular problem in local authority and privately rented stock where 34% and 40% respectively of all stock fail on this criterion as compared to owner-occupied stock (23%), or stock owned by Registered Social Landlords (22%) (see Figure 2).

44. Evidence presented to the Committee indicates that there are three key areas of concern with regard to the thermal comfort criterion. Firstly, is the level required high enough? Secondly, but linked to the first area of concern, is the policy adequately integrated with the Government’s own Fuel Poverty Strategy and its Energy White Paper?³⁷ And thirdly, is the way in which thermal comfort is defined and measured the most appropriate?

Is thermal ‘comfort’ comfortable?

45. Many of our witnesses argued that the thermal comfort criterion was set at far too basic a level.³⁸ Several pointed to the fact that the requirements under the Decent Homes standard are very much lower than under current building regulations.³⁹

46. The Chartered Institute of Environmental Health (CIEH) called the insulation requirements “rather retrograde”⁴⁰ and pointed to the fact that where building regulations will soon require all new homes to have a minimum of 300mm of loft insulation, the Decent Homes standard requires just 50mm in properties with gas or oil programmable heating, and 200mm in dwellings with certain other types of heating. They argued that:

³⁵ ODPM: A Decent Home: The Definition and Guidance for Implementation: February 2004. Annex A: para. 3.23.

³⁶ ODPM: English House Condition Survey 2001: Building the Picture; July 2003; paras 3.4 – 3.5.

³⁷ For details on the Fuel Poverty Strategy, see: http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy.shtml

³⁸ See for example DEC09, National Energy Action; DEC11, All Party Parliamentary Warm Homes Group; DEC30, The Sustainable Energy Partnership.

³⁹ See for example Q3, Sarah Webb, Chartered Institute of Housing and Andrew Griffiths, Chartered Institute of Environmental Health

⁴⁰ Q4, Peter Brown, Chartered Institute of Environmental Health.

“Allowing such a major trade-off might make the difference in whether or not an occupying family is living in fuel poverty.”⁴¹

47. This point is important partly because the Government is committed to the eradication of fuel poverty through another target.

48. Some witnesses, for example from the Energy Saving Trust,⁴² suggested that it would be feasible, and indeed desirable, to change the levels required by the thermal comfort criterion at this late stage. However, **the Committee does not consider that it would be helpful, or indeed fair towards housing providers, to change the goalposts for the thermal comfort criterion for the 2010 target at this stage.**

49. **However, the Committee does believe that the thermal comfort criterion provided for in the Decent Homes standard is far too low. We recommend that in the new ‘Decent Homes Plus’ target which we propose paragraph 90 below, the required levels of thermal comfort should be in line with the building standards in force at the time when such a target were to be set.**

50. This course of action would not eradicate the problem of dwellings having to undergo improvements in several rounds, because homes only just brought into compliance with the 2010 target would invariably have to be revisited after 2010 in order to comply with a ‘Decent Homes plus’ target. However, this is the best option available, in the sense that, it would not *force* landlords to change planning and finance arrangements already in place for the 2010 target, or indeed to re-visit, before 2010, properties already made decent under current guidelines. Instead, some housing providers may decide to continue with their current plans, whilst others may decide to alter their plans to incorporate a ‘Decent Homes plus’ target at this early stage.

Eradicating fuel poverty and lowering carbon emissions – coordinated policy-making?

51. The thermal comfort criterion of the Decent Homes target overlaps with two other key Government policies, the UK Fuel Poverty Strategy and the Energy White Paper. Some of our evidence indicated that there is little cross-departmental joined-up thinking, leaving disparate policies in need of alignment and integration in order to maximise the benefit of resources spent.

52. The UK Fuel Poverty Strategy springs from the Warm Homes and Energy Conservation Act 2000, and is a joint project of the Department of Trade and Industry (DTI) and the Department of the Environment, Food, and Rural Affairs (DEFRA) aimed at eliminating fuel poverty in Britain by 2016. There is an interim target of eliminating fuel poverty among *vulnerable* households in England by 2010⁴³ – the same time-span as the Decent Homes target. The key policy instrument employed to achieve the target is the

⁴¹ DEC37, para 1.1. Chartered Institute of Environmental Health.

⁴² DEC29, p2, The Energy Saving Trust.

⁴³ DTI: The UK Fuel Poverty Strategy, November 2001;

Warm Front scheme, which provides grants for energy efficiency measures for vulnerable households, primarily in private sector housing.⁴⁴

53. In other words, where the thermal comfort criterion of the Decent Homes policy deals with the whole of the social housing sector, and the Warm Front scheme relates to the whole of the private housing sector, the 2.7 million *vulnerable* households living in the private sector⁴⁵ are effectively covered by both targets. The fact that the two targets are conceived and measured in fundamentally different ways, means partly that the standards aimed at (and hopefully achieved) in the private and public housing sectors are different. Where the targets overlap, for vulnerable households in the private sector, measures to achieve compliance with one target might not lead to compliance with the other. The All Party Parliamentary Warm Homes Group told us that:

“NEA has estimated that up to 1 million social homes that already comply with the current [Decent Homes] standard are still in fuel poverty.⁴⁶ Thus, to apply that same standard to homes that do not currently comply with it will not ensure:

- Either that the Government’s target to end fuel poverty in social housing by 2010 is met **or**
- Given that many people in social housing are in the vulnerable sectors, that the government’s target to end all fuel poverty in those sectors by 2010 is met.”⁴⁷

54. Another Government policy which overlaps with the thermal comfort aspect of the Decent Homes target is the commitment to reduce CO² emissions by 60% by 2050,⁴⁸ with an interim goal of reducing emissions by 20% below 1990 levels by 2010.⁴⁹ The Energy White Paper states that households are expected to deliver savings of 5MtC (Million tons of Carbon) by 2010, and more than half of those savings (2.8MtC) are expected to come from improvements in home insulation and the installation of 5 million new boilers of the most energy efficient type.⁵⁰ One of the vehicles created to help deliver these savings is the Energy Efficiency Commitment (EEC) for domestic energy suppliers whereby each supplier has to meet energy savings targets by encouraging households to install energy-saving appliances and insulation. “At least half the target must be met in households whose occupants are either on a low income or disabled.”⁵¹

55. The Energy Saving Trust stressed the importance of social housing making its contribution to this goal, and stressed the importance of integrating these different policy initiatives.⁵² The Sustainable Energy Partnership pointed out that:

⁴⁴ NAO: Warm Front: Helping to combat fuel poverty; HC769, June 2003; paras 1.10 – 1.11

⁴⁵ ODP: English House Condition Survey 2001: Building the Picture; July 2003; Supporting tables: Decent Homes; Table A4.28

⁴⁶ E.g. in written evidence to the inquiry into fuel poverty by the Trade and Industry Committee

⁴⁷ DEC11, para. 2.5.

⁴⁸ DTI: Energy White Paper: Our Energy Future – Creating a Low Carbon Economy; February 2003; Foreword

⁴⁹ Energy White Paper: Our Energy Future – Creating a Low Carbon Economy; February 2003; para 2.14

⁵⁰ Energy White Paper: Our Energy Future – Creating a Low Carbon Economy; February 2003; para 3.5.

⁵¹ Energy White Paper: Our Energy Future – Creating a Low Carbon Economy; February 2003; para 3.32.

⁵² DEC29, The Energy Saving Trust, p2.

“...if the current [Decent Homes] standard is retained, the only way to achieve fuel poverty objectives will be to bring homes up to that standard and then at a later date upgrade them once again. This is wasteful and, some of our members have commented, absurd. From a CO2 reduction point of view this current standard is similarly wasteful. It will mean that home brought up to that standard will continue to generate too much CO2 which again will mean that if long term objectives are to be met they will have to be re-upgraded at some later date.”⁵³

56. No less important is the inefficient use of resources resulting from the lack of coordination of the different programmes in the areas of Decent Homes, fuel poverty, and energy efficiency. The National Consumer Council pointed to the importance of integrating the policies at all levels, right down to the guidance issued to stakeholders:

“The energy efficiency commitment is basically the biggest pot of money available that could help to achieve the Decent Homes standard and the integration of these more formally in terms of guidance for local authorities to seek out funding from suppliers would be very welcome.”⁵⁴

57. The Committee received some evidence suggesting that it would be feasible, even at this advanced stage, to change the definition of the thermal comfort criterion so as to align it with the UK Fuel Poverty Strategy and the Energy White Paper.⁵⁵ The Committee does not believe that this would be helpful. The criterion has clearly been set at far too low a level. **The ‘Decent Homes Plus’ target, recommended below, should not only include a much more ambitious thermal comfort criterion, but it must also work in tandem with other key policies such as the Fuel Poverty Strategy and energy efficiency targets. Funding for the different programmes must be closely coordinated.**⁵⁶

Measurement Methodology

58. The problem of integration of different energy efficiency policies could, at least to some extent, be eradicated by the use of a universal measurement scale. The UK Fuel Poverty Strategy and the Decent Homes target are not only out of alignment, but it would also be virtually impossible to achieve alignment without changing the ways in which they are quantified and measured. The National Consumer Council recommended to the Committee that:

“A decision should be taken across these schemes about what particular **measure works best** in this regard since alternatives do exist such as SAP ratings.”⁵⁷

59. The National Consumer Council was not alone in proposing that the SAP rating would be the optimal method for setting the minimum level of thermal comfort in the Decent

⁵³ DEC30, The Sustainable Energy Partnership, paras 4-5.

⁵⁴ Q54, Georgia Klein, National Consumer Council.

⁵⁵ Cf. DEC29, p2., The Energy Saving Trust; DEC09a, National Energy Action.

⁵⁶ See also paragraphs 48 and 49 above.

⁵⁷ DEC45, p7. National Consumer Council.

Homes standard.⁵⁸ The Department of Trade and Industry has defined the SAP rating as follows:

“The Standard Assessment Procedure (SAP) is the Government’s standard for home energy rating. SAP ratings provide a simple but reliable indicator of the efficiency of energy use for space and water heating in new and existing dwellings. SAP ratings are expressed on a scale of 1 (poor) to 100 (excellent). The SAP is a fuel cost based rating system, but the calculation methodology can be used to calculate CO2 emissions and units of energy used. The SAP takes into account only those aspects of a dwelling which are fixed, such as the heating system, controls, insulation levels, double glazing, etc. It is therefore not affected by occupancy patterns, the use of domestic appliances, individual heating patterns, or regional weather variations.”⁵⁹

60. A second benefit of using the SAP ratings would be to bring the Decent Homes Standard and the UK Fuel Poverty Strategy into line with new developments on the private housing market. Clause 133 of the Housing Bill currently before Parliament will in future require sellers of domestic property to provide an energy efficiency certificate to prospective buyers as part of a Home Information Pack.⁶⁰ It was indicated in the Government’s consultation on the Draft Housing Bill that the measurement to be used in the Homes Information Packs would be the SAP rating.⁶¹

61. Finally, but not least, some evidence indicated that SAP ratings are easier and more reliable in use than the current method for assessing thermal comfort. Richard Hand, a chartered surveyor explained that:

“...there is a much more simple and widely understood method of assessment available (i.e. SAP ratings). More accurate and meaningful projections could be provided if SAP were utilised to make the assessment under this criterion. This method would require no more work than clients are currently expected to produce for other forms of reporting (e.g. Home Energy Conservation Act).”⁶²

The National Energy Action Group added that:

“We are supportive of the idea of a SAP rating. SAP ratings will be part of the Welsh housing quality standard. An NHER rating will be used in Scotland. I am afraid to say that England is a wee bit out of step in this respect. It is a good, substantial and objective measurement of the energy efficiency of the property and we would recommend SAP rating.”⁶³

The Chartered Institute of Environmental Health argued that:

⁵⁸ See for example comments by the Chartered Institute of Environmental Health (Q3), as well as DEC45 p7, The National Consumer Council; DEC26, para 3.11, Richard Hand.

⁵⁹ DTI: The UK Fuel Poverty Strategy: Annex A: Energy Efficiency Measures; November 2001, para 2.

⁶⁰ ODPM: Housing Bill Explanatory Notes; para 248;

⁶¹ ODPM 2003: Contents of the Home Information Pack: A Consultation Paper; p18.

⁶² DEC26, para. 3.11, Richard Hand.

⁶³ Q57, Ronald Campbell, National Energy Action.

“...if there is to be intervention to improve energy efficiency, the way that should be dealt with is with a SAP value for intervention and a target SAP value for any improvement to be made.”⁶⁴

62. We recommend that when defining the thermal comfort criterion for the ‘Decent Homes Plus’ standard, a widely used and recognised industry measure such as SAP ratings should be used. We regard it as vital that the measure chosen is used across all the targets and policies in the energy efficiency area, irrespective of the sponsoring Government Department.

Aspects excluded from the definition

Accessibility for the elderly and disabled

63. A number of witnesses providing evidence to this inquiry expressed deep regret at the failure to incorporate accessibility requirements into the Decent Homes standard. In their joint memorandum to the Committee, the Disability Rights Commission, the Joseph Rowntree Foundation and the Habinteg Housing Association argued that accessibility issues are anything but a minority issue, not least with an ageing population.⁶⁵ Marie Pye of the Disability Rights Commission explained to the Committee that:

“We have a situation where we have at least 8.5 million disabled people in this country. That is one in five of the adult population, so this is not a minority issue. Over 40 per cent of social housing tenants have a disability but four out of ten disabled people in recent research said their housing situation was making them more dependent on others. That is not a situation that we think it is acceptable to continue in the long term. Added to this, we have a rapidly aging population who are increasingly finding their housing inaccessible. Simply building new homes for all those people is not an economic way forward.”⁶⁶

64. The three organisations argued that an opportunity was being lost, especially because it would have been feasible to incorporate accessibility criteria into the standard without incurring prohibitive costs.⁶⁷ They pointed out that several well-established standards of accessibility already exist, and that one of these could be incorporated into the Decent Homes standard. Examples of such standards are the Lifetime Homes criteria, the Housing Corporation Scheme Development Standards, as well as Part M of the current Building regulations. The three organisations concluded that the Lifetime Homes criteria would be the most appropriate for incorporation into the Decent Homes Standard because this would allow for some flexibility of approach, and an incremental approach would be possible.⁶⁸

⁶⁴ Q3, Andrew Griffiths, Chartered Institute of Environmental Health.

⁶⁵ DEC31, paras 4-6, The Disability Rights Commission, The Habinteg Housing Association, and The Joseph Rowntree Foundation.

⁶⁶ Q65, Marie Pye, Disability Rights Commission.

⁶⁷ DEC31, Executive Summary, The Disability Rights Commission, The Habinteg Housing Association, and The Joseph Rowntree Foundation.

⁶⁸ DEC31, paras 12-14., The Disability Rights Commission, The Habinteg Housing Association, and The Joseph Rowntree Foundation.

“We feel we have a tool kit of well developed standards that are tried and tested that we hope very much could enhance Decent Homes Standard and bring about some improvements in accessibility.”⁶⁹

65. The Committee is convinced that accessibility standards for elderly and disabled people should have been incorporated into the original Decent Homes Standard, and we therefore recommend that nationally recognised accessibility criteria should be incorporated into a ‘Decent Homes Plus’ standard.

66. Both Care & Repair England and the Disability Rights Commission suggested that a pragmatic approach could be taken to incorporating accessibility into the Decent Homes Standard, whereby accessibility would only be addressed where work was being carried out for other reasons. In other words, a property would not be able to fail the Standard purely on accessibility issues:

“We are suggesting you take a pragmatic approach, which in some ways is slightly different to the Decent Homes Standard. You would not necessarily say every home is a “decent home” if it meets a certain access standard. We would say that when through the Decent Homes Refurbishment Programme you are addressing a particular feature within a property, you ensure that that feature becomes accessible. Therefore, if you are undertaking a programme to replace all the windows in a block, you buy in the kind of window openings that meet the British standard in terms of accessibility so that when an old or disabled person is living in that home, maybe today, maybe next month, maybe next year, they can actually open the windows, and then when that person is living there you do not suddenly have to spend another £1,000 replacing all the windows just because the windows that were replaced under Decent Homes did not have the right fasteners on them. It is those relatively simple measures that would achieve an incremental improvement in access.”⁷⁰

67. Care & Repair England provided specific examples of how renovations such as the fitting of PVC windows may worsen accessibility for elderly and disabled people. They suggested that:

“...all specifications for programmes of improvement to properties as part of compliance with Decent Homes Standard should be vetted by an occupational therapist in order to ensure that minimal standards are adhered to with regard to improving accessibility and livability standards”⁷¹

68. The Committee finds it unacceptable that work carried out to achieve the Decent Homes standard may in fact lead to a worsening of accessibility for elderly and disabled people. We recommend that the ODPM take immediate steps to ensure that accessibility standards are met in all work carried out on dwellings in order to meet the Decent Homes Standard.

⁶⁹ Q64, Marie Pye, Disability Rights Commission.

⁷⁰ Q70, Marie Pye, Disability Rights Commission.

⁷¹ DEC63, para. 5.2, Care & Repair England.

Internal noise insulation

69. The UK Noise Association pointed to another issue, namely internal noise insulation, which is not currently covered by the standard, but which they believe to be a vital component of a Decent Home. As it currently stands, the Decent Homes Standard includes provision on noise from external source such as aircraft or road noise. The new Housing Health and Safety Ratings System (HHSRS) will also include noise as one of 29 hazards to be considered when assessing the fitness of a dwelling. However, the UK Noise Association told us that:

“...there is nothing whatsoever in the standards to require local authorities or others to improve the internal insulation; that is, the sound insulation between properties.”⁷²

70. The UK Noise Association told us that a significant proportion of the tenants in social housing suffer as a result of poor sound insulation *between* properties,⁷³ and they made an important point when arguing that the lack of noise insulation causes a considerable deterioration in the health and quality of life for some residents. This, they said, should be taken into account when making any attempt to calculate the extra cost of including internal sound insulation in the Decent Homes Standard.⁷⁴

71. The Committee believes that noise transfer between homes is a frequent problem which greatly reduces the quality of life of those affected. We recommend that internal noise insulation between and within dwellings be included in the ‘Decent Homes Plus’ standard which we recommend below.

Too basic to be decent?

72. In the discussions of the criteria which make up the Decent Homes Standard as well as the areas which are *not* included in the standard, we have repeatedly come to the view that the Decent Homes standard is too basic. We are clearly not the only ones to reach this conclusion. The Chief Inspector of Housing at the Audit Commission told us that:

“...in terms of a market position, in terms of what people would aspire to, it might be seen as acceptable just about in 2003 but by 2010 it will be seen as old hat.”⁷⁵ (emphasis added)

73. The ODPM counters such criticisms by arguing that:

“If a property is beneath that standard we expect them to take action. We do not expect them just to improve up to the standard. For example, if the property is built below the standard required for insulation, we do not expect them just to raise the level of insulation up to the minimum required. It would often be cost-effective for

⁷² Q67, John Stewart, UK Noise Association.

⁷³ DEC02, p1. UK Noise Association.

⁷⁴ Q69, John Stewart, UK Noise Association.

⁷⁵ Q171, Roy Irwin, Audit Commission.

them to put in a higher level of insulation, but that is something that we leave to the landlord and government does not prescribe.”⁷⁶

74. This view was endorsed by the regulator for Registered Social Landlords (RSLs), the Housing Corporation. Norman Perry, the Corporation’s Chief Executive, told the Committee that:

“When housing associations are investing in the Decent Homes Standard, by and large they are improving their homes to a higher standard than the Decent Homes Standard requires.”⁷⁷

75. In its memorandum to our inquiry, the National Housing Federation appeared to agree that the Decent Homes standard is simply a welcome benchmark for the minimum acceptable standards, and that there is a general expectation in the RSL sector that a higher standard should normally be achieved.⁷⁸

76. However, when giving oral evidence, the Chief Executive of the National Housing Federation, Mr Coulter, elaborated on this by saying that the Decent Homes standard:

“...will be tolerable [...] but [...] will not meet aspirations. They certainly do not reflect what you would expect from private sector or Housing Association housing, from new-build for example and the investment plans which associations pursue when the resources are available to them.”⁷⁹

77. Finally, the National Consumer Council made a point with regard to the very low thermal comfort criterion, but their point is also valid more broadly with regard to the Decent Homes standard, particularly in areas of high demand:

“We tend to think that the ODPM has overestimated the extent to which the market is likely to raise above these standards. In most situations the demand for housing exceeds supply. There are not pressures there.”⁸⁰

78. The Committee is concerned about the fact that, already in 2004, there seems to be a considerable discrepancy between what tenants aspire to as being Decent, and what the Decent Homes Standard guarantees. This discrepancy can only grow over time, and the Chief Inspector of Housing at the Audit Commission is likely to be right in his assessment that the standard will be seen as “old hat” by 2010. It is regrettable that the ODPM has pegged the standard at such a basic level, only to tell social housing providers that they are actually expected to improve homes to a higher standard. Problems arise in two interconnected ways. Firstly, funding arrangements are geared towards providing the level of funding needed to bring homes up to the Decent Homes standard as currently defined, so it is unclear how further investments are meant to be funded, particularly for ALMOs, PFI schemes, and Local Authority retained stock. Secondly, if social landlords are unable to bring their stock to standards higher than the

⁷⁶ Q88, Neil McDonald, Director of Housing, ODPM.

⁷⁷ Q169, Dr Norman Perry, Housing Corporation.

⁷⁸ DEC21, para. 3.1. The National Housing Federation.

⁷⁹ Q445, Jim Coulter, National Housing Federation.

⁸⁰ Q56, Jill Johnstone, National Consumer Council.

Decent Homes standard, it is likely that by 2010, social housing will still be seen as the poor relation with a degree of stigma attached.

Decent Homes in relation to the Sustainable Communities agenda

79. Virtually all the stakeholders from the social housing sector who gave evidence to our enquiry were concerned that the Decent Homes standard should include standards for communal areas and the neighbourhood environment more generally, and that the Decent Homes policy and the Sustainable Communities agenda were insufficiently coordinated and integrated at present.

80. Several of our witnesses had carried out survey work among tenants showing that neighbourhood and community issues come top of the list of priorities among tenants. The Local Government Association told us that in their biannual surveys of tenants, neighbourhood management issues such as crime and security consistently come out in the top.⁸¹ The National Housing Federation has reached much the same conclusion:

“...the tenants’ survey work that we have done and also the work we commissioned separately by Professor Richard Skates showed that number one in terms of tenant aspirations and desires were things like a safe neighbourhood, a friendly environment, security and crime and things like the condition came further down the list. Certainly in the tenant satisfaction surveys that we carry out generally speaking I am afraid it is the old traditional things that come up top such as litter and dogs, they are predominantly the things that tenants get most concerned about which is looking outwards beyond the front door. To answer your question, there is statistical evidence which shows tenants do have a broader view of what they consider to be a decent environment.”⁸²

81. The Hammersmith and Fulham Housing Commission⁸³ and Citywest Homes both told us that their experience of tenant priorities ‘on the ground’ confirmed the findings of such surveys. The Hammersmith and Fulham Housing Commission said that although their tenants welcome the Standard,

“the main criticism from tenants was the lack of any estate-wide aspect to the standard, especially things like entry-door systems, estate improvements, lift standards, that kind of thing, that should be added to the standard because tenants care about what happens outside their front doors as well as what happens inside.”

Citywest Homes added that their tenants:

“took the view that good kitchens, good bathroom and good thermal insulation are very important things but if the money is only spent on that and not spent on improving lifts and the estate environment, play areas, and all of the things that make

⁸¹ Q250, Mr Atherton, the Local Government Association.

⁸² Q458, The National Housing Federation

⁸³ Q281, Steve Hilditch, Hammersmith & Fulham Housing Commission.

living there decent then it will not achieve an improvement in the quality of life, so people will have better kitchens but will not feel better about the place they live.”⁸⁴

82. The ODPM does recognise that Decent Homes and Sustainable Communities are closely intertwined:

“...two thirds of non-decent social rented housing is in the 112 most deprived local authorities identified for housing resource allocation purposes. Poor housing conditions are also linked to low demand. The 20 local authorities that make up the market renewal pathfinders own 18% of the non-decent social housing. Delivery of the decent homes agenda is therefore essential to the success of neighbourhood renewal and housing market renewal policies.”⁸⁵

83. However, our witnesses, particularly ALMOs and Local Authorities, were virtually unanimous in arguing that the two policies need a great deal more integration, and that the Decent Homes policy in itself needs to be more flexible in allowing some Decent Homes funding to be spent on broader environmental issues important to tenants. The Sunderland Housing Group put the point about policy integration succinctly:

“...meeting the criteria for sustainable communities is a bigger agenda than Decent Homes. As such, Decent Homes should sit within the wider agenda of sustainable communities rather than being the sole driver for strategy and investment.”⁸⁶

According to the Chartered Institute of Housing (CIH), however, under current arrangements:

“...the PSA target on decent homes is in danger of undermining other elements of the government’s housing policy – in particular those related to the sustainability of communities. [...] Pressure to achieve the DHT may force social housing providers to spend scarce funds on work that delivers the DHT but that does not create sustainable communities. A practical example here would be window replacement programmes in low demand tower blocks where demolition and renewal may create a more sustainable community. Recognition should be given to the additional costs and time needed to deliver ‘sustainable decent homes’ – particularly in areas where a neighbourhood renewal or community regeneration approach is needed.”⁸⁷

84. Nottingham City Council is known for having turned around estates with low demand problems by investing in the general fabric of the communities. However, the investment in neighbourhoods has meant less investment in the stock itself, and the current funding arrangements do not stretch to both reaching the Decent Homes target and at the same time keeping up the level of neighbourhood investment.⁸⁸ In their evidence to the Committee, Nottingham City Council concurred with the Chartered Institute of Housing in pointing to the link between lack of investment in the general fabric of communities and

⁸⁴ Q284, Nigel Brooke, CityWest Homes.

⁸⁵ http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_609324-02.hcsp#P223_21918

⁸⁶ DEC49, para. 3.2. Sunderland Housing Group.

⁸⁷ DEC58, para. 7.2. Chartered Institute of Housing.

⁸⁸ David Blackman: Two Sides to the Story in Inside Housing, 28 February 2003.

low demand which in turn can send whole communities into a downward spiral of unsustainability:

Not only is the imbalance between the internal and the external expenditure wrong per se, it is also misguided in that people choose houses primarily because of the characteristics of the area they are in. The internal appointment of the house is always a secondary factor and if we are to stop depopulation in some of the towns and cities in the English regions then we should be placing emphasis on the environment far more as a means of attracting people to live in currently less popular areas. By pursuing the current policy we could create well appointed homes with no one to live in them.”⁸⁹

85. The fact that the inspectorate for the sector, the Audit Commission, cautiously agreed that in some cases, environmental improvements are *at least* as important as internal work to carry out the Decent Homes standard only serves to strengthen the point. The Audit Commission also admitted that:

“...more funding might be needed if ‘decent neighbourhoods’ are to [be] achieved alongside DHS [the Decent Homes Standard].”⁹⁰

86. As for the Registered Social Landlord (RSL) sector, the National Housing Federation told us that they are already encouraging their members to invest in neighbourhoods:

“Our new sector change initiative, ‘iN Business for Neighbourhoods’ is the largest project ever undertaken by the National Housing Federation; it encourages our members to continue to improve their performance and to provide improved neighbourhood services.”⁹¹

87. We have heard evidence from many stakeholders that the Decent Homes target and Sustainable Communities policy need to be much better integrated. As things stand, there is a tension between the two aims, not least in funding terms. It makes no sense to make internal improvements to homes situated in dilapidated neighbourhoods with unsustainable communities, without also addressing the wider environmental problems. **We recommend that the Sustainable Communities and Decent Homes policies be properly integrated, and the funding coordinated so that a home can only be seen as decent if the external environment and neighbourhood are also decent and sustainable.**

Decent Homes Plus?

88. The current definition of a Decent Home is not only very narrow, but also very basic. Some witnesses have argued that the Standard should be, and indeed could be, changed at this stage others have cautioned against doing so. The Committee has concluded that desirable though it would be to raise the level as well as increasing the breadth of the standard at this stage, it would be neither feasible nor fair on housing providers to do so. Furthermore, as pointed out by Norman Perry from the Housing Corporation, changing

⁸⁹ DEC14, para. 13. Nottingham City Council.

⁹⁰ DEC61, para. 38. The Greater London Authority (GLA).

⁹¹ DEC21, para 8.1. The National Housing Federation.

the standard now would entail significant consequences in terms of the monitoring of progress:

“In terms of being able to monitor the performance against the standard, you are talking about several hundred local authorities and a couple of thousand housing associations, and it has taken quite a big effort to get them all pointing in the same direction in terms of collecting data and submitting that on a regular basis. To change now, I think, would have a time lag for the quality of data.”⁹²

89. In the course of our inquiry, a couple of witnesses touched on a very different idea, namely the notion of having a ‘Decent Homes *Plus*’ standard. The Hammersmith & Fulham Housing Commission recognised the need for creating a standard which goes beyond the Decent Homes standard, and they have therefore defined their own local Decent Homes Plus standard. The Commission explains the background thus in their memorandum to us:

“The Commission viewed the Decent Homes Standard as a minimum that applied mostly to the condition of individual homes and buildings. It does not take account of local conditions, the shared environment relevant to estate life, or the need for regular planned maintenance to keep common parts in good decorative order.

The Commission felt it was important to set a Decent Homes Plus Standard as a way of addressing the local needs that arise from the inner city location of our borough, our own aspiration to improve residents quality of life, and new demands that are placed on estate facilities by changes in the wider society, government regulations and new technologies.”⁹³

90. Interestingly, the Housing Corporation seems to endorse the idea of having a ‘Decent Homes *Plus*’ standard with a target date some years beyond 2010:

“If a government were to set another higher standard, say, for 2015, then there would be the lead time necessary to make the necessary changes.”⁹⁴

91. The Committee would like to see a more ambitious definition of Decent Homes, whilst at the same time recognising that it would be unhelpful to move the goalposts for the 2010 target at this stage. The Committee recommends that a more aspirational ‘Decent Homes Plus’ PSA target be set now for achievement at a later date, in which a higher and broader standard is aimed for. Depending on the exact level and breadth of this new ‘Decent Homes Plus’ Standard, the target date should be set in the 2015-2020 range.

92. The new ‘Decent Homes Plus’ should be better aligned to the wishes and expectations of occupants, and it should include:

- a) A much more ambitious thermal comfort criterion which is in line with building regulations in force at the time when the new Standard is set. Policy development,**

⁹² Q174, Dr Norman Perry, Housing Corporation.

⁹³ DEC28, p 2. Hammersmith & Fulham Housing Commission.

⁹⁴ Q176, Dr Norman Perry, Housing Corporation.

evaluation and funding for this criterion must be closely integrated with other key policies such as the Fuel Poverty Strategy.

- b) **Accessibility standards for elderly and disabled people**
- c) **Internal noise insulation within and between dwellings**
- d) **Standards for the external environment such as communal areas should be included in the standard. This may be done through an integration and coordination of the Sustainable Communities policy with the Decent Homes policy.**

We would not expect Local Authorities and Registered Social Landlords (RSLs) to formally start recording or monitoring progress against the ‘Decent Homes Plus’ standard until a later date. However, we would hope that most choose to incorporate it into their planning as soon as possible.

3 Progress towards the 2010 target

93. Witnesses expressed a virtually unanimous view that meeting the 2010 Decent Homes target was a major challenge. The ODPM itself readily admitted that there is no time to lose.

94. When giving evidence to the Committee, the ODPM Director of Housing, Neil McDonald provided some indication of the challenge and of the fact that the success in meeting the target will stand or fall with the allocation of funding in the current and future spending reviews:

Mr McDonald: The 2010 target is a challenging one. We need to be constantly vigilant, following up what is going on and taking any corrective action right the way along the process.

Mr Betts: You have concern that we will not meet it, do you?

Mr McDonald: We are not complacent.

Mr Betts: Do you have a risk estimate of what the possibility is that you might meet it or might not meet it?

Mr McDonald: We do not have a formal figure that we can give you.

Chairman: Is the Treasury one of the risk elements?

Mr McDonald: Continued funding is vital if the Decent Homes target is to be achieved.”⁹⁵

95. However the Minister of State for Housing, Keith Hill appeared optimistic, indicating that the Government is doing its bit, and that the rest is up to local authorities and tenants:

“...the Government is determined that we should meet the 2010 target and we are providing the resource and the opportunities for that target to be met. Secondly, I have to believe that local authorities and tenants will want themselves to benefit from the opportunities of significant improvements in people’s own homes by that date. [...] We are determined to work with local authorities to ensure that the target will be reached but, of course, it takes two to tango.”⁹⁶

The rate of progress

96. The Department has submitted forward projections of progress up to 2005-06. Projections cannot reasonably be taken further because funding will depend crucially on the outcome of the 2004 Spending Review. However, it is informative to consider the rates at which improvements have occurred, in order to see whether the target would be met given the current speed of progress.⁹⁷

97. When considering the rate of progress it is necessary to proceed with some caution because the collection of data on Decent Homes is no exact science. This is partly because it

⁹⁵ Q163 – 166, Neil McDonald, Director of Housing, ODPM.

⁹⁶ Q501 – 502, The Rt Hon Keith Hill MP, Minister of State for Housing.

⁹⁷ DEC01(c), pp 1 and 3. Office of the Deputy Prime Minister (ODPM).

is dependent on a considerable degree of interpretation of the Standard. Consequently, there is a significant margin of error in all the figures used here. For example, the English House Condition Survey from which much of the data on Decent Homes is derived is just that, a survey, albeit with a large sample of approximately 20,000 dwellings. Extrapolating national figures from a sample, particularly when broken down into different groups of tenure etc., invariably carries a margin of error. As a result of this inexactitude of the data, there are discrepancies between data from different sources. For example, in 2001, the English House Condition Survey reported 1.2 million Local Authority owned homes to be non-decent, but on the basis of aggregates of Local Authority returns, the ODPM arrived at a figure of 1.4 million.⁹⁸ The fact that the ODPM use both sets of figures complicates matters.

98. Such inconsistencies between data from different sources may form part of the explanation for some worrying inconsistencies between the data on past and projected rates of achievement of the Decent Homes target used in two supplementary memoranda from the ODPM to this inquiry. DEC 01(b) covers the period 2001 to 2003. This showed that Registered Social Landlords (RSLs) and Local Authorities were reducing the number of non-decent homes by around 130,000 a year. If they continued at this rate they would not reach the target until March 2013, over two years late. This memorandum also implied that the unit cost of bringing one non-decent home up to standard was around £21,500, much less than in the period 1997 to 2001.⁹⁹

99. The information in DEC 01(c) gave forecast investment and numbers of non-decent homes for Local Authorities only. This covered the period to the start of 2005/06, two years longer than the figures supplied in DEC01(b). There were a number of contradictions with the data provided in DEC01(b). The reduction in non-decent homes between 2001 and 2003 was greater, despite the fact that these figures exclude any improvements made to RSL stock. As illustrated in Figure 4, projecting forward the mid-point of the range¹⁰⁰ implies that the target would be met by November 2009, over a year ahead of schedule. This is despite the fact that a greater LA baseline is used. The unit cost was significantly lower at around £15,000 for the period covered by DEC 01(b) and just under £16,000 for 2001-05 inclusive.

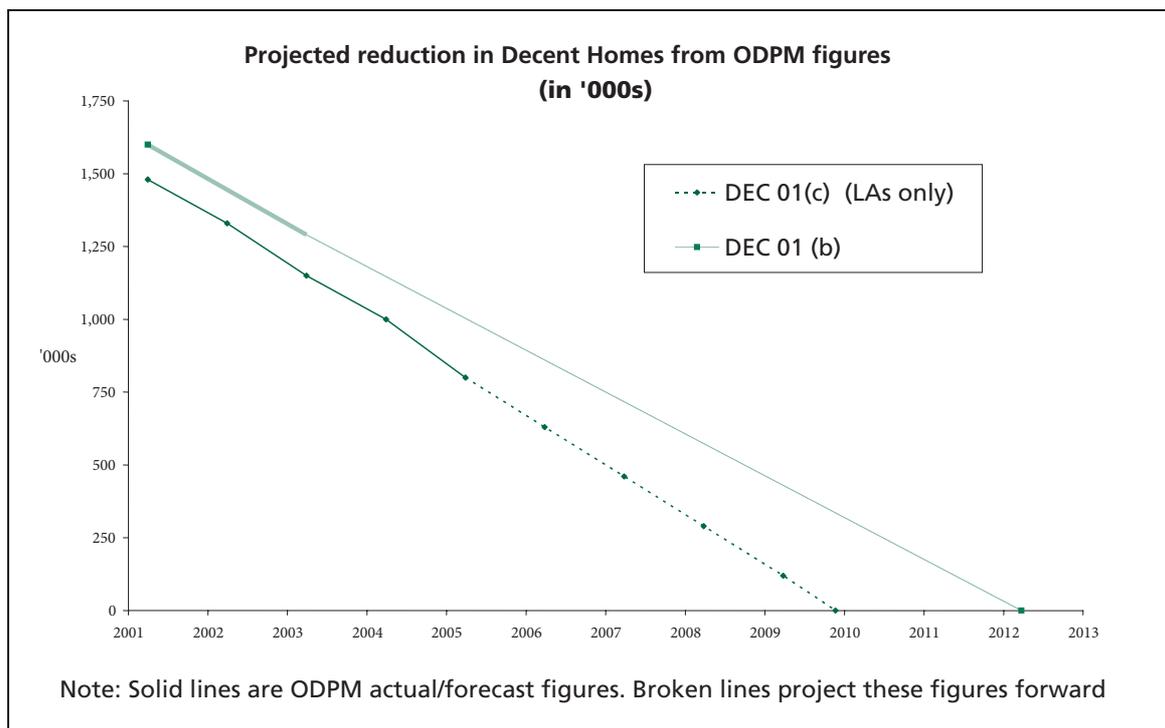
100. The fact that DEC 01(c) only includes Local Authority stock is not a reasonable explanation for these contradictions. It would imply that RSLs do not start improving their housing stock until much later and have a unit cost vastly in excess of that for LAs. It is conceivable that differences in datasets and calculation methods account for parts of these discrepancies. It is also possible that Right-to-Buy sales and stock transfers may contribute towards *some* of the improved picture for the Local Authority sector shown in DEC 01(c). However, the ODPM does not provide any explanation, and that in itself is worrying.

⁹⁸ DEC01, para 5.2. Office of the Deputy Prime Minister (ODPM).

⁹⁹ DEC01(b). Office of the Deputy Prime Minister (ODPM).

¹⁰⁰ The ODPM provides effectively two sets of calculations, a best and a worst case scenario for each data point. This is because, in projecting the data forward, a range of assumptions have to be made, creating a potential for error. The mid point is simply the mid point between the worst and the best case scenarios. See also ODPM01(c)

Figure 4: Projected achievement of Decent Homes Standard in the social housing sector with different ODPM data sets.



Source: ODPM memoranda DEC01b and DEC01c.

101. The Committee is disturbed by the large unacknowledged and unexplained discrepancies found in the data provided by the ODPM on progress towards the Decent Homes target. The discrepancies effectively make it impossible to assess whether the Department is on course to delivering one of its key PSA targets. We recommend that the ODPM investigate this matter very carefully, and that it make public its findings and a full explanation along with the most accurate set of figures and projections.

The social housing sector

Local Authorities

102. The Chief Inspector of Housing at the Audit Commission, Roy Irwin, was refreshingly frank in evaluating the probability of the Local Authority sector reaching the 2010 target:

“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.”¹⁰¹

103. When questioned whether a lack of funds, planning, or poor management would be to blame for failure to reach the target, Mr Irwin answered that:

“I think it will be a mixture of all. I think by the end of 2010 it will be a lack of funds applied at that time, but I think there will be waste in the system in the intervening

¹⁰¹ Q184, Roy Irwin, Audit Commission

time. So performance will be better at that point but I do not think it will be good enough actually to recover from what will be lost time because we are already entering into year four.”¹⁰²

104. Mr Irwin also identified Local Authorities caught between the wishes of their tenants and the Government’s refusal to provide dedicated Decent Homes funding for Local Authorities who retain stock management in-house as one of the reasons for the target not being met:

“It just seems to me that those places where, yes, their own resources as local authorities retaining their stock will not hit the target, their performance currently is not good enough, and it may be that their tenants do not want stock transfer – and those places exist - that something is going to have to give and I doubt if it is the tenants’ views.”¹⁰³

105. When questioned by the Committee, Keith Hill, Minister for Housing admitted that the processes involved in Local Authority options appraisals have tended to take up a considerable amount of time before work on the actual improvement of non-Decent Homes can even begin. The Minister thereby indirectly admitted that the options appraisal process may have caused delays in starting the work on improving homes. However, the Minister also indicated that things would speed up along the way.

“Remember that we are in a new process with the options appraisal process and it has been a learning curve and local authorities have had to improve their approach to these matters. Therefore, as in all programmes, in the initial stages one can expect to be somewhat slower but, once programmes are understood, once schemes are in place, there is a learning curve and we would expect the process to accelerate.”¹⁰⁴

106. The Audit Commission also sounded a word of caution with regard to the situation beyond 2010. In their memorandum, the Commission warned that it is not simply a question of being able to *achieve* the Decent Homes standard, but also of maintaining it subsequently:

“In some cases the real difficulty faced may be in identifying the long term resources to sustain homes as decent.”¹⁰⁵

107. The Committee is concerned that a lack of funding as well as the delays caused by lengthy options appraisals procedures and tenant ballots may result in Local Authorities being unable to meet the 2010 target.

Registered Social Landlords

108. With regard to Housing Associations achieving the 2010 Decent Homes target, the National Housing Federation wrote to us that:

¹⁰² Q185, Roy Irwin, Audit Commission

¹⁰³ Q202, Roy Irwin, Audit Commission

¹⁰⁴ Q504, The Rt Hon Keith Hill MP, Minister of State for Housing.

¹⁰⁵ DEC61, para 43. The Audit Commission.

“The vast majority of larger associations have plans in place to ensure that all their homes reach the Decent Homes Standard by 2010. These are included within their general improvement plans to provide tenants with facilities well above the minimum required by the Standard. The position is less clear for smaller associations.”

109. This assessment was broadly endorsed by the Housing Corporation who indicated to the Committee that they currently have a total of 84 Housing Associations on their risk register. The risk register is divided into an A List comprising cases leading to ‘significant concerns’. Forty Housing Associations with stock of just under 180,000 homes, of which an average of 28% failed the Decent Homes standard, are on the A-list. These associations will be the subject of an asset management review by the Corporation in the course of the next twelve months. A further 44 Housing Associations are on the B-list which means that they are being actively monitored, and if the Corporation is not satisfied, these may move on to the A-List. The B-list Associations comprise 150,000 homes, 20% of which fail the Standard.¹⁰⁶ Given that there are more than 2,000 Housing Associations in England, it is less than 5% of Associations that are currently on the Housing Corporation’s risk register.¹⁰⁷

The Private housing sector

110. At this stage there is very little data available to gauge the rate of progress on the Decent Homes target in the private sector. The only information supplied to us is for the 1997-2001 period, i.e. before the Decent Homes target came into force. The proportion of homes (rented *and* owner-occupied) in the private sector, occupied by vulnerable households, which failed the Decent Homes standard declined from about 55% to 43% between 1997 and 2001. Data for the post 2001- period should become available towards the end of 2004.¹⁰⁸

111. We are not persuaded that the ODPM is doing everything possible to ensure the target is met in full across the different sectors. In particular, we are concerned that the year on year rate of improvement is not rising fast enough to meet the target. We recommend that the ODPM take immediate action to ensure that the rate of improvement be increased and sustained at the level required.

¹⁰⁶ DEC66(b) The Housing Corporation.

¹⁰⁷ The Housing Corporation web-site: <http://www.housingcorp.gov.uk/aboutus/whoweare.htm#1>

¹⁰⁸ DEC01 paras 5.6 and 5.11. Office of the Deputy Prime Minister (ODPM).

The cost of reaching the target

The Social Housing Sector

112. When ODPM officials came before the Committee, they confirmed the assertion of some witnesses that social housing providers often bring their 'least bad' stock into compliance with the Decent Homes target first, leaving more problematic stock till later. Ms Kirkham said:

“...there is some evidence that landlords would have looked for some of the easier and cheaper areas of work to tackle in the first instance, moving on later to the more difficult and the more expensive”¹⁰⁹

113. The ODPM Director of Housing, Neil McDonald, subsequently confirmed that:

“One would expect the cost per unit to change over the time, yes.”¹¹⁰

114. In light of data supplied to us by the ODPM, these assertions are a potential cause of some concern. The data from memorandum DEC01(b) suggest that the cost per unit across both Local Authorities and Registered Social Landlords declined from the 1997-2001 period to the 2001-2003 period, as is illustrated in table Table 2 below. If the data provided in memorandum DEC01(c) are used instead, the unit cost for Local Authorities alone turn out much lower, namely at £15,000 per home in the 1997-2001 period, and £16,000 during the entire 2001-2005 period, a modest increase of less than 7% across an 8 year period.

115. If the assertion that the worst stock may be left till last, and that the true unit cost is expected to increase over time, it would appear likely that there will be a significant funding shortfall given current estimates of expenditure.

Table 2: Approximate unit cost per decent home in the social sector 1997-2003

Period	Capital spend by LAs and RSLs (£ billion 2003 prices)		Estimated reduction in number of non-decent homes		Average capital spend per 'new' decent home (£ 2003 prices)
	Total	Average per year	Total	Average per year	
1997-2001 (4 years to March 2001)	10.0	2.5	410,000	102,500	24,390
2001-2003 (2 years to March 2003)	5.6	2.8	260,000	130,000	21,538

NOTE: The figures in the final column assume all capital spending is aimed at reducing the number of non-decent homes if the proportion of capital spending on non-decent homes has changed over these periods then the ratio of these two figures will also have changed.

SOURCE: DEC01(b)

¹⁰⁹ Q106, Anne Kirkham, ODPM.

¹¹⁰ Q107, Neil McDonald, ODPM.

116. The discrepancies in the ODPM data makes it virtually impossible to assess whether the currently projected funding provisions are likely to be adequate for keeping the social housing sector on track to meeting the Decent Homes target. The Committee is concerned that sufficient funding may not be being planned for, especially given the ODPM's own admission that the cost of bringing each home up to the Decent Homes target is likely to increase in real terms over time, as Social Landlords come to deal with the more difficult stock. We recommend that the Government address this issue with urgency.

The private housing sector

117. The ODPM told the Committee that bringing all 5.4 million non-Decent Homes in the private sector up to the Decent Homes standard is estimated to cost more than £44bn. For the privately rented sector alone, it is estimated that it would cost £10.6 billion to bring the 1.1 million non-Decent Homes up to the standard.¹¹¹ This would appear to be a rather conservative estimate given that it works out at approximately £9,600 per home, far less than the estimated unit costs in the social sector (see Table 2 and discussion above). Based on these figures, the unit cost across the whole of the private sector would be some £8,200 per home.

118. Given that the vast majority of homes in the private sector are not covered by the Decent Homes standard, this level of expenditure clearly will not be incurred. However, in 2001, there were 1.16 million vulnerable households living in the private sector (rented and owner-occupied). On the basis of the ODPM's projected (low) unit cost of bringing all private sector homes up to the Decent Homes standard (£8,200), it would cost in the region of £6.7bn to achieve the target of bringing 70% of all homes in the private sector occupied by vulnerable households up to the Decent Homes standard. This figure is contrasted by the £30 million per annum budgeted for by the ODPM to support improvements to non-Decent Homes in the private sector occupied by vulnerable households.¹¹²

119. **The Committee is concerned that, having set a very limited target for Decent Homes in the private sector, the Government should now address seriously how this target is to be achieved.**

¹¹¹ DEC01(c) Office of the Deputy Prime Minister (ODPM).

¹¹² DEC01, para. 6.2.

4 Social housing

120. All homes in the social housing sector, in other words homes owned either by Local Authorities or Registered Social Landlords (RSLs), have to comply with the Decent Homes standard by 2010. Many of the key issues and concerns brought to our attention during our inquiry relate to the policies directed at achieving the target in this sector. The concerns of stakeholders relate not only to *levels* and *inequity* of funding available under different scenarios, but also in some cases to the underlying policy agenda being pursued through the Decent Homes funding mechanisms.

Local Authority housing

121. In 2001, Local Authorities in England owned and managed some 2.8 million homes, and approximately 43% of these failed the Decent Homes standard. In other words, although marginally better than the privately rented sector (49%), local authority homes were much more likely to fail the standard than homes owned by RSLs (28%).

The separation of stock management from strategic housing management

122. The Government has consistently favoured the separation of strategic housing management from the day-to-day management of stock in local authorities. In the 2000 Green Paper, the ODPM stated that,

“...we strongly favour the separation of authorities' strategic and landlord responsibilities for housing. This will strengthen both roles.”¹¹³

123. In practical policy terms, this has led the Government to embrace the principle of stock transfer whereby local authority housing stock is transferred to the ownership and management of Registered Social Landlords (RSLs). The stock transfer policy dates back to 1988. Since 2001, it has become central to the Decent Homes policy because the Government has refused to provide specific funding for the achievement of the Decent Homes target for stock retained under the management of Local Authorities. Unless local authorities are able to fund the achievement of the Decent Homes target out of their existing funding streams, they are obliged to either transfer their stock to an RSL, or else to set up an Arm's Length Management Organisation (ALMO), or a PFI scheme.

124. The Committee regrets the change of policy which has taken place since the commitment by the then Secretary of State, Stephen Byers, in 2001 that sufficient funding would be available to bring all social housing up to the Decent Homes standard regardless of whether tenants opted for the Local Authority to retain stock management in-house.¹¹⁴

125. The Government is in effect using the Decent Homes target as an indirect means to lever local authority housing stock out of direct local authority control, or even ownership. There is no indication that the Government is wavering in its pursuit of the separation of

¹¹³ ODPM: Quality and Choice: A Decent Home for All: The Housing Green Paper; April 2000; para. 3.2

¹¹⁴ Transport, Local Government and the Regions Select Committee, 2001-02, HC373-iv: *Departmental Estimates and Annual Report 2001 and Recent Policy Developments*: Q672, The Rt Hon Stephen Byers, MP.

strategic management and stock management. In its memorandum to this Committee, the ODPM reiterated the commitment to separating strategic housing management from stock management by declaring that:

“To make best use of those resources the Government makes available, it will only provide additional funding to councils that separate their landlord and strategic functions. This provides a strong incentive to better performance; ensures a sharper focus on the two distinct housing functions; and guarantees that tenants have a greater role in the future management of their homes.”¹¹⁵

126. However, the Committee heard evidence to suggest that there is no clear positive correlation between a separation of the two tasks and excellence in either strategic management or stock management. The Audit Commission indicated that the issue is not as straightforward as the Government would have us believe:

“there is no indication that the 90 authorities who had sold their stock were better at strategic work than the ones who had not.” [...] “I do not think there is any evidence to support the fact that splitting the roles guarantees better performance.”¹¹⁶

127. The Chartered Institute of Housing (CIH) came to much the same conclusion, arguing that there is no theoretical or practical reason why Local Authorities cannot handle both the strategic management of housing policy as well as managing a portfolio of social housing at ground level. The CIH said that, whilst authorities have not been good at handling both tasks in historical terms, with proper guidance there is nothing to stop them from doing both tasks well in the future.¹¹⁷

128. The Committee recommends that the Government revisit its dogmatic pursuit of the separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and Councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as well as the one preferred by tenants, may well be that the Local Authority retain full ownership and management responsibilities.

The funding models available to local authorities

129. The Government has made three funding models available to Local Authorities in pursuit of the Decent Homes target. The options are stock transfer, the creation of an Arm's Length Management Organisation (ALMO), and the creation of a PFI scheme (Private Finance Initiative). All Local Authorities are obliged to carry out a thorough options appraisal and have it checked and signed off by the Government Regional Office in their area no later than July 2005.¹¹⁸ Some Local Authorities may also have a fourth option available to them, namely the retention of their housing stock under Council management. However, this is only a realistic option for authorities who are able to achieve the Decent Homes target without any extra funding. It will only become clear how many Authorities

¹¹⁵ DEC01, para 7.1. Office of the Deputy Prime Minister (ODPM).

¹¹⁶ Q191 and Q192, Roy Irwin, Audit Commission.

¹¹⁷ Q38, Sarah Webb, Chartered Institute of Housing.

¹¹⁸ DEC01, para 7.3. Office of the Deputy Prime Minister (ODPM).

are able to pursue this option once all Local Authority options appraisals have been signed off by the ODPM.

Stock Transfer

130. The first option is for Councils to transfer their housing stock to a Registered Social Landlord (RSL), which may either be an existing RSL, or one set up specifically for the purpose of receiving the Council's stock. Some Councils have transferred all their stock to one RSL, for example Sunderland.¹¹⁹ Alternatively, a Council may choose to split up its stock by transferring chunks to different RSLs, possibly retaining some of the stock in Council ownership, a model pursued for example by Liverpool City Council.¹²⁰ A total of 147 councils have transferred all or part of their housing stock to RSLs, covering nearly 800,000 homes.¹²¹

131. Stock transfers are seen as having a number of advantages. Perhaps most importantly, RSLs are able to raise capital investment funds by borrowing against future rental streams, without affecting the Public Sector Borrowing Requirement (PSBR).¹²² This source of funding has ensured that the majority of Housing Associations can be relatively confident of achieving the 2010 target.¹²³ Such confidence is, however, subject to the restrictions imposed by rent restructuring as discussed in paragraphs 175-182 below.

132. The National Housing Federation highlighted a wide range of benefits from transfers, including the idea that Housing Associations can play a wider role in the community:

“Of the various mechanisms open to Local Authorities the stock transfer choice is [a] well-trying and effective method. Transfers have brought not only investment to achieve the Standard but improvements to homes above the Standard and other added value to communities. [...] Stock transfer has been a cost effective and efficient way to achieve not only the Decent Homes standard but through its significant regeneration impact to facilitate the achievement of a range of other PSA targets such as reducing worklessness, improving health and educational standards as well as reducing the fear of crime and overall community safety.”¹²⁴

133. The NAO Report evaluating the merits of Stock Transfer as a means of achieving improvements in social housing also found that transfer has a number of advantages in terms of stock management and tenant services. However, importantly, the NAO concluded that all in all, stock transfer has turned out to be more expensive than stock retention by local councils.¹²⁵ The ODPM acknowledges the extra cost of transfers, but nonetheless believes it to be a valuable and worthwhile policy.¹²⁶

¹¹⁹ DEC01, Annex B, Office of the Deputy Prime Minister (ODPM) ; DEC49, para 2.1. Sunderland Housing Group.

¹²⁰ DEC01, Annex B, Office of the Deputy Prime Minister (ODPM); DEC46, para 7, Liverpool City Council.

¹²¹ DEC01, para 8.7.

¹²² Borrowing by Local Authorities contributes to the PSBR, whereas borrowing by Registered Social Landlords does not.

¹²³ Q438, Jim Coulter, National Housing Federation.

¹²⁴ DEC21, paras. 7.1 – 7.3, The National Housing Federation.

¹²⁵ NAO: Improving Social Housing through Transfer; HC496. March 2003. Paras. 3.30 – 3.38.

¹²⁶ DEC01, para. 8.12, Office of the Deputy Prime Minister (ODPM).

Arm's Length Management Organisations

134. The second option available to Local Authorities since April 2001 is to create an Arm's Length Management Organisation (ALMO) and transfer the full management of the Council's housing to this organisation. Under this scheme, the Local Authority retains ownership of the stock. In recent years, ALMOs have come to be seen as the key alternative to stock transfer, but importantly, this option is only available to Councils which receive a two-star (or higher) rating in the Audit Commission's inspections of their housing management.¹²⁷ Once an ALMO is established, and has itself received a minimum of two stars on inspection by the Audit Commission, extra funding for achieving Decent Homes is potentially unlocked.¹²⁸ ALMOs have to bid for funding from a ring-fenced budget.

135. ALMOs receive significant extra investment funding as compared to Local Authorities who retain the full management of their stock. Conversely, ALMOs are unlikely to have access to the levels of funding which many RSLs can achieve, because like Local Authorities, ALMOs cannot borrow freely. In other words, there is no level playing field between different models, and this inequality is tiered over several levels.

136. One problem which arises for ALMOs is the fact that they are allowed to spend only a very limited proportion (up to 5%) of the public funding allocated to them on wider environmental investments such as, for example, communal areas.¹²⁹

137. Westminster City Council and its ALMO, CityWest Homes, painted a very positive picture of the benefits of creating an ALMO, not least in terms of tenant participation. They lent support to the Government's argument for the separation of stock management from strategic housing management and argued that although Westminster City Council had an excellent record in terms of tenant involvement in their housing management, creating an ALMO had led to further developments by empowering "residents to have a direct involvement in decision-making."¹³⁰ CityWest Homes they told the Committee that an ALMO:

"...is the most resident-friendly approach to managing housing, it allows residents to get involved right at the core of their properties in terms of looking at what we are going to deliver on their estates. We have area boards and they have made a tremendous difference to our decision-making process and residents have reacted very positively to that. It has allowed us to concentrate on the Decent Homes programme rather than being bothered about tenure issues, which I can see has slowed some authorities down. We were lucky, we were able to go into round one and have benefited now, and we are £20 million worth of ALMO investment already into the programme."¹³¹

138. A number of Local Authorities with high performance ratings have opted for an ALMO only because they were unable to achieve adequate investment funding with their

¹²⁷ DEC01, para 8.17, Office of the Deputy Prime Minister (ODPM).

¹²⁸ DEC01, Annex B, p 21. Office of the Deputy Prime Minister (ODPM).

¹²⁹ DEC01, para 8.20. Office of the Deputy Prime Minister (ODPM).

¹³⁰ DEC34, para. 3.2. Westminster City Council & CityWest Homes.

¹³¹ Q292, Nigel Brooke, CityWest Homes.

first choice – stock retention. Hammersmith and Fulham is an example of a three-star authority where both tenants and the Authority wished to retain stock management in-house,¹³² but where the lack of a level playing field for funding made this option unviable. Hammersmith and Fulham are now pursuing their second preference, the ALMO route. However, the Hammersmith and Fulham Housing Commission told the Committee that:

“If the money had been made available to the council within the existing structure and the effort that had gone into the options appraisal and setting up the ALMO had instead gone into setting up the programme it [Decent Homes] could have been delivered much more quickly.”¹³³

139. In the Committee’s view, Arm’s Length Management Organisations are not without virtues, but for well-performing Local Authorities where both tenants and the Council have a preference for stock retention, ALMOs are an entirely unnecessary diversion of time and resources with the sole aim of unlocking Government funding. There is no reason why the advantages often cited in relation to ALMOs, i.e. increased tenant participation and satisfaction could not be achieved through in-house stock management. **We have not heard evidence that creating an ALMO per se enhances the achievement of Decent Homes, or indeed of tenant satisfaction. The option of creating an ALMO should continue to be available to Local Authorities, but there should be no financial incentive for Councils to do so.**

Private Finance Initiative - PFI

140. The third, and least utilized, funding option available to Local Authorities is the creation of PFI schemes. Under such schemes, the Local Authority retains ownership of the stock, but a long-term contract, usually of 25-30 years, is awarded to a contractor who becomes responsible for repairs and other investments as well as the management of the stock throughout the contract period. The Government contributes with extra funding in the form of PFI credits, and the contractor also raises money privately. However, PFI is generally not considered to be a ‘whole stock option’, but rather a solution for individual estates.¹³⁴ The CEO of CityWest Homes commented on PFI:

“...in terms of limitations revolving round having to hand over the management of stock to a third party, it is almost like a stock transfer in terms of there is a 25 to 30 year arrangement quite often. As an ALMO we would welcome the ability to go into individual [PFIs] for components of our stock, for instance lifts, communal heating systems where we can go into a 25 to 30 year arrangement but not necessarily have to hand over the management of the stock to a third party.”¹³⁵

The ODPM told the Committee that they see PFI as making a significant contribution in terms of achieving Decent Homes.¹³⁶ However, the figures would suggest that this is some

¹³² Q280, Steve Hilditch, Hammersmith & Fulham Housing Commission.

¹³³ Q289, Steve Hilditch, Hammersmith & Fulham Housing Commission.

¹³⁴ Q287, Steve Hilditch, Hammersmith & Fulham Housing Commission.

¹³⁵ Q287, Nigel Brooke, CityWest Homes.

¹³⁶ Q153, Neil McDonald, ODPM.

way off, given that only a grand total of 18 Local Authority PFI schemes encompassing approximately 25,000 homes have so far been approved.¹³⁷

141. In the Committee’s view, PFI schemes are not well suited as a key instrument for achieving Decent Homes. The schemes are highly complex, and unsuitable as whole-stock options. Furthermore, they do not guarantee increasing levels of tenant participation and choice, one of the key aims of the Government.

Local Authority retention of housing stock

142. If a Local Authority can demonstrate that it is able to invest sufficiently to achieve the Decent Homes Standard across their stock without any extra funding, they may choose to retain and manage all their stock themselves. Few authorities have been in a position to do so, but some of those that have, such as the City of York, have pointed to the complete lack of provision by the ODPM for this route:

“There is a lack of recognition and support for Authorities which have been through the process and have opted to keep the housing stock in house. The numbers of Authorities that are in a position to do this may be small but currently there seems to be no recognition from Government that this is even an option. The Decent Homes target has given Local Authorities an urgency to access increasing levels of investment but it is this need for investment that is driving the agenda on whether Local Authorities retain their housing stocks and not the over all quality of the service delivered to tenants and the wider community.”¹³⁸

143. The ODPM’s resistance to direct Local Authority management of stock would appear to be rooted primarily in the conviction that the strategic and stock management roles are best separated, and that stock management is best performed by dedicated organisations independent from Local Authorities.

144. It is fair to say that some Local Authorities have not managed their stock well in the past, and that it may be necessary to consider alternative options for Councils which consistently perform poorly in terms of stock management. On the other hand, some of our witnesses, for example Unison, argued that Local Authority retention of housing stock represents the fastest, most efficient and most cost-effective way of achieving the Decent Homes standard.¹³⁹

145. The Audit Commission which has been inspecting Local Authority Housing Management since 2000 told the Committee that:

“Our observation about their performance, in the context of landlords to start with, has been disappointing. Their performance as landlords has been not particularly strong on repairs and maintenance but has given value for money on procurement

¹³⁷ Q154, Neil McDonald, ODPM.

¹³⁸ DEC25, p2, City Of York Council

¹³⁹ DEC03, para. 3.4, Unison; See also evidence provided by Hammersmith & Fulham Housing Commission, and Defend Council Housing.

issues, and they have not been making the right kind of strategic decisions around how to invest in their own stock.”¹⁴⁰

146. However, the Audit Commission also indicated to us that there are improvements in the quality of housing management by Authorities that have retained their stock, albeit the picture is not yet universally positive:

“The first results from looking at Decent Homes where authorities have not transferred stock have been quite positive. The reparations the district councils have been making, having learned from watching how other authorities have or have not done their jobs properly, have been quite encouraging. The number of authorities who are getting positive scores out of CPA for their housing work for districts is actually higher than I would have anticipated. That is a good sign. We are actually witnessing some learning across local governments about how to do things better, which is really what is important.”¹⁴¹

147. Furthermore, the Audit Commission noted that an encouraging mentality shift is taking place whereby housing organisations, be they Local Authority managed or ALMOs:

“...actually now recognise their housing responsibilities and performance as really important. I think that is a significant shift.”¹⁴²

148. A great deal of evidence received by the Committee from tenants and Local Authorities alike indicated that funding mechanisms are needed which would make stock retention and direct Council management a viable and realistic option in cases where both tenants and the Council prefer this route. Such funding mechanisms could take two forms, either an extension of the ability of Local Authorities to borrow against future rental streams, and additional Government funding for investment.

149. The limited prudential borrowing regime which has just come into force as a result of the Local Government Act 2003 does not give local authorities the same freedoms to borrow as Registered Social Landlords. The ODPM described the change thus:

“The prudential system will apply to all authorities, releasing them from the need to get Government approval to borrow. It is expected to give authorities greater flexibility to manage their financial affairs to make best use of resources. It will not, on its own, allow them to borrow significantly more as it will not provide authorities with any more resources to service additional debt.”¹⁴³

150. Therefore, in practice, the ability to raise capital funding through borrowing is still severely restricted for Local Authorities. However, judging from comments made to this Committee by Mr Irwin of the Audit Commission, the Government is considering whether to grant local authorities and ALMOs some further rights to borrow. The following exchange took place during our inquiry:

¹⁴⁰ Q183, Roy Irwin, Audit Commission.

¹⁴¹ Q183, Roy Irwin, Audit Commission.

¹⁴² Q183, Roy Irwin, Audit Commission.

¹⁴³ DEC01(c), Office of the Deputy Prime Minister (ODPM).

Mr Betts: “Is the Audit Commission looking at whether there should be a relaxation, for local authorities and ALMOs to borrow against their rental stream?”

Mr Irwin: We are looking at that. We understand that ODPM and the Treasury are looking at that and it may well be an issue that is picked up in the comprehensive spending review 2004.”¹⁴⁴

151. UNISON proposed that direct investment in Local Authority housing stock should be made possible by the government granting an ‘investment allowance’ to local authorities.¹⁴⁵ This idea first appeared as a ‘proposal for radical change’ in the ODPM’s August 2002 consultation paper – *A Way Forward for Housing Capital Finance*, which explained that an investment allowance would be an additional revenue stream through the Housing Revenue Account (HRA). The allowance would create “‘headroom’ within the HRA, enabling Local Authorities to take advantage of the new prudential borrowing regime.”¹⁴⁶ The ODPM has not made clear why this proposal was rejected in the subsequent reform of local authority housing finance.

152. The prudential borrowing rights introduced through the Local Government Act are not sufficient to create a level playing field. The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to their stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities.

153. Apart from enabling Local Authorities to borrow on an equal footing with Registered Social Landlords (RSLs), it would clearly be fair for Local Authorities to receive the same levels of Government investment grants as those available to ALMOs or PFI schemes.

154. The Committee agrees with those stakeholders who argue that Local Authorities hold the potential to manage housing stock just as effectively as RSLs, ALMOs or PFI schemes. Consequently, Government financial support available for investment in Decent Homes under those schemes should be available on an equal footing to Local Authorities managing their own stock.

The tension between tenant choice and Government funding options

155. According to the PSA Plus Review, tenant involvement in decision-making is key.¹⁴⁷ Local Authorities are obliged to fully engage tenants in the options appraisal process, and the conclusions must be supported by tenants.¹⁴⁸ However, the Chartered Institute of Housing argued that there is an inherent tension in having to:

“...balance the requirement for a local authority to bring all its homes up to a decent standard with the aspiration to empower tenants to make a choice about what option

¹⁴⁴ Q206, Roy Irwin, Audit Commission.

¹⁴⁵ DEC03, section 3.3, Unison.

¹⁴⁶ ODPM A way forward for housing capital finance, paragraph 32 (ii)

¹⁴⁷ ODPM: Review of the Decent Homes Target for Social Housing (PSA Plus Review); March 2003; p23.

¹⁴⁸ DEC01, para 7.3. Office of the Deputy Prime Minister (ODPM).

they want. There are local authorities out there who have gone through very rigorous option appraisal exercises, who have had tenants, juries and symposiums and all sorts of good practice mechanisms, but the tenants have concluded at the end of the day that they want option A and that has not been deliverable for the local authority. An example would be a three star authority who cannot meet the Decent Homes Standard through its existing resources but whose tenants want to retain the stock themselves or a local authority whose tenants choose the ALMO route but who do not have enough stars to make that a realistic option. On the one hand you have asked tenants and on the other hand you have said “I’m sorry, we can’t deliver the one you chose”.¹⁴⁹

156. This argument is illustrated by several high-profile cases where tenant ballots have left Local Authorities in catch-22 situations where the only financially viable routes for achieving the Decent Homes Standard have been rejected by tenants. Birmingham City Council is one such example. Birmingham City Council was far from being able to fund the investment required to achieve the Decent Homes standard out of its existing funds, it did not qualify for the ALMO option due to poor performance, and PFI was unfeasible for the levels of repairs required and the quantities of stock in question. In other words, stock transfer to a Registered Social Landlord (RSL) was the only game in town. In September 2003, *Housing Today* summarised the situation in gloomy terms:

“In April 2002, the city's 86,000 council tenants overwhelmingly rejected the department's plans for stock transfer – a clear vote of no confidence. In December last year, a comprehensive performance assessment rated the housing service as one out of four. Earlier this month, an internal report conceded that subsequent targets on repairs, lettings and neighbourhood maintenance were unlikely to be achieved this year.”¹⁵⁰

157. Birmingham City Council was effectively left with no available route to achieving the Decent Homes Standard by the target date of 2010, and now two years down the line, a complete solution still remains to be found.

158. More recently, the London Borough of Camden has ended up in a similar position. The housing management of the Borough of Camden was given a three star rating by the Audit Commission,¹⁵¹ so unlike Birmingham, Camden had the option of setting up an Arm’s Length Management Organisation (ALMO) to manage its housing stock, as well as the PFI and stock transfer options.

159. Following their options appraisal, it was concluded that the Authority would be unable to fund the necessary investment for achieving the Decent Homes target out of existing funding streams, and it was decided that an ALMO represented the best option for the Authority. However, following a lengthy process of bidding for ALMO funding, and subsequently of balloting tenants, in January of this year, a majority of tenants rejected the ALMO option. Camden has subsequently balloted tenants on one single estate on a

¹⁴⁹ Q33, Sarah Webb, Chartered Institute of Housing.

¹⁵⁰ *Housing Today*, 26 September 2003 : ‘Birmingham on the Brink’

¹⁵¹ DEC65(a), p1, Camden Council.

proposed PFI scheme, but this proposal was also rejected by a majority of voting tenants.¹⁵² Camden summarised the situation thus in evidence to the Committee:

“None of the other options are viable for Camden and as things stand resources will not only fall way short of Decent Homes they will result in a declining investment programme.”¹⁵³

160. The Committee has been deeply concerned to learn of the catch-22 position in which some local authorities now find themselves. The Committee recommends that, as a matter of urgency, the Government provide constructive alternative options for Local Authorities in this situation.

161. Following the Camden vote, Cllr Jane Roberts wrote in the Guardian that:

“While the government believes strongly in the importance of "choice" in public services, its strategy for council housing is so prescriptive that a highly performing housing service, such as Camden's, cannot access much-needed resources for repair and improvement work without acting against the wishes of the majority of its tenants.”¹⁵⁴

162. The London Tenants Federation, supported by 16 borough-wide tenant and leaseholder organisations in London – representing tenants and leaseholders of more than half of London’s boroughs that still have council stock - pleaded in an open letter to the Deputy Prime Minister that:

“...housing management structures should be the outcome of decisions made by tenants and their local authorities about what works best. For some this may be Arm’s Length Management. However our view is that such decisions should be prompted neither by financial need nor the existence of preferential funding arrangements. Whatever structures are chosen, tenants must all be treated with equality. Funding arrangements should therefore be the same for all.”¹⁵⁵

163. The Committee fully supports the Government’s commitment to tenant choice and involvement in determining how Local Authority housing should be owned and managed. However, the commitment to tenant choice is a charade unless Local Authorities are able to act in accordance with the wishes of their tenants. We recommend that the Government take immediate steps to ensure that where a majority of tenants wish for their homes to remain under Council management, they are not penalised when it comes to access to funding for investment in Decent Homes or any other policy initiatives.

164. Some of our witnesses argued that stock transfer (and in some cases ALMOs) provide a better framework for tenant involvement than Local Authority management. Indeed, the Atlantic Housing group maintained that stock transfer Registered Social Landlords (RSLs)

¹⁵² Public Finance, 19-25 March 2004, p13.

¹⁵³ DEC65, para 12, Camden Council.

¹⁵⁴ The Guardian, January 19th 2004

¹⁵⁵ DEC52, p3.

represent the most successful method for achieving set standards for accommodation *because* of the way in which they involve tenants:

“the very strong tenant presence that there is in LSVT's [Large Scale Voluntary Transfers], on the board, within formal consultative structures and increasingly as part of more sophisticated consultation and participation arrangements means that the primary focus of the LSVT, i.e. the achievement of a significant improvement in living conditions over a short period is never lost.”¹⁵⁶

165. Furthermore, the Government and some other witnesses maintained that tenants in Local Authorities where stock transfers and ALMOs have been carried out tend to be more satisfied with the housing service they receive than they were before the change of management (and, in the case of transfer, ownership). The Minister for Housing, Keith Hill, told the Committee that:

“We believe that the evidence clearly suggests that the PFI transfer or ALMO routes deliver a better service to tenants, they engage tenants in a way that conventional housing management does not engage tenants. We think that there are other advantages to hard-pressed local housing authorities as well.”¹⁵⁷

166. However, with regard to tenant satisfaction pre- and post-transfer, it is worth bearing in mind that tenants who have gone through a transfer or ALMO process are, in a sense, a self-selected group drawn from populations of tenants where the majority voted in favour of the change of management. In other words, it is quite probable that post-transfer satisfaction is associated with pre-transfer preferences for the transfer to go ahead. Furthermore, it is also likely that the availability of extra investment funding in itself leads to increasing levels of tenant satisfaction, and hence such increases may not be related to changes in the form of *management*. **The Committee is not convinced that ALMOs and stock transfer RSLs necessarily lead to better tenant participation and satisfaction. There is no reason to suggest that the same results and management innovations could not be achieved under Council management, given equal resources. The Hammersmith and Fulham Housing Commission is an example of Local Authority innovation and best practice development in this area.**

A level playing field?

167. As suggested by the analysis so far, there are a number of ways in which the playing field is anything other than level when it comes to the management and funding mechanisms of Local Authority housing stock.

168. First and most crucial is the differential in the funding available for investment in Decent Homes under the four different ownership and management options which are, at least theoretically, available to Local Authorities. Authorities who choose to retain and manage their stock themselves will have to demonstrate their ability to comply with the Decent Homes target without any extra funding. Arm's Length Management Organisations (ALMOs) with a minimum of two stars are in a better position than Local

¹⁵⁶ DEC53, p3-4.

¹⁵⁷ Q525, The Rt Hon Keith Hill MP, Minister of State for Housing.

Authorities who manage their own stock, since the creation of an ALMO triggers extra Government funding (provided sufficient stars are achieved on inspection). However, the ALMO funding position is nonetheless considerably less advantageous than that enjoyed by stock transfer companies, which are able to take out extensive loans against future rental income. Neither ALMOs nor local authorities are able to borrow in this manner. ODPM officials confirmed to the Committee that there is a general tendency for greater levels of funding being unlocked through transfer as compared to the creation of an ALMO.¹⁵⁸ The fourth option available to local authorities, PFI, is used relatively rarely, and it is not normally considered to be a ‘whole-stock’ option for local authorities.

169. The Committee believes that there should be a level playing field between local authorities with retained stock, ALMOs, and stock transfer companies in terms of the mechanisms and volumes of funding available to them. The current situation unfairly steers tenants towards the stock transfer option because the funding available is unlimited whereas the funding potentially released under the ALMO scheme is finite, and funding for Local Authority managed stock is even more restricted.

170. The second dimension of inequality arises when comparing ALMOs and stock transfer Registered Social Landlords (RSLs). RSLs are able to determine themselves what proportion of the available funding to invest in Decent Homes, and what proportion to invest in the sustainability of the general community and wider environmental aspects of the stock. ALMOs, on the other hand, are only allowed to spend a maximum of 5% of their funding allocations for ‘other purposes’ such as improvements to the general environment.¹⁵⁹

171. We noted earlier in this report, that it is crucial to invest in the sustainability of communities, including communal areas and the general fabric of estates. We concluded that investment in Decent Homes and in the sustainability of communities needs to be integrated, and that one without the other is unlikely to provide an environment where people are happy to live.¹⁶⁰

172. We recommend that a level playing field between the different ownership and management options should encompass not only funding mechanisms directly related to the Decent Homes target, but also funding for wider investment purposes. Based on local circumstances, managers and tenants should themselves be able to determine how to balance investment in Decent Homes, as currently defined, with investment in making the community sustainable and decent.

173. A third area where the playing field is uneven is in the degree and explicitness of tenant approval that is required for Councils to pursue alternative management options. Before giving the go-ahead for a stock transfer, the ODPM has to be satisfied that a majority of tenants are not opposed to a transfer – though there is no requirement for an absolute majority of tenants having to be in favour of it. There is no requirement for Local Authorities to hold a ballot, but in practice, this has become the norm as a means of assessing tenant opinion. If a Local Authority is proposing to go down the ALMO or PFI

¹⁵⁸ Q159, Neil Mc Donald, ODPM.

¹⁵⁹ Q159, Neil Mc Donald, ODPM.

¹⁶⁰ See paragraphs 79 to 91 above.

route, they are required demonstrate that they have consulted their tenants and involved them in the decision-making process. However, the requirement of tenant consent is less stringent than for the stock transfer option,¹⁶¹ albeit some Local Authorities still choose to hold ballots.

174. We believe the requirement for tenant consultation and approval should be identical regardless of whether a Local Authority intends to go down a PFI, ALMO, or stock transfer route.

Registered Social Landlords

The effect of rent restructuring

175. Several Registered Social Landlords (RSLs), pointed to problems inherent in the policy of rent restructuring. According to the ODPM, the objective of rent restructuring is:

“for social rent[s] in England that are fair, affordable and less confusing for tenants. [...] The changes that are being made are designed to keep rent[s] in the social sector well below those in the private sector”.

176. The method used to achieve this objective is

“via a common formula for both local authority (LA) and RSL rent. Councils and RSLs are expected to move their rent as far as possible towards this 'formula rent' over 10 years from April 2002.”¹⁶²

177. The problems which our witnesses identified in relation to rent restructuring broadly come into three categories. Firstly, there are cases where early transfer companies were created on the basis of business plans with projected rent increases considerably higher than what rent-restructuring now permits. A second problem arises from the fact that the inflation of building costs far outstrips the rate at which members are able to increase their rents, and so the real-term amount available from rental income for investment purposes effectively decreases year-on-year. The third type of problem arises in areas of low demand where rent restructuring allows for no rent increase at all, and where market failure prevents RSLs from raising extra funding through disposal of superfluous stock.¹⁶³

178. Both Riverside Housing Group and Bethnal Green and Victoria Housing Association alerted the Committee to the concern that rent restructuring could place a severe restriction on the ability of some Housing Associations to fund sufficient investment in Decent Homes. Bethnal Green and Victoria Housing Association explained:

“Rent restructuring is good policy in principle; I have no problem with it at all. It obviously makes sense that the same rent or similar rent is charged by social landlords, to give them such a generic term, for the same property in the same area. That is obviously sensible. In the capping of rent increases, that is where I am

¹⁶¹ Q33, Sarah Webb, Chartered Institute of Housing.

¹⁶² ODPM: A Guide to Social Rent reforms in the Local Authority Sector: Chapter 2: Introduction. http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_609061-01.hcsp#P64_2520

¹⁶³ Q471, Danny Friedman, National Housing Federation

worried, because our two major expenses are salaries and maintenance and we all know how important maintenance is – that is why we are here. Allowing for future rent increases, it is important that, in setting the formula, Government recognise that the rate of increase on our two main headings of expenditure is above RPI.”¹⁶⁴

179. Riverside Housing Association added that:

“...we have an additional problem in that our rents start at a relatively low level, they are as affordable in Merseyside and as low as anywhere in the country. So, the target rent is low, but then the increase has been constrained for six years running and, although that does help you to achieve productivity and efficiency savings, if it is applied every year for six years, at some point, the pips squeak and real cuts in services apply and we have had to take money out of our business plan over the next five years which we would have liked to spend on the Decent Homes Plus Standard – £7 million out last year – because we do not have the income coming in to fund that spending.”¹⁶⁵

180. Sunderland Housing Group highlighted another problem arising for some stock transfer Housing Associations where the whole transfer process is allowed the go-ahead only on the basis of a robust business plan. In Sunderland’s case, however, the parameters were suddenly changed after their transfer had been completed:

“..we have been with the last transfer under the RPI plus one regime for rents and that is incorporated in our business plan and, a year later, we are facing a future whereby we may have to re-programme our business plan to manage our rents on 0.5 per cent.”¹⁶⁶

181. The Committee is in favour of the general policy of rent restructuring, but acknowledges that it may be necessary to modify the way it is applied in certain circumstances. We accept evidence suggesting that in a range of cases, rent restructuring is eroding the ability of Registered Social Landlords to maintain levels of investment in stock, and therefore also hindering the achievement of the Decent Homes target, not to speak of the ‘Decent Homes Plus’ target which we are proposing.

182. We recommend that, whilst the Government should maintain the policy of rent restructuring, its effects should be reviewed to ensure that the levels of stock investment can be maintained across the social housing sector.

Dowry Funding

183. An issue which concerns specifically stock transfer Registered Social Landlords (RSLs) is the provision of so-called dowry funding. Previously, under the Estates Renewal Challenge Fund programme, grants were available from central government as ‘dowries’ to RSLs for taking on properties with a negative value. However, this scheme has been discontinued without a specific replacement.

¹⁶⁴ Q320 – see also DEC42, para 4.

¹⁶⁵ Q321, Deborah Shackleton, Riverside Housing Group.

¹⁶⁶ Q359, Andrew Taylor, Sunderland Housing Group.

184. The resulting situation impacts not only on transfer RSLs, but also on Local Authorities who may find it more difficult to find RSLs willing to take on very poor stock. The Chartered Institute of Housing (CIH) warned that

“...there is a real problem in that the Government has made it easier for local authorities to parcel up their stock and do partial transfers and partial ALMOs which we are supportive of, but if you do not solve the problem of how local authorities tackle their worst stock with a negative value I think there is a fear that they will be put in a position where they will have to sell the best stock, the one that they can get a receipt for and keep the worst stock, which is not necessarily a sensible outcome.”¹⁶⁷

185. However, whilst Dr Perry from the Housing Corporation told the Committee that he had:

“...always thought that the Estates Renewal Challenge Fund was a very good instrument. We were sorry when it was wound up. If any government were to decide to bring it back, it would be a very good idea.”¹⁶⁸

ODPM officials were not willing to make any specific commitment to a centrally determined and Government funded dowry scheme.¹⁶⁹

186. The ODPM submission to this inquiry acknowledged that "dowry funding" will be necessary in the event of the forecast receipt from rental income over the following 30 years being less than the cost of improving and maintaining the dwellings over the same period. Potential sources, according to the ODPM, include the Local Authority, the new landlord, the Regional Housing Board or some other source such as, in certain cases, the New Deal for the Community.¹⁷⁰

187. The Committee is concerned that the absence of a scheme to replace the Estates Renewal Challenge Fund programme will result in Local Authorities being unable to transfer their worst stock, having transferred the remainder to RSLs. In that scenario, Local Authorities could end up owning and managing the stock most in need of large amounts of investment, but with no resources to invest in it at all. We therefore recommend that the Government replace the Estates Renewal Challenge Fund with a similar system of dowry funding.

Demolition and sale as a means to achieve the target

188. The Committee is conscious that social homes in some instances get demolished or disposed of on the private market as part of a policy to eliminate non-decent homes.

189. As acknowledged by Sunderland Housing Group when giving evidence, many transfer RSLs (Registered Social Landlords) are now demolishing properties.¹⁷¹ In many

¹⁶⁷ Q44, Sarah Webb, Chartered Institute of Housing.

¹⁶⁸ Q198, Dr Norman Perry, Housing Corporation.

¹⁶⁹ See questions 146-148, Neil McDonald, ODPM.

¹⁷⁰ DEC01, para 8.16, Office of the Deputy Prime Minister (ODPM).

¹⁷¹ Q374, John Craggs, Sunderland Housing Group.

cases, this happens entirely legitimately as part of a Pathfinder programme in areas of low demand, an example of which is Liverpool:

“Liverpool is included within the Merseyside HMRI pathfinder. There are more than 76,000 properties included within the Liverpool boundary and 85% of the properties are in private or RSL ownership. The HMRI programme, over a 15 year period, is intended to restructure what is currently an unbalanced housing market. This will require clearance of approximately 15,000 dwellings during the period to tackle the low demand, obsolete and unsustainable stock. It should be recognised therefore that the decency standards should only apply to sustainable stock across all tenures.”¹⁷²

190. The Sunderland Housing Group is an example of an RSL which is proposing to demolish 6,000 homes that it has deemed to be unsustainable. The Group Strategic Executive, Mr Craggs told the Committee that:

“It is a massive issue for us because although we have got the money, we have only got it once and so we cannot afford to waste it. We have used the neighbourhood assessment matrix tool to look at issues of sustainability. It looks at the private sector, it looks at crime, it looks at education, it looks at all of those peripheral issues which are so important. Our 144 estates have been ranked from top to bottom and we look at demand and Right to Buy levels and we have concluded that to pour money into certain estates ain’t going to work. There are legacies of local authorities all over the country who have done that.”¹⁷³

191. The Committee fully recognises that there are circumstances where demolition of social housing stock is the best available option. However, the Committee is concerned that some social housing providers may see the demolition, or in high-value areas such as London, the sale of properties as the easiest and most cost-effective way of achieving the Decent Homes standard. We recommend that the Government puts guidelines in place preventing the social housing stock from being unnecessarily eroded through sale or demolition.

¹⁷² DEC46, para 21. Liverpool City Council.

¹⁷³ Q363, John Craggs, Sunderland Housing Group.

5 The private sector

The applicability of the target in the private sector

192. The scope of the decent Homes target in the private sector differs from the social sector in two crucial ways. In the private sector, the Decent Homes target applies *only* to dwellings occupied by vulnerable households, be they rented or owner-occupied. A household is defined as vulnerable if its members are in receipt of certain means tested or disability related benefits or tax credits.¹⁷⁴ A second key difference from the social sector is the fact that the Decent Homes target in the private sector is set at only 70% compliance by 2010,¹⁷⁵ as opposed to 100% in the public sector.

193. The reasoning for limiting the scope of the Decent Homes target in the private sector appears to be a pragmatic evaluation of the scale of the problem, the cost of rectifying it, as well as the view that fundamentally, owners of private property are themselves responsible for its maintenance. When questioned on this issue, ODPM officials told us that:

“The level of non decent homes in the private sector is very large. A total of five million homes are non decent in the private sector. We are focusing on a narrow target of the one million most vulnerable households. Over time we want to make progress, but we think that vulnerable households will change and they might appear in non decent homes. It will only be possible to get to 100 per cent decent homes if we deal with the whole five million non decent homes in the private sector. That is an enormous target and we have to be realistic about the progress we can make because of the cost of this.”¹⁷⁶

194. In other words, the large number of non-Decent homes in the private sector and the cost associated with bringing all of them up to the Decent Homes standard dictates the need to limit the target so as to concentrate only on vulnerable households. The focus on vulnerable households in turn necessitates a target of less than 100% compliance because the population of vulnerable households constantly changes, and people move in and out of non-Decent homes.

195. The number of non-Decent Homes in the private sector stood at nearly 5.2 million dwellings in the 2001 English House Condition Survey. Of these, 1.16 million were occupied by vulnerable households. Figure 5 below shows the proportions of vulnerable and non-vulnerable households in the social and private sectors who lived in homes failing on the four Decent Homes criteria in 2001. With an overall failure rate of 49%, the privately rented sector has the worst record of any tenure. The figure illustrates how vulnerable households in private accommodation (rented *or* owner-occupied) are far more likely to live in non-decent homes than *any* type of household in the social sector or non-vulnerable households in privately owned accommodation. Privately rented dwellings occupied by vulnerable households are far more likely to fail the standard on both fitness, disrepair, and thermal comfort than other tenures. The levels of failure on the four Decent

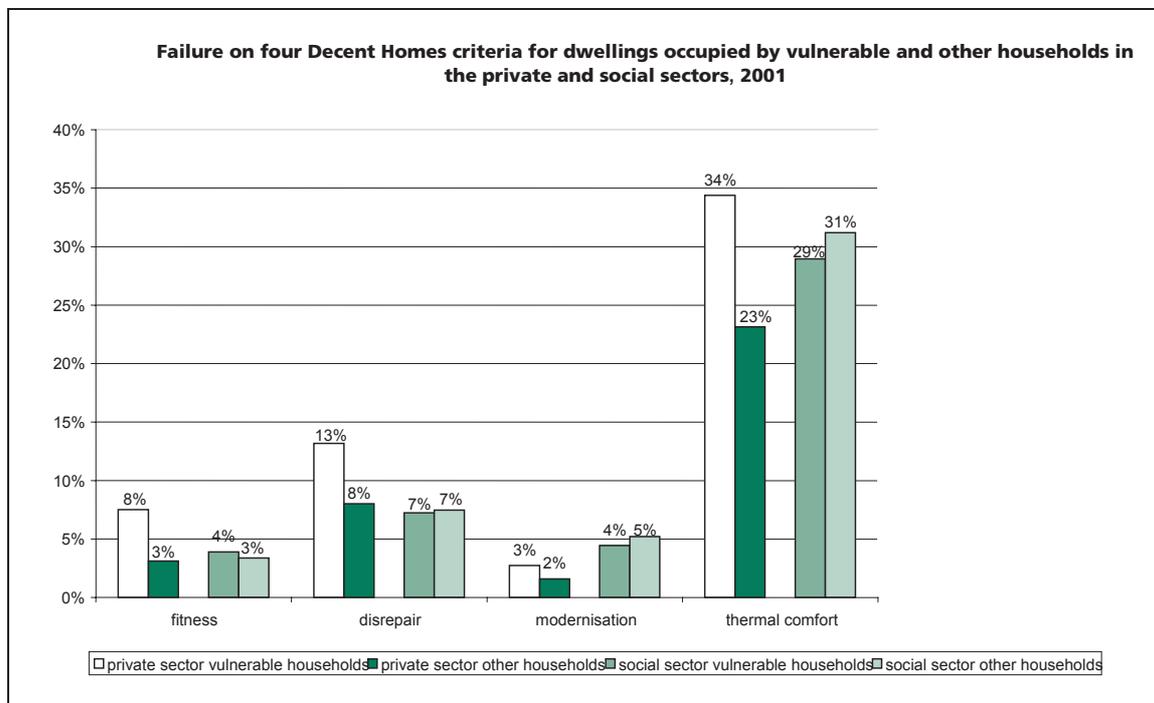
¹⁷⁴ DEC01, para. 2.7, Office of the Deputy Prime Minister (ODPM).

¹⁷⁵ I.e. 70% of dwellings occupied by vulnerable households.

¹⁷⁶ Q118, Jeff Hollingworth, ODPM.

Homes criteria is not fundamentally different for the owner occupied sector than it is for registered Social Landlords, with Local Authority stock being somewhat worse.

Figure 5: Vulnerable and other households living in non-Decent Homes



SOURCE: *The English House Condition Survey 2001, Table A4.28*

196. Many of our witnesses were opposed to the limitation of the target to cover only vulnerable households in the private sector, albeit on a number of different grounds. One reason for opposing the limited applicability of the target in the private sector arises from the notion that every tenant should have a statutory *right* to a Decent Home. Mel Cairns, an independent Environmental Health Consultant and Chairman of the Health & Housing argued that:

“tenants themselves should be provided with a right to decent conditions in their rented property. [...] As long ago as 1996 The Law Commission recommended that this implied term ‘fitness at the time of letting’ should be re-enacted. Many in this field would support that proposition. This would give force to much of that the DHS seeks to achieve by putting a duty on landlords which can be legally enforceable. Since this implied term would apply to all tenancies it would therefore also result in making improvements in the private sector stock.”¹⁷⁷

197. The Committee believes that every household has a right to a Decent Home. The Government should set a longer term target for bringing all homes up to the Decent Homes standard, say by 2015. The Government should consider carefully how to provide both funding incentives and statutory enforcement vehicles in order to achieve such a target in the private sector.

¹⁷⁷ DEC56, para 2.08. Mr M Cairns.

198. Other witnesses questioned the operational efficacy of having to establish where vulnerable families live. Crawley Borough Council questioned how it would be possible for local authorities to “achieve an adequate sample” for assessing the level of compliance with the target in the private sector, given that properties will move in and out of the target group, and that households may also move in and out of the ‘vulnerable’ category. For reasons of data protection, Local Authorities are unable to cross-reference data about individual households with data on individual dwellings. Consequently, it cannot be established accurately which households come under the target, and which do not. As Crawley Borough Council puts it, it is doubtful how a “meaningful link can be made between the number of non-decent dwellings and the number of vulnerable households.”¹⁷⁸ The Chartered Institute of Environmental Health (CIEH) makes a similar point, arguing that because stock-condition surveys are anonymous, Councils may have to engage in a resource intensive processes in order to match vulnerable households with properties.¹⁷⁹

199. The Committee sees little sense in limiting the target only to a proportion of dwellings inhabited by vulnerable households. Making such distinctions is likely to waste resources in monitoring, and also to render monitoring and enforcement inaccurate and ineffective. Instead, the Decent Homes target should be applied to all dwellings in the private sector as well as the social sector.

200. Some Local Authorities and Registered Social Landlords (RSLs) also felt strongly that the Decent Homes standard should apply to *all* dwellings, be they owner-occupied or privately let, because of the negative impact on neighbourhoods of clusters of non-decent privately owned dwellings. Their point is that such clusters can hamper the efforts of RSLs and Local Authorities to regenerate neighbourhoods and estates. Riverside Housing Group, for example, argued in their memorandum that:

“there is absolutely no reason why the decency standard should not also apply to private rented dwellings and owner occupiers in the same neighbourhoods where we work and our tenants have their homes. [...] the volume of poor standard homes owned by others in the areas where we work significantly affects our ability to manage our own stock.”¹⁸⁰

The private rented sector

201. In the private rented sector, applying the target only to vulnerable households may lead to a reluctance among private landlords to let to vulnerable households. As Crawley Borough Council wrote to us:

“An obvious way to reduce the number of vulnerable people in non-decent homes would be to encourage them to move and a non-vulnerable household to occupy in their place. [...] landlords may become reluctant to let to “vulnerable” households if this attracts even informal action from the local authority. This would be a worrying

¹⁷⁸ DEC10 para. 7, Crawley Borough Council.

¹⁷⁹ DEC37, para. 13, Chartered Institute of Environmental Health.

¹⁸⁰ DEC57, paras 2.2 and 3.1, Riverside Group.

situation as it could lead to marginalised households being further excluded from the housing market.”¹⁸¹

202. Consequently, we consider that the limitation of the target to vulnerable households is likely to disadvantage such families even further, especially in areas of high demand.

The owner-occupied sector

203. In the owner-occupied sector, properties often end up falling below the Decent Homes standard because owners are cash poor, even if equity-rich. Elderly owner-occupiers in particular, often come into this category. The Chartered Institute of Environmental Health explained that the only way in which this group:

“can be encouraged to make the necessary improvements to update their bathroom facilities would be by incentives through different forms of grants. The Regulatory Reform Order that came out recently had given local authorities far more flexibility in offering financial assistance, but the problem is that in many local authority areas that assistance is not being given, the local authorities are exercising their prerogative to decide on where the money should be spent and that is an entirely reasonable concept, but with the scarcity of resources money is not being made available in the private sector in many cases and if equity release is to work then it has to be used in such a way that there are directives for people to improve the aspects of their properties that need improving.”

204. This problem is clearly particularly acute in areas of low demand where the low values of properties may make it impossible for the owner to get a mortgage on the property

205. The Government should ensure that equity release mechanisms and / or financial assistance be made available to owner-occupiers whose homes do not meet the Decent Homes standard, helping them to finance the undertaking of vital repairs and improvements in order to bring their home up to the Decent Homes standard. Financial assistance and advice should be targeted particularly at areas where low property values make it difficult or impossible for owners to take out a mortgage in order to make repairs.

Enforcement

206. The Committee received many representations to the effect that much better means of enforcement are required if the Decent Homes target is going to have any real meaning in the privately rented sector. The Chartered Institute of Environmental Health (CIEH) explained to us that in the private sector, only *one* of the four criteria making up the Decent Homes standard, namely the fitness standard, later to be the HHSRS, can actually be enforced:

“there is no enforcement mechanism for achieving the decent homes standard at the level of the individual dwelling – the minimum housing standard is one of four

¹⁸¹ DEC10, paras. 6 & 11, Crawley Borough Council.

components of the standard. For the standard to be attained, there should be a mechanism for requiring the achievement of the other elements, such as a compulsory improvement notice.”¹⁸²

Crawley Borough Council reinforced this point:

“the Decent Homes standard is not a statutory standard and is not enforceable in the same way that the current fitness standard is. Where finance is not forthcoming, or an owner occupier or landlord sees no reason to modernise adequate fittings which fail decent homes standards, there is little a local authority can do to change the situation.”¹⁸³

207. The Committee recommends that Local Authorities be granted powers of enforcement vis-à-vis private landlords, as well as funding sufficient to carry out such enforcement.

208. Another crucial point in relation to enforcement was made by Mel Cairns who argued that the most effective way of achieving the Decent Homes standard in the privately rented sector would be to introduce a statutory right for tenants to a Decent Home, giving tenants the possibility of pursuing failing landlords in court. Quite apart from the equity of the notion that tenants should have a statutory right to a Decent Home, an added advantage of this option is that it would not imply the provision of public subsidy for private sector housing, and it would also avoid the situation where Local Authorities bear the sole burden of enforcement in the privately rented sector.¹⁸⁴

209. Mel Cairns drew our attention to a very similar argument which was made by the Law Commission in its 1996 report “Landlord and Tenant: Responsibility for State and Condition of Property”, where it was argued that the enforcement regime for the fitness standard (currently one component of the Decent Homes Standard) should be altered so as to provide a civil law as well as the existing public law obligation on landlords to maintain rented properties in a state fit for human habitation. In other words, the Commission believed that the current public law provision whereby enforcement powers against landlords failing on the fitness criterion rest with Local Authorities is inadequate. The Commission stated that:

“The premise on which our proposals for reform rest is that tenants of residential properties held under short term leases¹⁸⁵ should have civil remedies against their landlords if those properties are not fit for human habitation.”¹⁸⁶

The Law Commission explained that the anomalies in the current legal framework would not be a cause for concern:

¹⁸² DEC37, para. 2. Chartered Institute of Environmental Health.

¹⁸³ DEC10, para. 10, Crawley Borough Council.

¹⁸⁴ DEC56, para 2.08. Mr M. Cairns.

¹⁸⁵ A short Lease is defined as being less than seven years.

¹⁸⁶ The Law Commission, Law Com No. 238, 1996: Landlord and Tenant: Responsibility for State and Condition of Property. Para 8.10.

“...if alternative remedies existed in public law to provide both a means of compensation and of compelling the landlord to carry out the necessary works. But public law remedies are not intended for the vindication of individual rights. [...] Civil and public law remedies should operate in parallel to achieve their different, if at times overlapping, objectives.”¹⁸⁷

210. Referring to these Law Commission proposals, Mel Cairns told us that:

“Many in this field would support that proposition. This would give force to much of what the DHS [Decent Homes Standard] seeks to achieve by putting a duty on landlords which can be legally enforceable. Since this implied term would apply to all tenancies it would therefore also result in making improvements in the private sector stock.”¹⁸⁸

211. We urge the Government to implement, as soon as possible, and within a timeframe to facilitate our recommendation in paragraph 196 above, the Law Commission’s recommendation, made seven years ago, for the creation of a statutory right for tenants to a home complying with specified minimum standards. Given that the fitness standard is soon to be replaced by the Housing Health and Safety Ratings System (HHSRS), we believe the Government should opt for making the full Decent Homes Standard a statutory right for tenants, enforceable by them through the courts.

Funding

212. The Chartered Institute of Environmental Health (CIEH) raised an important point about the Government’s prioritisation of the Decent Homes target in the private sector as opposed to the public sector, and the apparent lack of commitment to the Decent Homes standard in the private sector when it comes to funding and enforcement. The CIEH argued that there has not been an adequate appraisal and prioritisation of the needs of the two sectors, and that a more realistic assessment of what can be achieved with the available funding is badly needed. They pointed out that

“...in many areas of the country, the condition of the public stock is significantly better than the private stock in terms of repair, unfitness and decent homes. There seems to be an almost unspoken assumption that the public sector requires and deserves more resources than the private sector and this has been reflected in grant allocations over the last few years.”¹⁸⁹

When giving oral evidence to the Committee, the CIEH added:

“the amount of resources and attention and effort that is given to the social sector, which comprises less than a quarter of the total housing stock, is out of all proportion to the needs of the private sector.”¹⁹⁰

¹⁸⁷ The Law Commission, Law Com No. 238, 1996: Landlord and Tenant: Responsibility for State and Condition of Property. Para 8.12.

¹⁸⁸ DEC56, para 2.08. Mr M. Cairns.

¹⁸⁹ DEC37, para. 7, Chartered institute of Environmental health.

¹⁹⁰ Q37, Sarah Webb, Chartered Institute of Housing.

213. Indeed, from the ODPM's memorandum to our inquiry, it would appear that the only dedicated funding available for the Decent Homes Policy in the private sector is an amount from the Sustainable Communities Plan:

“an extra £30 million would be available in both 2004/5 and 2005/6 to help authorities support new ways to fund repairs and improvements to the homes of vulnerable households. This will be allocated on the advice of the newly established Regional Housing Boards within the single capital pot, with an indication that it should be spent on private sector renewal”¹⁹¹

In other words, the only source of funding solely dedicated to dealing with the 1.16 million non-Decent Homes in the private sector inhabited by vulnerable families is a mere £30 million per annum: less than £26 per vulnerable household per year.

214. The Committee agrees with the Chartered Institute of Environmental Health that there is an urgent need to re-evaluate the priority given to Decent Homes in the private sector. We urge the Government to make both statutory changes to tenancy legislation, and to the enforceability of the target in the private sector, and to provide sufficient and targeted funding for the standard to be effectively enforced in the private sector.

¹⁹¹ DEC01, para. 6.2, Office of the Deputy Prime Minister (ODPM).

6 Conclusion

215. In this inquiry we have examined the concept and definition of Decent Homes as well as the way in which the policy is being implemented and funded. We have made a number of criticisms and recommendations in terms of both definition, implementation and funding, but we would like to conclude by reiterating our support for the Decent Homes target itself.

216. We believe that any civilized society is to be judged on the standards of housing, education, and healthcare which it considers an acceptable minimum for all its citizens. The quality of housing is intricately linked to health and general well-being. Cold and damp dwellings with poor noise insulation, poor accessibility for elderly and disabled occupants, unsatisfactory security arrangements, and squalid communal areas necessarily affect the health and well-being of its occupants. We cannot expect that adults and children living in such conditions should think of themselves as valued citizens who have a stake in society.

217. Consequently, we believe there is an overwhelming case for having minimum standards specifying what constitutes a Decent Home, and for having targets aimed at improving housing standards continuously. It is, however, important that such standards are pitched at a level which is broadly in line with the average expectations of householders.

218. There is, of course, no denying the Minister for Housing, Keith Hill's assertion that financial resources are limited, and that the Decent Homes policy has to compete for funding with other worthy policies and objectives, both inside the ODPM and more broadly across Government Departments. However, the Committee was alarmed that Keith Hill, as well as representatives of the Housing Corporation failed to make a strong case in public for additional Treasury funding for achieving the Decent Homes target, not least in view of the fact that the 2004 Comprehensive Spending Review is currently well under way.

219. As we have outlined above, we believe there is uncertainty about the Government's ability to ensure achievement of the 2010 target without allocating additional funding to the task. Furthermore, although some of our recommendations concern policy formulation and administration alone unlikely to require major funding allocations, e.g. our recommendation that policies should be better integrated and coordinated, other recommendations will require additional Government funding, e.g. the creation of a 'Decent Homes Plus' target.

220. Therefore, **our final, but vital recommendation is that the treasury commit additional funding to the Decent Homes policy sufficient to ensure that the current Decent Homes 2010 target be met, and that a subsequent 'Decent Homes Plus' target can also be met.**

Conclusions and recommendations

A Decent Home for all?

1. The Committee welcomes the policy of setting a minimum standard for a Decent Home. (Paragraph 6)

Criterion 1: Meeting the current minimum standard for housing

2. We reiterate and extend our earlier recommendation that the Government should ensure the allocation of sufficient funding to deal with the consequences of introducing the Housing Health and Safety Ratings System (HHSRS). With an estimated increase in the number of non-Decent Homes of some 450,000, funding will be required not only for training Environmental Health Officers to enforce the new system, but also for dealing with an overall increase in the number of non-Decent Homes. (Paragraph 26)

Criterion 3: Reasonably modern facilities and services

3. The Committee recognises the need to safeguard the rights of all occupants to the level of facilities and services covered by criterion three. However, we also believe that the Decent Homes standard is too inflexible in stipulating that kitchens and bathrooms of a certain age must be replaced. This means that in some cases facilities in good order, and with which occupants are perfectly happy, are replaced. In other cases, poor facilities which are not old enough to be replaced under the standard are left in place. (Paragraph 37)
4. We believe that the requirements for modern facilities should be weighted according to tenant preferences. A greater degree of flexibility and tenant choice should be applied in determining which facilities are to be replaced, with assessment based on quality and functionality as well as the views of occupiers, rather than exclusively on age. (Paragraph 39)

Criterion 4: A reasonable degree of thermal comfort

5. The Committee does not consider that it would be helpful, or indeed fair towards housing providers, to change the goalposts for the thermal comfort criterion for the 2010 target at this stage. However, the Committee does believe that the thermal comfort criterion provided for in the Decent Homes standard is far too low. We recommend that in the new 'Decent Homes Plus' target which we propose paragraph 91 below, the required levels of thermal comfort should be in line with the building standards in force at the time when such a target were to be set. (Paragraphs 48 and 49)
6. The 'Decent Homes Plus' target, recommended below, should not only include a much more ambitious thermal comfort criterion, but it must also work in tandem with other key policies such as the Fuel Poverty Strategy and energy efficiency

targets. Funding for the different programmes must be closely coordinated. (Paragraph 57)

7. We recommend that when defining the thermal comfort criterion for the 'Decent Homes Plus' standard, a widely used and recognised industry measure such as SAP ratings should be used. We regard it as vital that the measure chosen is used across all the targets and policies in the energy efficiency area, irrespective of the sponsoring Government Department. (Paragraph 62)

Aspects excluded from the definition

8. The Committee is convinced that accessibility standards for elderly and disabled people should have been incorporated into the original Decent Homes Standard, and we therefore recommend that nationally recognised accessibility criteria should be incorporated into a 'Decent Homes Plus' standard. (Paragraph 65)
9. The Committee finds it unacceptable that work carried out to achieve the Decent Homes standard may in fact lead to a worsening of accessibility for elderly and disabled people. We recommend that the ODPM take immediate steps to ensure that accessibility standards are met in all work carried out on dwellings in order to meet the Decent Homes Standard. (Paragraph 68)
10. The Committee believes that noise transfer between homes is a frequent problem which greatly reduces the quality of life of those affected. We recommend that internal noise insulation between and within dwellings be included in the 'Decent Homes Plus' standard which we recommend below. (Paragraph 71)

Too basic to be decent?

11. The Committee is concerned about the fact that, already in 2004, there seems to be a considerable discrepancy between what tenants aspire to as being Decent, and what the Decent Homes Standard guarantees. This discrepancy can only grow over time, and the Chief Inspector of Housing at the Audit Commission is likely to be right in his assessment that the standard will be seen as "old hat" by 2010. It is regrettable that the ODPM has pegged the standard at such a basic level, only to tell social housing providers that they are actually expected to improve homes to a higher standard. Problems arise in two interconnected ways. Firstly, funding arrangements are geared towards providing the level of funding needed to bring homes up to the Decent Homes standard as currently defined, so it is unclear how further investments are meant to be funded, particularly for ALMOs, PFI schemes, and Local Authority retained stock. Secondly, if social landlords are unable to bring their stock to standards higher than the Decent Homes standard, it is likely that by 2010, social housing will still be seen as the poor relation with a degree of stigma attached. (Paragraph 78)

Decent Homes in relation to the Sustainable Communities agenda

12. We recommend that the Sustainable Communities and Decent Homes policies be properly integrated, and the funding coordinated so that a home can only be seen as

decent if the external environment and neighbourhood are also decent and sustainable. (Paragraph 87)

Decent Homes Plus?

13. The Committee would like to see a more ambitious definition of Decent Homes, whilst at the same time recognising that it would be unhelpful to move the goalposts for the 2010 target at this stage. The Committee recommends that a more aspirational 'Decent Homes Plus' PSA target be set now for achievement at a later date, in which a higher and broader standard is aimed for. Depending on the exact level and breadth of this new 'Decent Homes Plus' Standard, the target date should be set in the 2015-2020 range. (Paragraph 91)
14. The new 'Decent Homes Plus' should be better aligned to the wishes and expectations of occupants, and it should include:
 - a) A much more ambitious thermal comfort criterion which is in line with building regulations in force at the time when the new Standard is set. Policy development, evaluation and funding for this criterion must be closely integrated with other key policies such as the Fuel Poverty Strategy.
 - b) Accessibility standards for elderly and disabled people
 - c) Internal noise insulation within and between dwellings
 - d) Standards for the external environment such as communal areas should be included in the standard. This may be done through an integration and coordination of the Sustainable Communities policy with the Decent Homes policy.

We would not expect Local Authorities and Registered Social Landlords (RSLs) to formally start recording or monitoring progress against the 'Decent Homes Plus' standard until a later date. However, we would hope that most choose to incorporate it into their planning as soon as possible. (Paragraph 92)

The rate of progress

15. The Committee is disturbed by the large unacknowledged and unexplained discrepancies found in the data provided by the ODPM on progress towards the Decent Homes target. The discrepancies effectively make it impossible to assess whether the Department is on course to delivering one of its key PSA targets. We recommend that the ODPM investigate this matter very carefully, and that it make public its findings and a full explanation along with the most accurate set of figures and projections. (Paragraph 101)
16. The Committee is concerned that a lack of funding as well as the delays caused by lengthy options appraisals procedures and tenant ballots may result in Local Authorities being unable to meet the 2010 target. (Paragraph 107)

17. We are not persuaded that the ODPM is doing everything possible to ensure the target is met in full across the different sectors. In particular, we are concerned that the year on year rate of improvement is not rising fast enough to meet the target. We recommend that the ODPM take immediate action to ensure that the rate of improvement be increased and sustained at the level required. (Paragraph 111)

The cost of reaching the target

18. The discrepancies in the ODPM data makes it virtually impossible to assess whether the currently projected funding provisions are likely to be adequate for keeping the social housing sector on track to meeting the Decent Homes target. The Committee is concerned that sufficient funding may not be being planned for, especially given the ODPM's own admission that the cost of bringing each home up to the Decent Homes target is likely to increase in real terms over time, as Social Landlords come to deal with the more difficult stock. We recommend that the Government address this issue with urgency. (Paragraph 116)
19. The Committee is concerned that, having set a very limited target for Decent Homes in the private sector, the Government should now address seriously how this target is to be achieved. (Paragraph 119)

Local Authority housing

20. The Committee recommends that the Government revisit its dogmatic pursuit of the separation of stock management and strategic management of housing. A flexible policy and a level playing field is needed so that tenants and Councillors can tailor solutions to suit local circumstances. In some cases, the optimal solution, as well as the one preferred by tenants, may well be that the Local Authority retain full ownership and management responsibilities. (Paragraph 128)
21. We have not heard evidence that creating an ALMO per se enhances the achievement of Decent Homes, or indeed of tenant satisfaction. The option of creating an ALMO should continue to be available to Local Authorities, but there should be no financial incentive for Councils to do so. (Paragraph 139)
22. In the Committee's view, PFI schemes are not well suited as a key instrument for achieving Decent Homes. The schemes are highly complex, and unsuitable as whole-stock options. Furthermore, they do not guarantee increasing levels of tenant participation and choice, one of the key aims of the Government. (Paragraph 141)
23. The prudential borrowing rights introduced through the Local Government Act are not sufficient to create a level playing field. The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to the stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities. (Paragraph 152)
24. The Committee agrees with those stakeholders who argue that Local Authorities hold the potential to manage housing stock just as effectively as RSLs, ALMOs or PFI

schemes. Consequently, Government financial support available for investment in Decent Homes under those schemes should be available on an equal footing to Local Authorities managing their own stock. (Paragraph 154)

25. The Committee has been deeply concerned to learn of the catch-22 position in which some local authorities now find themselves. The Committee recommends that, as a matter of urgency, the Government provide constructive alternative options for Local Authorities in this situation. (Paragraph 160)
26. The Committee fully supports the Government's commitment to tenant choice and involvement in determining how Local Authority housing should be owned and managed. However, the commitment to tenant choice is a charade unless Local Authorities are able to act in accordance with the wishes of their tenants. We recommend that the Government take immediate steps to ensure that where a majority of tenants wish for their homes to remain under Council management, they are not penalised when it comes to access to funding for investment in Decent Homes or any other policy initiatives. (Paragraph 163)
27. The Committee is not convinced that ALMOs and stock transfer RSLs necessarily lead to better tenant participation and satisfaction. There is no reason to suggest that the same results and management innovations could not be achieved under Council management, given equal resources. The Hammersmith and Fulham Housing Commission is an example of Local Authority innovation and best practice development in this area. (Paragraph 166)
28. The Committee believes that there should be a level playing field between local authorities with retained stock, ALMOs, and stock transfer companies in terms of the mechanisms and volumes of funding available to them. The current situation unfairly steers tenants towards the stock transfer option because the funding available is unlimited whereas the funding potentially released under the ALMO scheme is finite, and funding for Local Authority managed stock is even more restricted. (Paragraph 169)
29. We recommend that a level playing field between the different ownership and management options should encompass not only funding mechanisms directly related to the Decent Homes target, but also funding for wider investment purposes. Based on local circumstances, managers and tenants should themselves be able to determine how to balance investment in Decent Homes, as currently defined, with investment in making the community sustainable and decent. (Paragraph 172)
30. We believe the requirement for tenant consultation and approval should be identical regardless of whether a Local Authority intends to go down a PFI, ALMO, or stock transfer route. (Paragraph 174)

Registered Social Landlords

31. We recommend that, whilst the Government should maintain the policy of rent restructuring, its effects should be reviewed to ensure that the levels of stock investment can be maintained across the social housing sector. (Paragraph 182)

32. The Committee is concerned that the absence of a scheme to replace the Estates Renewal Challenge Fund programme will result in Local Authorities being unable to transfer their worst stock, having transferred the remainder to RSLs. In that scenario, Local Authorities could end up owning and managing the stock most in need of large amounts of investment, but with no resources to invest in it at all. We therefore recommend that the Government replace the Estates Renewal Challenge Fund with a similar system of dowry funding. (Paragraph 187)
33. The Committee fully recognises that there are circumstances where demolition of social housing stock is the best available option. However, the Committee is concerned that some social housing providers may see the demolition, or in high-value areas such as London, the sale of properties as the easiest and most cost-effective way of achieving the Decent Homes standard. We recommend that the Government puts guidelines in place preventing the social housing stock from being unnecessarily eroded through sale or demolition. (Paragraph 191)

The applicability of the target in the private sector

34. The Committee believes that every household has a right to a Decent Home. The Government should set a longer term target for bringing all homes up to the Decent Homes standard, say by 2015. The Government should consider carefully how to provide both funding incentives and statutory enforcement vehicles in order to achieve such a target in the private sector. (Paragraph 197)
35. The Committee sees little sense in limiting the target only to a proportion of dwellings inhabited by vulnerable households. Making such distinctions is likely to waste resources in monitoring, and also to render monitoring and enforcement inaccurate and ineffective. Instead, the Decent Homes target should be applied to all dwellings in the private sector as well as the social sector. (Paragraph 199)

The private rented sector

36. Consequently, we consider that the limitation of the target to vulnerable households is likely to disadvantage such families even further, especially in areas of high demand. (Paragraph 202)

The owner-occupied sector

37. The Government should ensure that equity release mechanisms and / or financial assistance be made available to owner-occupiers whose homes do not meet the Decent Homes standard, helping them to finance the undertaking of vital repairs and improvements in order to bring their home up to the Decent Homes standard. Financial assistance and advice should be targeted particularly at areas where low property values make it difficult or impossible for owners to take out a mortgage in order to make repairs. (Paragraph 205)

Enforcement

38. The Committee recommends that Local Authorities be granted powers of enforcement vis-à-vis private landlords, as well as funding sufficient to carry out such enforcement. (Paragraph 207)
39. We urge the Government to implement, as soon as possible, and within a timeframe to facilitate our recommendation in paragraph 196 above, the Law Commission's recommendation, made seven years ago, for the creation of a statutory right for tenants to a home complying with specified minimum standards. Given that the fitness standard is soon to be replaced by the Housing Health and Safety Ratings System (HHSRS), we believe the Government should opt for making the full Decent Homes Standard a statutory right for tenants, enforceable by them through the courts. (Paragraph 211)

Funding

40. The Committee agrees with the Chartered Institute of Environmental Health that there is an urgent need to re-evaluate the priority given to Decent Homes in the private sector. We urge the Government to make both statutory changes to tenancy legislation, and to the enforceability of the target in the private sector, and to provide sufficient and targeted funding for the standard to be effectively enforced in the private sector. (Paragraph 214)

Conclusion

41. Our final, but vital recommendation is that the treasury commit additional funding to the Decent Homes policy sufficient to ensure that the current Decent Homes 2010 target be met, and that a subsequent 'Decent Homes Plus' target can also be met. (Paragraph 220)

Formal minutes

Tuesday 27 April 2004

Members present:

Mr Andrew Bennett, in the Chair

Sir Paul Beresford

Mr Chris Mole

Mr Clive Betts

Mr Bill O'Brien

Mr Graham Brady

Mrs Christine Russell

Mr David Clelland

Mr Adrian Sanders

Mr John Cummings

The Committee deliberated.

Report (Decent Homes), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 220 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Fifth Report of the of the Committee to the House – (The Chairman.)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committee (reports) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[The Committee adjourned.]

Witnesses

Tuesday 9 December 2003

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Ms Sarah Webb , Director of Policy, Chartered Institute of Housing (CIH)	Ev 1
Mr Andrew Griffiths , Principal Policy Officer, and Mr Peter Brown , Chartered Environmental Health Practitioner and Manager of Private Sector Housing, Croydon Council, Chartered Institute of Environmental Health (CIEH)	Ev 1
Ms Jenny Saunders , Director of Communications, and Mr Ronald Campbell , Information Officer, National Energy Action (NEA)	Ev 8
Ms Georgia Klein , Senior Policy Officer, and Ms Jill Johnstone , Head of Policy, Research and Strategy, National Consumer Council	Ev 8
Ms Marie Pye , Head of Policy, Policy Analyst, Disability Rights Commission (DRC)	Ev 11
Mr Paul Gamble , Habinteg Housing Association	Ev 11
Mr John Stewart , Chair, UK Noise Association (UKNA)	Ev 11
Anne Kirkham , Head of Decent Homes Finance and Co-ordination, Mr Neil McDonald , Director of Housing, and Mr Jeff Hollingworth , Head of Private Sector Renewal Branch, Office of the Deputy Prime Minister	Ev 14

Tuesday 16 December 2003

Mr Roy Irwin , Chief Inspector of Housing, and Mr Roger Jarman , Strategic Policy Advisor, Audit Commission	Ev 22
Dr Norman Perry , Chief Executive, and Mrs Clare Miller , Director of Regulation Policy, Housing Corporation	Ev 22
Mr Colin Meech , National Officer, UNISON	Ev 29
Mr Alan Walter , member of DCH National Committee, and Ms Eileen Short , member of DCH National Committee, Defend Council Housing	Ev 29
Councillor Ruth Bagnall , Chair of LGA Housing Executive, and Mr Mike Atherton , Head of Housing and Consumer Services, Telford and Wrekin Council, Local Government Association (LGA)	Ev 32
Councillor Graham Chapman and Ms Lynne Pennington , Corporate Director of Housing, Nottingham City Council	Ev 32
Ms Maria O'Brien , Divisional Manager for Housing Strategy and Investment, and Ms Sue Mansfield , Housing Investment Manager, Liverpool City Council	Ev 32
Mr Nigel Brooke , Chief Executive, City West Homes, and Ms Frances Mapstone , Chief Housing Officer, Westminster Council	Ev 37
Councillor Stephen Cowan , Chairman of Housing, Brenda McLean , Tenant Representative, and Mr Steve Hilditch , Chairman of Hammersmith and Fulham Housing, Hammersmith and Fulham Council	Ev 37

Tuesday 13 January 2004

Mr ADC Greenwood , Chief Executive, Bethnal Green and Victoria Park Housing Association	Ev 43
Ms Deborah Frances Shackleton , Group Chief Executive, and Ms Caroline Field , Head of Housing Policy, Riverside Housing Association	Ev 43
Mr John Craggs , Group Strategic Executive, and Mr Andrew Taylor , Group Finance Director, Sunderland Housing Group	Ev 48
Dr David Smith , Chief Executive, Atlantic Housing Group	Ev 48
Mr Phil Morgan , Chief Executive, and Mr Rich Warrington , Policy Officer,	Ev 54

Tenant Participation Advisory Service (TPAS)

Mr Mel Cairns, Environmental Health Consultant Ev 54

Mrs Claire Astbury, Housing Policy and Research Officer, and **Mr Greg Falvey**,
Head of Crawley Homes, Crawley Borough Council Ev 58

Tuesday 28 January 2004

Mr Jim Coulter, Chief Executive, **Mr Danny Friedman**, Head of Policy, and **Mr Nigel Minto**, Head of Projects, National Housing Federation Ev 62

Rt Hon Keith Hill, a Member of the House, Minister of State for Housing and Planning, Office of the Deputy Prime Minister Ev 67

Ms Anne Kirkham, Decent Homes Finance and Co-ordination, and **Mr Jeff Hollingworth**, Head of Private Sector Renewal, Office of the Deputy Prime Minister Ev 67

Monday 2 February 2004

Mr Peter Dixon, Chairman, Housing Corporation Ev 79

List of supplementary written evidence

Memoranda DEC 01 to DEC 49 published as HC 46-II on 4th December 2003

Austin Mitchell MP on behalf of the Parliamentary Council Housing Group (DEC 50)	Ev 82
London Borough of Greenwich (DEC 51)	Ev 86
London Tenants Federation (LTF) (DEC 52)	Ev 87
David Smith, Chief Executive, Atlantic Housing Group (DEC 53)	Ev 89
Tenant Participation Advisory Service (TPAS) (DEC 54)	Ev 91
Association of London Government (ALG) (DEC 55)	Ev 92
M. Cairns MCIEH (DEC 56)	Ev 94
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Chartered Institute of Housing (CIH) (DEC 58)	Ev 98
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Supplementary Memorandum by the Office of the Deputy Prime Minister (DEC 01(b))	Ev 121
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Supplementary Memorandum by the Office of the Deputy Prime Minister (DEC 01(c))	Ev 138
Supplementary Memorandum by Westminster City Council and City West Homes (DEC 34(e))	Ev 140
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Supplementary Memorandum by the Housing Corporation (DEC 66(b))	Ev 143
South Acton Residents Action Group (SARAG) (DEC 67)	Ev 144
Sheffield City Council (DEC 68)	Ev 146

Reports from the ODPM Committee since 2003

The following reports have been produced by the Committee since the start of the 2003-04 Parliament. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2003-04

First Report	ODPM Annual Report and Accounts 2003	HC 102-I
Second Report	Annual Report to the Liaison Committee	HC 221
Third Report	The Fire Service	HC 43-I (<i>CM 6154</i>)
Fourth Report	Coalfield Communities	HC 44-I