



House of Commons
Communities and Local
Government Committee

**Beyond Decent Homes:
Government Response
to the Committee's
Fourth Report of
Session 2009–10**

**First Special Report of Session 2010–
11**

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The Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Communities and Local Government.

Current membership

Clive Betts MP (*Labour Sheffield South-East*,) (Chair)
Heidi Alexander MP (*Labour, Lewisham East*)
Bob Blackman MP (*Conservative, Harrow East*)
Simon Danczuk MP Rochdale (*Labour, Rochdale*)
Clive Efford MP (*Labour, Eltham*)
Mike Freer MP (*Conservative, Finchley and Golders Green*)
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David Heyes MP (*Labour, Ashton under Lyne*)
George Hollingbery MP (*Conservative, Meon Valley*)
James Morris MP (*Conservative, Halesowen and Rowley Regis*)
Mark Pawsey MP, (*Conservative, Rugby*)

The following members were also members of the committee during the parliament:

George Freeman MP (*Conservative, Mid-Norfolk*)
Toby Perkins MP (*Labour, Chesterfield*)
Chris Williamson MP (*Labour, Derby North*)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/clg. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Huw Yardley (Clerk), Judith Boyce (Second Clerk), Josephine Willows (Inquiry Manager), Emily Gregory (Senior Committee Assistant), Nicola McCoy (Committee Assistant), Stewart McIlvenna, (Committee Support Assistant) and Hannah Pearce (Media Officer).

Contacts

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First Special Report

On 23 March 2010, our predecessor Committee published its Fourth Report of Session 2009-10, *Beyond Decent Homes* [HC 60]. We received a brief response to that Report in July 2010 in the form of a letter from the Minister for Housing, which promised a further response following the Comprehensive Spending Review. That further response was received in the form of another letter, dated 11 November 2010, from the same Minister. Following that letter we requested some additional information on certain of our predecessors' recommendations which had not been fully addressed, and we received a response to that request on 22 December 2010. Those three letters are published as Appendices to this Report.

Appendix 1: Letter from the Minister for Housing to the Chair of the Committee

Clive Betts MP
Chair, Communities and Local Government Committee

Dear Clive,

CLG Select Committee Report on the Decent Homes Programme “Beyond Decent Homes”

I am conscious of the fact that a response to the report of the CLG Select Committee on the decent homes programme is outstanding from the last Parliamentary session. This was a constructive report, and I want to take this opportunity to thank you and the members of the previous Committee for all their work.

Ahead of the conclusion of the Spending Review the Government is constrained in its ability to commit to specific housing policies, including the way forward for tackling poor housing and energy efficiency. Therefore, a response to your report in the form of a Command Paper would not be particularly helpful so I am writing to you in your capacity as Chair of the Committee to signpost the way on issues still to be decided.

The Government’s key priority is to devolve power from Whitehall to people, neighbourhoods, communities and local institutions. The structure of the decent homes programme established under the previous government is consistent with our localism agenda. The programme has devolved decision-making power to the local level; landlords in consultation with their tenants have determined the delivery route for Decent Homes investment, what work should be completed to improve the condition of the housing stock and how the work would be delivered. This increases transparency and accountability, giving individual citizens the opportunity to take greater control. We have no plans to change this.

It is very important that we understand the scale of the backlog of capital investment. For council housing, the Government has data on the scale and location of the remaining level of non-decency and works required. Further work is being carried out to ensure we fully understand the need for further investment in order to inform the Spending Review. Decisions on funding the backlog of work will be made in the context of the Spending Review which will determine the level of capital investment that can be supported.

Reforms to council housing finance have been proposed that would enable local authorities to continue to deliver decent homes. We have no proposals to disband ALMOs. They would be treated in the same manner as other local authorities under a self financing system. I am looking forward to considering the responses to the consultation on council housing finance launched by the previous Government. Councils need the financial freedom to make the best long term decisions for their housing, and it is critical that reform is able to deliver that.

We have a priority to develop the market for the Green Deal whereby householders can get energy efficiency improvements carried out without having to find the initial capital outlay. The costs will

be recovered over a long period through a charge on energy bills lower than the savings on the bills made by installing the energy efficiency measures, thus reducing the costs for households. This will benefit households in the private sector including vulnerable households. We are also looking at the relationship between the Green Deal and the Decent Homes Standard as we develop and refine these proposals so that social tenants can benefit too.

In respect of the private sector target, in the coming months the Government will be looking closely at the Private Sector Renewal programme, its linkages with energy efficiency and health services and future options for improving existing stock for vulnerable people and the potential for increased flexibilities for local authorities to focus on local priorities. It is however the Government view that for owner occupiers, it is primarily the responsibility of the owner to maintain his property in good condition but there may be a case for intervention where the market fails.

I will write again following the outcome of the Spending Review

*The Rt Hon Grant Shapps MP
Minister for Housing and Local Government
Department for Communities and Local Government
27 July 2010*

Appendix 2: Further letter from the Minister for Housing to the Chair of the Committee

Clive Betts MP
Chair, Communities and Local Government Committee

Dear Clive,

CLG Select Committee Report on the Decent Homes Programme “Beyond Decent Homes”

I am writing further to my letter of 27 July in which I committed to write to you again to provide a further update following the Spending Review. A response to your report in the form of a Command Paper would not be particularly helpful but I am writing to you in detailed terms to set out the Government’s way ahead on the areas of interest of the Select Committee’s report.

Decent Homes Investment

Since coming to office the Government has made clear that it’s most urgent priority is to tackle the UK’s record deficit in order to restore confidence in our economy and support the recovery. Throughout the spending review the Government has been guided by a commitment to fairness, protecting the most vulnerable people in our society and as far as possible protecting frontline services. In DCLG, that commitment included protecting the Decent Homes programme from deeper cuts.

The Spending Review announced the Government will invest over £2 billion of capital funding to help towards completing the Decent Homes programme, enough to halve the backlog over the four years. £1.6bn of the funding will be for local authority housing which could deliver over 150,000 refurbished council homes by 2014-15. The funding announced represents a reduction of 30% against original plans.

To improve fairness in allocating local authority decent homes funding, we will no longer require ALMOs to have passed a housing inspection with a 2* rating in order to access funding. We will open up a consultation and bidding process on the allocation of funding for the period 2011-15 to local authorities without an ALMO but with a significant backlog of decent homes work.

The Government has tasked the Homes and Communities Agency (HCA) to make proposals and consult with local authorities on allocating funding as soon as possible.

Future of Transfer and Private Finance Initiative

Some transfer proposals are currently being considered, and it remains open for councils to put forward any new proposals to the HCA. They will be expected to demonstrate value for money against a comparison with self financing, having regard to costs of delivering Decent Homes, and stock sustainability issues, and to particular costs of transfer. Transfer proposals would be considered for financial support if the transaction could not support the level of debt held.

The Department's position on its PFI projects will be considered and confirmed as quickly as possible following the Spending Review 2010. Ministers will assess projects on a case-by-case basis for value for money and against other Departmental priorities.

Council Housing Finance Reform

The Government is committed to delivering reform to the Housing Revenue Account. This reform will abolish the current annual centralised subsidy system, and replace it with a locally-run system where councils can keep their rental income and use them locally to maintain homes for current and future tenants. The Localism Bill in the autumn will include provisions to repeal the rules which require Government to operate a Housing Revenue Account subsidy system and will replace these with new powers to implement a devolved system of financing.

The reform must secure the investment needed. But council housing, like every other area of the public sector, must offer value for money in tough times. The financial parameters of the devolved system will be published soon. We will be working with the HCA to ensure that decent homes funding is allocated where the need is greatest and in order to support the self financing settlement.

Decent Homes Standard and Regulation

The Government has no plans to change the standard which acts as a safety net to ensure no tenants is disadvantaged. As constructed the standard allows landlords to complete work to the highest standard they can afford. This is consistent with the Government's localism agenda and we do not want to constrain local decision making by changing the standard.

You will be aware that in June I announced a review of the role and purpose of the Tenant Services Authority (TSA) and the framework for social housing regulation. The conclusion of this review is that the TSA should be abolished and its economic regulation and backstop consumer regulation functions transferred to the HCA.

A new independent committee within the HCA will continue the economic regulation of social housing. The role of the committee on consumer regulation will be limited to setting overarching standards of service for landlords and addressing serious failures where local measures have not provided a solution.

In future locally elected representatives will have a much stronger role in regulation. Where tenants are unhappy with the way a complaint has been handled by their landlord, MPs, councillors and tenant panels will be able to scrutinise the performance of landlords, and help tenants secure better services.

The Committee was also interested in two specific issues on which I can provide advice. Guidance on collation of stock condition data is available at:
<http://webarchive.nationalarchives.gov.uk/+/http://www.communities.gov.uk/housing/decenthomes/whatis/publicationsaboutdecent/>

The Decent Homes Guidance is clear that "Where an individual tenant does not want work carried out on their home to bring it up to the Decent Homes standard, then the home can remain below the standard until the property is vacated, at which point the necessary work can be undertaken." Tenant refusals are discounted from the count of non-decent properties because they will be made decent before the home is re-occupied by a new tenant or in a few cases will be counted as non-

decent again. In the 2009-10 statistical returns from local authorities the Department has specifically asked for the number of tenant refusals.

Energy Efficiency

The Government is committed to being the greenest Government ever. Social housing already performs better than other tenures, but there is still scope for improvement. We will be encouraging landlords to use existing potential through obligations on energy suppliers and support for renewable energy to improve performance and address fuel poverty, and inviting views on how future policy – such as the Green Deal and future Energy Company Obligations – can be framed to support further progress.

Private Sector Renewal

There is no longer a specific funding stream for private sector renewal. We have used the Spending Review to drive a common agenda of decentralisation across all areas that fund local government. Local authorities have been given greater flexibility for local spending decisions, reduced targets and national indicators now mean local authorities are better placed to determine local priorities. This may include assisting vulnerable private sector households if this has been identified as being a local priority.

Where private sector renewal activities are a local priority, local authorities may chose to switch some revenue funding to capital funding to provide support packages for vulnerable private sector households. In other areas they may choose to prioritise other activity, only taking enforcement action against property owners where a tenant or neighbour complains.

*The Rt Hon Grant Shapps MP
Minister for Housing and Local Government
Department for Communities and Local Government
11 November 2010*

Appendix 3: Letter from the Chair of the Committee to the Minister for Housing

Rt Hon Grant Shapps, MP
Minister for Housing and Local Government

Dear Grant,

Response to the Committee’s report *Beyond Decent Homes*

Thank you for your letters of 27 July and 11 November in response to the report of the Committee in the last Parliament, *Beyond Decent Homes*.

The Committee is grateful to you for your response to this Report, but notes that it falls short of the detailed response to each recommendation which would normally be expected. Clearly the change of Government since the Report was published has had a significant impact on policy in this particular area, and we appreciate that a full response on each point is therefore not necessarily appropriate. However, having considered your response, the Committee would be grateful for a more detailed reply on the following issues raised in the Report.

1. Our predecessors devoted a substantial section of their Report to consideration of the thermal comfort criterion on the Decent Homes standard. It noted that “The evidence [submitted to the Committee’s inquiry] was almost universally negative about the level at which the thermal comfort criterion is set” (para 53) and “Other evidence we received criticised the terms in which the criterion is quantified” (para 54). However, your response indicates that you have no plans to alter the existing standard. **The Committee would be grateful for your response to its conclusions on the thermal comfort criterion of the existing standard in the light of the evidence the Committee received. In particular, the Committee would be grateful for a response to recommendations 13, 14 and 7, which address this issue.**
2. At recommendation 9 (paragraph 63), our predecessors noted the Household Energy Management Strategy produced by the last Government, and the introduction of a new “Warm Homes” standard. **The Committee would be grateful for an indication of how the current Government intends to take forward the Household Energy Management Strategy, and how the “Warm Homes” standard would complement the Decent Homes standard and its thermal comfort criterion.**
3. Our predecessors’ report also comments on the role which ALMOs have played in achieving the Decent Homes standard, concluding that “the ten-year experience of ALMOs has generated improvements in asset management of social sector stock that are not simply attributable to additional funding” (para 121). Recommendation 19, at that paragraph, calls for the Government “[to] make arrangements for the continued management of housing stock by ALMOs, including by providing for access to funding under the new self-financing system. It also concludes that “local authorities should not take their ALMOs back in-house

until they have conducted a ballot of tenants and received an endorsement by tenants of that plan". **The Committee would be grateful for a response to the conclusions and recommendations contained in para 121 of the Report.**

4. At para 159, our predecessors raised a specific issue affecting ALMOs' ability to make improvements to the estates they manage. **The Committee would be grateful for a response to the conclusion in para 159 of the Report.**
5. In paras 153 and 154, our predecessors drew attention to an inequity in funding available to vulnerable people in the social sector for energy saving measures which it first noted in its report on CLG's Departmental Annual Report 2008. **The Committee would be grateful for a response to the conclusion in para 154 of the Report.**
6. The Committee notes that there is now no longer a specific funding stream for private sector renewal. That would appear to lend even greater urgency to our predecessors' recommendation, at para 220, that CLG undertake or commission work to develop means of levering in private finance for the improvement of private sector stock, and that the results of this work should be made widely available to local authorities, who should be encouraged to develop schemes appropriate to their areas to facilitate access to those funds. **The Committee would be grateful for a response to this recommendation.**

Please provide us with a response by Tuesday 4th January.

Yours

*Clive Betts MP
Chair, Communities and Local Government Committee
8 December 2010*

Appendix 4: Response from the Minister for Housing to the Chair of the Committee

Clive Betts MP
Chair, Communities and Local Government Committee

Dear Clive,

CLG Select Committee Report on the Decent Homes Programme “Beyond Decent Homes”

I am writing in reply to your letter of 8 December seeking a response to a number of points in the Committee’s report on the decent homes programme. I deal with them below under their broad themes – energy efficiency, implementation in the local authority sector by ALMOs, and investment in the private sector.

More generally let me clarify that the policy towards achieving Decent Homes and the funding for this secured through the Spending Review should be seen in the context of the wider reforms proposed for the financing of council housing. The intention to end the present annual subsidy system – which now generates increasing surpluses - and replace it with self-financing was announced at the Spending Review. We published further details of the financial parameters of the settlement we are proposing on 13th December.¹

Self-financing will:

- **End decades of complex central control** and allow council housing to be managed and financed locally
- **End years of acknowledged under-funding** of the sector which has created the Decent Homes backlog: The expenditure costs for management, maintenance and major repairs have been increased by £545 million a year to meet real costs as identified in independent research published in 2009. There is also £116 million of extra funding each year for councils to pay for disabled adaptations to their stock
- **Ensure councils have the opportunities and incentives to effectively manage their housing stock** rather than react to an uncertain funding formula: We estimate that councils will be able to achieve over £6 billion of efficiency savings over the 30 year period due to the more effective planning self-financing allows for
- **Increase transparency to tenants** who will be able to see a clear connection between the rents charged locally and the services provided as a result: Council landlords will publish annual, transparent information on charges and costs.

Despite having to make some tough decisions on our priorities for investment to reduce the deficit we have provided £2 billion of capital funding for social housing, which should halve the decent homes backlog over the next 4 years. All council landlords can bid for funding and I strongly expect councils with ALMOs to continue to attract funding under the decent homes programme, including making improvements to the thermal comfort of their homes.

¹ See <http://www.communities.gov.uk/news/housing/1795391> for the press notice

Energy Efficiency

I will deal with your points on thermal comfort and energy efficiency as a whole. I should clarify however that we have no plans to revise the decent homes standard. We are taking a different approach. The previous government developed the Household Energy Management Strategy to help households meet their heating needs efficiently and improve the energy performance standards of the housing stock. This ambition will now be realised and developed further through the Green Deal which will provide finance and capacity to enable householders to reduce their energy use by installing energy efficiency measures.

The Energy Bill contains a number of proposals which will support the Green Deal and make a difference to home energy efficiency standards including:

- Enabling the creation of a new Energy Company Obligation to take over from the existing obligations to reduce carbon emissions (the Carbon Emissions Reduction Target (CERT) and Community Energy Saving Programme (CESP)), which expire at the end of 2012. This will work alongside and reinforce the Green Deal finance offer by targeting measures at households which are likely to need additional support to make the required savings, in particular those containing vulnerable people on low incomes and those in hard to treat housing.
- New powers which would, in the event of continued poor energy efficiency performance in the Private Rented Sector, prevent private residential landlords from refusing a tenants' reasonable request for energy efficiency improvements to be undertaken in their properties, where a finance package is available. It would also require private landlords in the domestic sector to improve some of the least energy efficient properties where finance is available. These powers amount to a requirement that all properties in the private rented sector will be improved to a minimum benchmark of energy performance.

The social housing sector already performs significantly ahead of the private sector in terms of average SAP (home energy efficiency) ratings. This indicates that the existing standard is operating as it should – as a trigger for action, not as a level to be achieved – and that landlords are carrying out works beyond the minimum. There is no strong evidence that incorporating a higher SAP threshold into the Decent Homes standard is necessary to achieve improvements in the energy efficiency of the stock. Instead, the Green Deal's "golden rule" will mean that all cost-effective improvements that deliver fuel bill savings, with additional support from the new Energy Company Obligation where applicable, can be covered without householders or landlords incurring up-front costs. We consider this approach is a better way towards our aims of delivering both carbon reductions and fuel bill savings for residents than imposing an arbitrary SAP threshold.

The Department for Communities and Local Government is encouraging social landlords, including local authorities, to continue this good work through focussing on the opportunities emerging around the Green Deal. Taking a strategic approach to asset management, they can package up energy efficiency measures with other improvements to deliver economies of scale, helping them to deliver these cost-effectively. This can help to attract support from other sources of funding such as CERT, CESP where applicable, the new ECO and they can also pull in revenue from renewal energy such as Feed-in Tariffs.

Arms Length Management Organisations

I want to reassure you as much as I can about the future of ALMOs and their ability to attract funding. ALMOs have over the years contributed significantly to social housing and can have an important role to play in the Government's localism and housing agenda. The best ALMOs have been some of the most responsive providers of housing management services. Going forward I want to see all local authorities, whether they have ALMOs or not, improving their performance to tackle the remaining capital investment backlog in council housing.

It is for councils to decide locally, in consultation with their tenants, on the long term role of their ALMOs. Departmental Guidance stipulates that where a council is considering the future of its ALMO, it should undertake the same level of tenant consultation and engagement as it undertook when establishing the organisation. We do not consider it necessary for there to be a requirement for a ballot on the establishment or dissolution of an ALMO by its parent local authority as there is no change of landlord unlike a housing stock transfer where a ballot is required.

In earlier rounds of ALMO funding it was possible to add 5% for works to the immediate environment of stock to bids for central government funding but they were not constrained to limit their spending on environmental works if they could afford further investment. For the future there is no explicit concept of 5% for environmental work. Bids for funding will be judged on value for money, with the emphasis on the elimination of non-decency in the stock. Efficient landlords may be able to cover environmental works within a good value backlog application. All landlords should consider how environmental work can be a part of their overall approach as a landlord within their self-financing business plan.

Private Sector

Local authorities can play an important role in helping to maintain the independence of vulnerable private sector households and most areas now have a loans scheme in place (either regional or sub regional). We welcome these schemes and there is no reason why they should not continue in future should local authorities involved wish to provide funding. There are already a number of bodies with the expertise on leveraging in private finance and who local authorities can approach for advice on setting up a scheme tailored to their needs.

The Home Improvement Trust set up in 1997 provides advice and support on repairs and funding options including no risk equity loans across the country. Research on accessing loan finance to improve housing conditions including barriers to private finance was also published by the Department in 2007, and there are no plans to issue further guidance on this issue.

We are very supportive of local authorities working in partnership to deliver services across boundaries, and remain committed to removing barriers to them doing so. If regional loans schemes can deliver on local priorities then there is every reason for them to prosper in future.

*The Rt Hon Grant Shapps MP
Minister for Housing and Local Government
Department for Communities and Local Government
22 December 2010*