



**Beyond Decent Homes: Decent housing standards post-  
2010  
Communities and Local Government Committee  
August, 2009**

**EVIDENCE OF THE CHARTERED INSTITUTE OF HOUSING**

.....

## Summary

1. If local authorities gain financial freedom through the planned HRA reforms, this will help considerably in finding the resources to maintain the local authority stock in the future. Scottish authorities already do this to some extent because of their greater freedom.
2. There is a range of risks to achieving the DHS by 2010 and to completing the programme thereafter, mainly related to planned cuts in expenditure. *CLG should publish a full assessment of progress towards DHS in its next annual report.*
3. There is considerable support in the housing profession for a more ambitious standard than the current one, covering energy efficiency and other aspects. In particular, there is a need for a detailed investment plan to make existing houses energy efficient. *Without this, the government's carbon reduction targets are at risk.*
4. In terms of institutional changes, we make detailed proposals about the future of ALMOs and about the ways in which borrowing rules affect investment in the social housing stock.
5. CIH strongly supports the principles of the government's HRA reforms, although we will be making detailed comments on aspects of them.
6. There are considerable resource issues around the achievement of the DHS in the private sector.
7. In achieving potential future standards, the key issues in the social sector are proper investment for carbon reduction, early HRA reform (for local authorities) and rents policy.
8. There are already many examples of social landlords taking action to achieve higher standards in their stock.

## Introduction

CIH welcomes the opportunity to make a submission to the Committee's Inquiry. CIH represents people working in housing bodies throughout the UK and our evidence reflects the views of our membership (through a specific survey for this submission).

The introduction of the decent homes programme in the April 2000 housing green paper followed the publication of the CIH report *Council Housing – Financing the Future* in 1998, which identified the scale of the backlog of disrepair work and called for a standard to be set and a ten-year target to achieve it. CIH therefore warmly welcomed the setting of the Decent Homes Standard (DHS) in 2000, and the subsequent investment so as to achieve it across the social sector by 2010. This submission concentrates on the social sector but has a short concluding section on the private sector.

CIH Scotland and CIH Cymru have had similar involvement in the respective Housing Quality Standards for Scotland and Wales. In Northern Ireland, no separate standard was created but the Northern Ireland Housing Executive aims to achieve the DHS within its stock.

As the 2010 target date approaches in England, CIH has also been arguing for local authority housing to have more financial autonomy, and for ALMOs to be given a firm indication of the government's long-term commitment to them. This has been in part because we recognise that investment is needed beyond the DHS, responding to a range of problems that still exist in the social housing stock in many places.

### **1 What lessons can be learned from the decent homes programme and equivalents in Scotland, Wales and Northern Ireland?**

The DHS is a minimum standard that is capable of being applied across the social housing sector. The setting of the standard, the ten-year target, the allocation of the resources and the near achievement of the target can be regarded as a major success story. Allied to it is the development from scratch of arms length management organisations, which grew from nothing in 2002 to become major delivery agents of the DHS across half the council housing stock, as well as improving council housing services more generally and involving tenants to a much greater extent than previously.

In Scotland and Wales more ambitious standards were set, with later target dates, but without the same targeted resources:

- In **Wales**, so far there are no overall progress reports on achieving the WHQS, as individual social landlords are responsible for monitoring progress. However, the recent increase in stock transfers indicates that progress – though delayed – will be made soon.
- In **Scotland**, the Scottish Housing Regulator (SHR) reports that about 70,000 homes have now achieved the SHQS, although this is slightly behind the target rate needed to meet the target for over 600,000 social sector dwellings by 2015. The SHR indicates that the largest source of funding to achieve the SHQS is recycled right to buy receipts, as there is no requirement to repay a proportion of receipts to the Treasury as there is in England. Councils are also funding half of the work by a combination of investment from rental income and prudential borrowing – again, these are measures which are not available to the same extent in England because of restrictions on Housing Revenue Accounts (HRAs) that do not apply in Scotland.

There are two ways to look at this in terms of ‘lessons’ for England:

- Scottish authorities would argue that the only choice available to them (other than stock transfer) was to finance the necessary work themselves, from the proceeds from sales and from rents. Practically all Scottish local authorities no longer receive revenue subsidy for their HRAs (ie. they are in a similar position to Scottish housing associations).
- In England, authorities with ALMOs have been able to rely largely on central government subsidy to finance the work needed; non-ALMO authorities which have retained their stock have had access to supported capital expenditure and to a lesser extent revenue contributions and the proportion of capital receipts that they retain. However, Scottish experience shows that if local authorities have more financial freedom, they can themselves raise substantial funds to invest in their stock from rents and from capital receipts.

Another contrast with England is that both the Scottish and Welsh standards are more ambitious, including higher levels of energy efficiency and, in the case of Wales, covering other aspects such as the house being ‘located in an attractive and safe environment’. Welsh social landlords are expected to establish a process of consultation to establish local targets – which is a welcome recognition of the importance of taking account of residents’ views in setting standards.

## **2 Where targeted housing fails to reach the Decent Homes criteria by 2010, how should this backlog be addressed?**

The current expectation in England is that 95% of social housing will achieve the DHS by 2010. This expectation was set out in the CLG’s 2008 annual report, but there is no update of this in the recent 2009 report. The latest report says that the remaining non-decent homes made up 18% of the stock as at 1<sup>st</sup> April 2008, and that further data will be available in November or December 2009.

The main risks to achieving the 2010 target are:

- ALMOs set up in later rounds not receiving sufficient funds to meet the target by 2010, or having committed funds withdrawn.
- ALMOs not achieving the two-star threshold which triggers the necessary funding.
- Recent stock transfers, needing gap funding from CLG, also being held back by lack of funds.
- Stock retaining authorities which have to meet the target from their own resources, which may over-shoot the target date, under-estimate the scale of remaining work or set the target at deliberately low levels.

The National Federation of ALMOs (NFA) has estimated the requirement for ALMO subsidy to complete DHS as £2.5bn for the three-year period 2010/11-2012/13 and £400m for beyond that.

Any shortfall against the DHS target in the social sector could be addressed either by central government funding or by local resources (particularly in the case of stock retaining authorities). The major risk factors in the future availability of central government resources to complete the decent homes programme are:

- The fact that £250m of decent homes funding was brought forward in the Pre-Budget Report (with a cut in funding after April 2010).
- Indications that decent homes funding will be diverted or delayed because of targets for new build.
- The strong possibility of further spending cuts from 2010.

To complete the programme in the remaining non-ALMO stock, the outcome of the HRA review is also crucial (see below).

***In CIH's view, it is beholden on CLG by its next annual report, which will be in the target year, to make a definitive assessment of progress against the target and put forward proposals for addressing any shortfall, with a revised completion target and identification of the income streams available to complete the programme.***

### **3 Should minimum acceptable social housing standards be amended to take account of environmental standards, fuel poverty and the estate?**

CIH has canvassed opinion among its members about the desirability and scope of any revised DHS and the results are presented in Appendix A. There is some consensus on various points about any new standard:

- Energy efficiency and fuel poverty measures are seen as crucial (see below).
- The other main gaps are seen as environmental measures in estates, common parts in flatted developments (eg lifts) and security measures (eg controlled entry systems).
- There have been calls for local discretion to add to the current standard and indeed this has often happened, with landlords adopting what a local 'decent homes plus' standard.
- The current DHS has limitations, eg in allowing excessive life expectancies for some building components. Any new standard should be more stringent.
- The difficulty in moving to a new standard nationally would be reaching agreement on measures which are likely to vary according to location, type of housing stock and tenant preferences (see earlier comment about experience in Wales). A new standard is therefore likely to have to be flexible in some aspects.

- Respondents to the survey felt that future funding was a major obstacle to a more ambitious standard.

A sample of some specific suggestions made in the survey is given in the box below.

**Specific items for inclusion in a new standard – suggested by housing professionals.**

- internal elements such as internal doors
- showers as well as baths
- water metering and fitting of low consumption water products in bathrooms
- addressing IT requirements for growing families
- provision of recycling storage, especially in flats
- higher standards of external lighting
- fire safety and passenger lift access standards
- much higher insulation levels, eg thermal cladding on solid wall properties
- renewable energy sources such as ground-sourced and air-sourced heat pumps
- incentives for micro-generation of power
- minimum SAP levels depending on age of property
- annual carbon reduction targets
- energy advice training for front line staff
- use of timber from renewable / sustainable forestry
- annual fuel poverty reduction targets

Source: CIH survey, 2009 (see Appendix A)

The key requirements in meeting flexible standards that ensure that the stock remains attractive and lettable are therefore to ensure that landlords have sufficient financial autonomy, and have the capacity to generate spare resources to meet newly arising needs and to respond to tenant demands.

### **3.1 Energy efficiency and fuel poverty**

On energy efficiency and fuel poverty, the government does of course have binding national targets which should translate into specific sectoral targets, for example for social housing, with appropriate timetables and consideration of resource needs. However, there remains considerable uncertainty about targets for the social sector and how they will be resourced. For example:

- The government's Heat and Energy Saving Strategy, published in February, notes the achievement of the DHS and that the sector is eligible for the Warm Homes programme and CERT (Carbon Emissions Reduction Target). It says it is committed to considering the investment needs of the existing social housing stock in reducing emissions.
- The Low Carbon Transition Plan, published in July, repeats this and adds that £84m was allocated in the Budget for cavity wall insulation in social housing.

Both documents say that:

*'The Government will show leadership by ensuring that social housing meets, and where possible exceeds, the aims it is setting for all housing on energy efficiency and low carbon energy.'*

Although the implication of government targets is that carbon emissions from existing housing must be cut by 80% by 2050, insufficient work has been done to assess what this

means in terms of annual investment. To achieve the target, the whole stock (public and private) needs to be transformed at a rate of 500,000 units per year, starting now. Within this, social stock needs to be dealt with at the rate of nearly 100,000 per year (in England alone). Given the high cost per dwelling (in the region of £15-20,000) it is clearly vital that a programme is established and begins as soon as possible. ***Unless a programme of this kind is begun soon, there is little prospect of the government meeting its carbon reduction targets.***

On the basis of Germany's experience in retrofitting its housing stock, the Existing Homes Alliance estimates that a major programme would require around £2bn a year over the period to 2050, half of it for social housing. This could create up to 200,000 jobs and save the public purse around £1bn in benefit payments per year.

The Alliance has prepared a detailed analysis of the options for investment in existing housing to achieve government targets (available at [www.existinghomesalliance.org/media/ExHA\\_Finance\\_Paper.pdf](http://www.existinghomesalliance.org/media/ExHA_Finance_Paper.pdf)). A detailed programme for the social housing stock is now needed, assessing the extent to which it will require national resources or could partly be paid for through existing programmes or (for example) by increases in rents.

CIH believes that the government's transition plan therefore requires a specific programme for social housing with ten stages:

1. Translate the overall carbon reduction and fuel poverty targets into stepped, annual targets for social housing.
2. Establish a robust baseline against which progress can be measured.
3. Assess the main measures needed in the sector, the main priority areas, obstacles likely to be faced, technical assistance required.
4. Assess the investment required and what combination of central and local resources is needed over what timescales, taking account of existing programmes.
5. Plan for achieving the targets in both the local authority and housing association sectors, showing the role of existing programmes such as CERT and any new programmes needed to achieve the planned investment at the required rate.
6. Implement appropriate finance mechanisms immediately.
7. Through the Tenant Services Authority, plan to progressively raise standards so as to underpin the targets set (eg by specifying that no social home should be let from 2020 onwards which is below a 'C' rating in terms of thermal efficiency).<sup>1</sup>
8. Take similar steps through the devolved administrations.
9. Monitor achievement on a regular basis, as with decent homes, across the different administrations.
10. Compare achievement of the targets for the social sector with those for housing as a whole, and with the whole low carbon programme, and make necessary adjustments to keep to the transition plan's targets for 2020 and 2050.

Unless there is a framework of this kind, it is very difficult to see the large number of social landlords taking action sufficiently quickly and on a big enough scale to enable the 2020 target to be achieved.

#### **4 Do the management organisations—councils, including via ALMOs, and housing associations—need to change? Will they have sufficient funds?**

---

<sup>1</sup> This is broadly in line with the Energy Saving Trust's advice to government to make it illegal to sell and rent properties with an Energy Performance Certificate rating of F or G.

This is a wide-ranging question, and in response CIH would like to concentrate on two aspects, the future of ALMOs and the borrowing rules that apply to investment by social landlords. (Issues concerning HRA reform are dealt with in response to the next question.)

#### **4.1 The Future of ALMOs**

As the Committee is aware, ALMOs were established following the April 2000 green paper, and were seen mainly as a means of achieving the DHS. However, the Committee is also aware that ALMOs have been extremely successful, not only delivering the DHS but raising performance standards, achieving high levels of tenant satisfaction and involving tenants in the management of their homes. It is clear that ALMOs should have a long-term future.

Both CIH and the NFA have argued that government policy should recognise not only that it is worthwhile retaining ALMOs, but that a policy of benign neglect towards those that have finished their decent homes programmes will result in the demise of many ALMOs. Indeed, at least two authorities with ALMOs are already taking steps to transfer their stock, which would mean these ALMOs becoming housing associations.

The government has belatedly recognised the danger, and the recent consultation paper on council housing finance contains assurances about ALMOs, and sets out a more 'level playing field' for councils to retain stock rather than transfer it. Nevertheless, the risks remain.

As long ago as 2005 the CIH, along with the NFA and HouseMark, published proposals to secure the future of ALMOs in the report *ALMOs – A new future for council housing*. This called for ALMOs to be able to operate self-sufficient HRAs, and to be able to raise their own finance. (The NFA has recently published a further report *A Future for ALMOs – Within local communities*, which adds to these arguments.)

Self-sufficient HRAs are now a firm prospect, with the government's recent proposals for reforming council housing finance. However, it is vital that the reforms are carried forward quickly if they are to be attractive to authorities which have ALMOs and which are considering their future.

#### **4.2 Borrowing rules and council housing investment**

The second reform noted above is that ALMOs should be able to raise their own finance. There are two routes to this. The first, within present government policies about borrowing, would be to enable authorities to change the management of their ALMOs, so that there is no longer majority council control (indeed, there could be majority tenant control, as is already the case with one ALMO). This would enable ALMOs to be reclassified as private sector (like housing associations) for accounting purposes, and to borrow from commercial lenders without this counting as public borrowing.

The second, more ambitious, change would be for the government to reconsider its policy about how it measures public borrowing, and come into line with the rest of Europe. At present, public borrowing in the UK includes borrowing by the whole public sector, taking in not just central and local government, but also borrowing by 'public corporations' – which include all ALMOs, and also bodies like British Waterways Board and British Nuclear Fuels.

However, the rest of Europe, and bodies such as the OECD and IMF, use a narrower, 'general government' borrowing definition, which excludes public corporations. The government could logically change to the more accepted definition, thus freeing up public corporations to raise finance where this can be supported by income. This would, incidentally, also benefit council housing still retained by local authorities, as the ONS has

already classified this as 'quasi-corporations' which are also part of the public corporate sector, rather than in the government sector. Local authorities and ALMOs would continue to be bound by prudential borrowing rules, ie they would only be able to borrow to the extent that they could meet the costs from their income.

In the view of both CIH and the NFA, such a change could offer sufficient incentive to authorities to retain ALMOs and give them a longer-term role. It would enable ALMOs to raise funds to address the wider environmental improvements and energy efficiency issues discussed earlier.

Such a change would benefit council housing as a whole, bringing it closer to having the financial advantages enjoyed by housing associations. It would enable councils to fully use the freedoms of self-financed HRAs, and in the CIH's view is vital to enable authorities to address in future the continuing challenges of maintaining and adding to their stock, and tackling environmental issues.

## **5 What are the implications for decent housing standards of the Government's proposal, currently out for consultation, to move to a devolved system of council housing finance?**

CIH strongly supports the planned reform of council housing finance and is currently developing its submission on the details of the government's proposals. There is widespread support among housing professionals for these reforms. Some are arguing that reform should proceed via a government write-off of existing housing debt, allowing the rental income freed up from interest payments to be invested in the stock. The headroom could, in all but a few cases, meet the long-term needs of all the stock and would provide a surplus to contribute to new house building.

However, CIH believes that it is extremely unlikely that the government will accept this case and write off up to £17billion of existing debt in the present public spending climate. CIH therefore wants to see a settlement based on the redistribution of debt, but done in a way which is fair and which provides sufficient headroom for councils to address future needs within their stock.

Unfortunately, the settlement calculation as envisaged in the published government proposals could actually result in *more* debt being issued out than there is currently in the system. Whether by accident or design, the consequences could be very significant. Some authorities could be worse off in the short term. Authorities would have to take on debt levels which could limit future headroom and therefore restrict future investment in long-term sustainable communities.

While the government might want to limit future borrowing by authorities, the stock must still be kept in good condition and be attractive and lettable to potential tenants. Saddling authorities with too much debt would have a similar effect to that felt by a householder with a large mortgage who is confronted by the need for urgent repairs, and cannot finance them.

On the other hand, if the *current* level of debt (£17bn) is redistributed in a fair way, all authorities would be better off, begin to feel the positive benefits of self-financing and could look forward to a sustainable future for their housing stock.

## **6 How should the decent homes target for private sector homes occupied by vulnerable people be taken forward?**

It is difficult to do justice to this issue in answering one question from the Committee, as it is a complicated one. The basic problem which councils face in achieving the DHS for

vulnerable private sector households is lack of resources. Few (if any) authorities now have major private sector housing renewal programmes, as these (unlike council housing investment) depend on revenue resources from the General Fund (ie from RSG and from Council Tax) or on available Supported Capital Expenditure (SCE) which is not required for DHS work in the public sector. Resources under all of these headings have been limited in the past few years, especially as renovation grants are now entirely at local discretion (except for Disabled Facilities Grants). It therefore seems unlikely that the backlog of 1.3m non-decent homes occupied by vulnerable households in the private sector (as assessed in the English House Condition Survey 2006) will be tackled quickly.

## **7 Are adequate arrangements in place for the future regulation of minimum acceptable housing standards?**

The results from our survey (Appendix A) suggest the need for consultation on future standards and to start planning for the period beyond achievement of the DHS. The implications of the earlier sections of this evidence are that satisfactory arrangements for future standards are *not* in place, particularly in respect of carbon reduction targets.

In relation to investment in the council housing stock, the crucial issue is achieving early implementation of HRA reform. If this drags on for several years, it is likely that stock will fall below *existing* standards, let alone meet any new ones.

Finally, the availability of resources to all social landlords depends most of all on the rents which they collect, whose levels are currently governed by a policy on convergence of rents across the social sector. There is a need to set out a longer-term policy on rents, which preserves affordability but also permits resources to be raised for investment in the stock.

## **8 Are there local examples of innovative best practice with wider post-2010 applicability?**

Previous mention was made of social landlords who have adopted local standards that are higher than the DHS, and which in many cases are based on consultations with tenants so that the standard is not just one set by the government but reflects local needs.

Many social landlords are also taking action themselves on environmental issues. Some housing associations and some 'three star' local authorities/ALMOs have ambitious climate change strategies which include addressing the carbon emissions from their housing stock. One housing association – the Accord Group in the West Midlands – estimates that 98% of its emissions come from its housing, showing the crucial importance of the existing stock.

There is a wider agenda of the choices that should be available to tenants to receive different levels of service from their landlord, with which CIH is engaged, but which raises much bigger issues than can be dealt with here.

## APPENDIX A: CIH 'BEYOND DECENT HOMES' SURVEY

An online questionnaire was sent to a sample of 425 individual housing professionals. A link to the questionnaire was also distributed via the electronic CIH membership newsletter. Survey results are based on 95 respondents (22% response rate).

### SUMMARY

- Overall, there is support for a new post-2010 standard. Funding and the difficulty of agreeing on a national standard are seen as the main stumbling blocks.
- A potential new standard should have a specific 'green' focus - measures addressing energy efficiency and fuel poverty.
- Overall there was a sense that those elements not included in the current DHS should be picked up by any potential successor.
- Standards should be more stringent (eg shorter life expectancies for fittings/building components).

### DETAILED SURVEY RESULTS

- Just 49% have implemented (or are about to) a standard exceeding the current DHS, the majority of which have specifically addressed energy efficiency followed by exterior environmental improvements, upgrading of both kitchens/bathrooms as well as building components/fittings as required (even if they are not part of the DHS).
- Of the 61% who would like to see a revised post-2010 standard, the majority (90%) think that it should have a particular 'green' focus.
- The lack of adequate funding is one of the main reasons cited by those who would **not** like to see a post-2010 standard.
- Nearly three-quarters (73%) agreed that if there was to be a post-2010 standard, it should have a particular 'green' focus. When asked about the specific elements of a potential new standard, measures addressing energy efficiency and fuel poverty topped the list in the case of almost all respondents (93%), followed by measures addressing the wider environment on an estate or common parts of flatted developments (66% and 63% respectively) and measures addressing security of the home (56%).
- Raising the necessary finance is perceived to be the major challenge to implementing a post-2010 standard (88%). Some respondents also noted the difficulties of implementing the current DHS standard, let alone maintaining it. A number of respondents raised the issue of allowing more flexibility in setting rents as a means of raising money to meet a potential new standard. For instance, whilst tenants would pay higher rents (in order to fund energy efficiency work), they would make considerable savings on their energy bills, outweighing the overall rent increase (although increased rents would also affect housing benefit costs).
- The outcomes of the HRA review, allowing LAs to borrow against their revenue stream was perceived to be key if any new standard is to succeed. However,

respondents also believe that some government funding/grant aid is a prerequisite for any post-2010 standard.

- Given local preferences/needs and a vastly differing stock profile, over two-thirds (67%) feel that agreeing on a national standard is another major stumbling block. Several respondents suggested allowing more local flexibility in setting a standard. For instance, housing providers could be allowed a 5-10% leeway in achieving standards or trade offs to meet specific energy criteria. A number of respondents further believed that determining standards should only be done in consultation with tenants.