REPORT BY THE
COMPTROLLER AND
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# The Decent Homes Programme

# Summary

**1** The Decent Homes Programme (the Programme), overseen by the Department for Communities and Local Government (the Department), aims to improve the condition of homes for social housing tenants and vulnerable households in private sector accommodation in England. The Department has set a 'decency' standard to which all social rented homes should be improved and, in some cases, allocated funding to enable that improvement. The Department recognised that in many cases these improvements would be made in the context of wider neighbourhood renewal programmes. The Programme also aims to improve the quality of housing management and increase tenant involvement in local housing decisions. As at December 2008, responsibility for delivering the social housing element of the Programme was transferred to the Homes and Communities Agency (the Agency).

**2** The Programme was introduced in 2000 against a large backlog of repairs in local authority housing, estimated at £19 billion in 1997. At the start of the Programme it was acknowledged that, in addition to the backlog, homes would also become non-decent as the Programme progressed. As at April 2001, there were 1.6 million 'non-decent' homes in the social sector, 39 per cent of all social housing.

**3** **Figure 1** sets out the delivery mechanisms for the Programme, which reflect the Government's intention, set out in "Quality and Choice" (December 2000) to provide a degree of local authority and tenant choice in local housing decisions. All local authorities with sufficient resources (including those available from the then newly introduced Major Repairs Allowance) could implement the Programme and retain day-to-day management of their housing stock. Where additional resources were required, there were three options for the future management of the stock which were designed to improve performance:

- an Arms Length Management Organisation (ALMO) – a company set up by a local authority to manage and improve all or part of its housing stock. When an ALMO is established, the housing stock remains in the ownership of the authority but the ALMO takes responsibility for day-to-day management;
- a Private Finance Initiative (PFI) provider. Under PFI, the public sector enters into a long-term contractual arrangement with private sector companies to design, build, finance and operate an asset; or
- transfer of stock to a Registered Social Landlord following a tenant ballot – not-for-profit organisations that include housing associations, trusts and cooperatives.

## Figure 1
Delivery of the Programme

**Policy**

**Department for Communities and Local Government**
The Department sets policy and targets, and exercises oversight over the Programme; until December 2008 it provided funding and monitored delivery

**Homes and Communities Agency**
From December 2008 it administered the Programme in the social housing sector on the Department's behalf

**Regulation**

**Housing Corporation/Tenant Services Authority**
The regulator for Registered Social Landlords

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| **Housing prior to the Programme** | **Registered Social Landlord housing stock** | **Local authority housing stock** Government funding has been made available to authorities that chose not to retain their housing stock | | | | **Private sector vulnerable households** |
| **Delivery options for authorities** | | Large scale voluntary transfer to a Registered Social Landlord | Set up an Arms Length Management Organisation | Use the Private Finance Initiative | Retain their housing stock | |
| **Improvements delivered by** | Registered Social Landlord | Registered Social Landlord | Arms Length Management Organisation | Private Finance Initiative contractor | Local authority | Local authority supports private landlords and owner-occupiers to make improvements |
| **Departmental funding for the Programme** | None | Gap funding where there is a negative transfer value | Additional targeted supported capital borrowing | Credits paid through Housing Revenue Account | None | Grant |

**Inspection and audit**

**Audit Commission**
The Commission carries out inspections of housing services provided by Registered Social Landlords and Arms Length Management Organisations, and audits the performance of local authorities

*Source: National Audit Office*

**NOTE**
A negative transfer value occurs when the cost of improvements is higher than the value of the stock.

**4** The Programme has been subject to two reviews by the Communities and Local Government Select Committee, one completed in 2004 and the other in train at the time this report was published. In its 2004 report the Committee looked in depth at the appropriateness of the Decent Homes Standard (the Standard), and our report does not therefore cover this issue.

## The Programme's achievements

**5** The Programme has improved housing conditions for over a million households, reducing the percentage of non-decent social homes to 14.5 per cent as at April 2009. As of November 2009, the Department estimated that around 1.4 million local authority homes received work under the Programme at an estimated cost to the Department of £22 billion.[1] In addition, tenants were involved in local delivery, with many having a significantly greater influence over their housing service. The Programme has resulted in a number of other benefits, including better management of housing services, better asset management processes and the creation of jobs. Many social landlords also improved their purchasing efficiency and economies by using procurement consortia, saving an estimated £160 million, with potential savings of up to £590 million.

**6** Registered Social Landlords have reduced the percentage of their non-decent homes to eight per cent from a maximum of 21 per cent. The majority of these homes were improved at no direct cost to the taxpayer as the Department enabled, through the regulatory system, these Landlords to implement the Standard at their own expense, despite it not being a statutory requirement. The Department has put in place a framework to ensure that these Landlords gave a high priority to asset management and maintaining and improving all their homes to the Standard. Under the proposed new regulatory standards to apply from April 2010, Registered Social Landlords will have to maintain their housing to this Standard in the future.

**7** It is difficult to fully isolate and quantify the Programme's achievements, partly because social landlords' capital investment programmes do not isolate the cost of Decent Homes from other capital works. This, as well as issues with data collection and quality, has made it difficult to fully quantify the Programme's achievements.

## Progress towards targets

**8** The Department set two main targets for the Programme: that all homes in the social housing sector should be 'decent' by 2010, and that 70 per cent of vulnerable households in the private sector should be in decent accommodation by the same date.[2] In June 2006, the Department announced that the complexities of the Programme meant some aspects would take longer to complete. Therefore it was expected that 95 per cent of social homes would be decent by the end of 2010.

1 The £22 billion comprises additional Departmental funding specifically for the Programme, and funding provided for major repairs between 2001-2009. It is not known how much of this major repairs funding has been spent on the Programme.

2 A vulnerable household is one in receipt of at least one of the principal means-tested or disability-related benefits.

**9** According to returns from landlords, as at April 2009 almost 86 per cent of homes in the social sector were decent, a reduction of approximately 1.1 million in the number of non-decent homes. The Department estimated in November 2009 that 92 per cent of homes will be decent by the end of 2010, leaving approximately 305,000 properties non-decent but with work partially completed, underway or planned. The 2010 target has not been met because it has taken longer for local authorities to put in place and implement their preferred route for delivery and for some ALMOs to achieve the required inspection rating, and because of the length of the process in place to access funding. The Department estimates that the number of non-decent homes will be reduced by two-thirds to 124,000 by 2014, with work on remaining properties completed by 2018-19.

**10** The Department had made good progress towards the 70 per cent target and by April 2006 68 per cent of vulnerable households in private sector accommodation were in decent homes, compared to 57 per cent in 2001. The introduction of the more demanding Housing Health and Safety Rating System, however, increased the number of households in non-decent homes, with 61 per cent of vulnerable private sector households in decent homes at April 2007. Because of the non-ring fenced nature of funding they receive from the Department for private sector renewal, authorities may use the funding to support any of their capital programmes. Therefore, the Department can only estimate how much has gone towards Decent Homes in the private sector – approximately 60 per cent of available funding, in total £1.2 billion from 2001 to 2011.

**11** There are some risks to the completion of work and future sustainability:

- **Local delivery** 11 ALMOs have yet to achieve the required inspection rating to access funding, while eight retaining authorities have yet to finalise their delivery plans.
- **Funding** In July 2009, the Department announced that £150 million of the Decent Homes social housing budget for 2010-11, and £75 million allocated for private sector renewal, would be used to fund the construction of new affordable homes. Some ALMOs that, at the Department's request, rescheduled their programmes beyond the 2010 deadline have yet to receive any funding allocations beyond the current spending review period, although the Department has given a commitment to fund the remainder of the Programme. It has also included proposals for increasing the resources available to retaining authorities and ALMOs for future housing maintenance in its proposed reforms of council housing finance. Unless a plan is put in place to appropriately fund housing repairs, there remains a risk that a backlog will again build up, reducing the value for money of what has been achieved so far.
- **Current economic conditions** The recession may increase the number of vulnerable households in private sector accommodation. It is also likely that private home-owners will have less money to spend on their properties.

## Programme funding

**12** The Department's primary means of securing value for money from Decent Homes funding was to scrutinise the options appraisals prepared by local authorities and assess any bids for funding required to facilitate stock transfers or the setting up of an ALMO. The Department used these processes to ensure that the correct level of investment for individual schemes was established prior to entering into financial commitments. This scrutiny included regular use of advice from the Building Research Establishment on up to date building costs and assessing and challenging proposed unit costs. As part of fixing funding at the outset the Department required landlords to meet any price increase through efficiencies. Before subsequent tranches of funding were released the Department reassessed whether the total amount of agreed assistance was still required. We found that these scrutinies were carried out effectively and were a significant control in obtaining value for money for the funds provided.

**13** The Department also used the existing regulatory framework of Audit Commission inspections[3] and Registered Social Landlord registration with the housing regulator[4] to ensure that social landlords in receipt of funding were well placed and would deliver. In addition, it commissioned a National Change Agent to improve the procurement of refurbishment works. More could have been done, however, to make use of the data it received from authorities to analyse outturn costs, including cost per home made decent, and to identify whether the amount of assistance was reasonable and had been used well. This could also have helped it identify and further disseminate good practice.

**14** The Department has good records of, and controls over, the funding it gave directly to housing providers, but it can only estimate how much of the £16 billion it gave through other channels (the Major Repairs Allowance and the Regional Housing Pot) was spent on Decent Homes. Therefore, it can only estimate how much it will spend in total on the Programme. The Department consider that to identify how much of the £16 billion was spent on the Programme would have added complexity and expense to landlords' administrative systems and acted as a disincentive to efficient procurement as landlords do not record capital investment expenditure against specific income streams. It estimates that the total cost to the social housing sector by 2010-11 will be over £37 billion.

**15** The Department carried out research into some aspects of the Programme in 2005. In December 2009, the Department announced an evaluation of the Programme to establish how social landlords achieved value for money and to enable them to share good practice, to inform and support those authorities who had not yet met the Standard.

3 The Audit Commission inspects ALMOs and Registered Social Landlords, and awards a rating from zero to three stars (three being the highest) based on performance.

4 In December 2008 responsibility for the regulation of social housing transferred from the Housing Corporation to the Tenant Services Authority.

## The Department's oversight of the Programme

**16** The manner in which the Department has overseen the Programme reflects its approach of setting the strategic framework to enable local bodies to deliver. We consider that there are a number of areas where the Department could have done more to promote value for money through devolved delivery:

- Preparing an estimate of the cost of making homes decent by 2010 before announcing its policy to do so. The initial cost estimate of £19 billion (paragraph 2) covered only local authority housing and did not include the cost of making decent any homes that fell below the Standard during the course of the ten-year Programme. The lack of a clear estimate at the outset of the Programme, together with the lack of reliable information on actual total costs, means that the Department has not been able to periodically compare actual total costs to estimates to establish reasons for any variances. The Department did provide guidance for landlords as to how to estimate and predict the level of investment needed, but considers that it was impractical to come up with such an estimate at a national level because of the range of local discretion allowed.
- Ensuring that monitoring information submitted by local authorities was complete and of good quality to enable it to identify accurately how many homes have been made decent and at what cost. The Department can identify the reduction in non-decent homes at the end of the year, but not how many were made decent in year.
- Making greater use of monitoring information. When assessing bids for ALMO and gap funded stock transfer funding, the Department used cost information from the Building Research Establishment (paragraph 12). It could, however, have made greater use of the information it had on costs and numbers of homes made decent in the local authority sector to analyse, as the Programme progressed and as each scheme completed, the cost-effectiveness of different approaches to identify instances of good refurbishment practice and value for money.
- Undertaking reviews on completion of refurbishment work by those local bodies to which it gave financial assistance to establish whether the amount given had been reasonable and used well.
- Carrying out much earlier the major review it now proposes so that value for money and good practice could be disseminated whilst the bulk of the Programme was underway.

## Conclusion on value for money

**17** Over a million homes have been improved by the Programme and there have been wider benefits in terms of better housing management, tenant involvement and employment opportunities. The Programme is regarded as a success by the majority of stakeholders. Ninety-two per cent of homes managed by social landlords are expected to be made decent by 2010 compared with the original target of 100 per cent.

**18** The majority of homes made decent by Registered Social Landlords were improved without funding from the Department. In terms of cost to the Department, this therefore represents good value for money. As regards homes made decent through ALMOs and stock transfer Registered Social Landlords, the Department exercised effective control when releasing funds. It also promoted value for money through encouraging use of procurement consortia.

**19** The Department did not, however, review final outturn costs to assess whether the estimates it made when releasing funding proved accurate. In addition, it did not make full use of the unit cost information it had available to assess the scope for greater efficiencies. There are also weaknesses in the information collected by the Department, such as the total cost of the Programme to itself or to the sector and the number of properties improved. The absence of such information has reduced the Department's assurance that value for money was being achieved and this in itself constitutes a risk to value for money, because the Department cannot establish definitively whether the Programme has delivered the required improvements at a cost that was considered reasonable.

**20** The Department is committed to funding the Programme and is currently reviewing the funding mechanism. But, unless a plan is put in place to appropriately fund housing repairs, there remains a risk that a backlog will again build up, reducing the value for money of what has been achieved so far.

## Recommendations

**21** The Department's evaluation of the Decent Homes programme provides an opportunity to evaluate further the successes of the Programme and lessons learned, including the issues raised in this report. As part of that review it should consider:

**A** What lessons can be learned in terms of policy design, including:

- **i** the benefits of having a clearer idea of the cost of a policy or strategy before it is implemented;
- **ii** how far mechanisms can be put in place to monitor the overall cost-effectiveness of a policy during its implementation, while balancing the wider government aims to reduce information burdens and costs of monitoring on local authorities and other delivery partners;
- **iii** the need to collect information more routinely on wider benefits such as tenant satisfaction or job creation;

- **iv** whether the Department could have encouraged better devolved delivery by making more of its unique position, that of having oversight of all the strands of the Programme, to have a more structured approach to capturing and disseminating good practice and data on how other landlords are doing, for example on unit costs, rather than rely on other bodies and networks to do this; and
- **v** what impact key policy decisions, such as the decision not to provide additional funding if local authorities retained their stock, have had.

**B** The Department should obtain more visibility over the way the funding it has provided to local authorities to support improvement to private homes has been used, in order to assure itself that value for money has been achieved.

**C** As the Department reviews the funding mechanism, it should consider as a priority how to appropriately fund housing repairs so the Standard is maintained and another backlog avoided.