



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 212
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The Decent Homes Programme

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National Audit Office

The Decent Homes Programme

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

19 January 2010

The Decent Homes Programme, overseen by the Department for Communities and Local Government, aims to improve the condition of homes for social housing tenants and vulnerable households in private sector accommodation in England.

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The National Audit Office study team
consisted of:

Sian Jones, Mandy Burrows,
Fiona Crawford, Stephen Davison,
Jonny Mood, Howard Revill and
Simon Wakefield, under the
direction of David Clarke

This report can be found on the
National Audit Office website at
www.nao.org.uk/decenthomes2010

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Summary

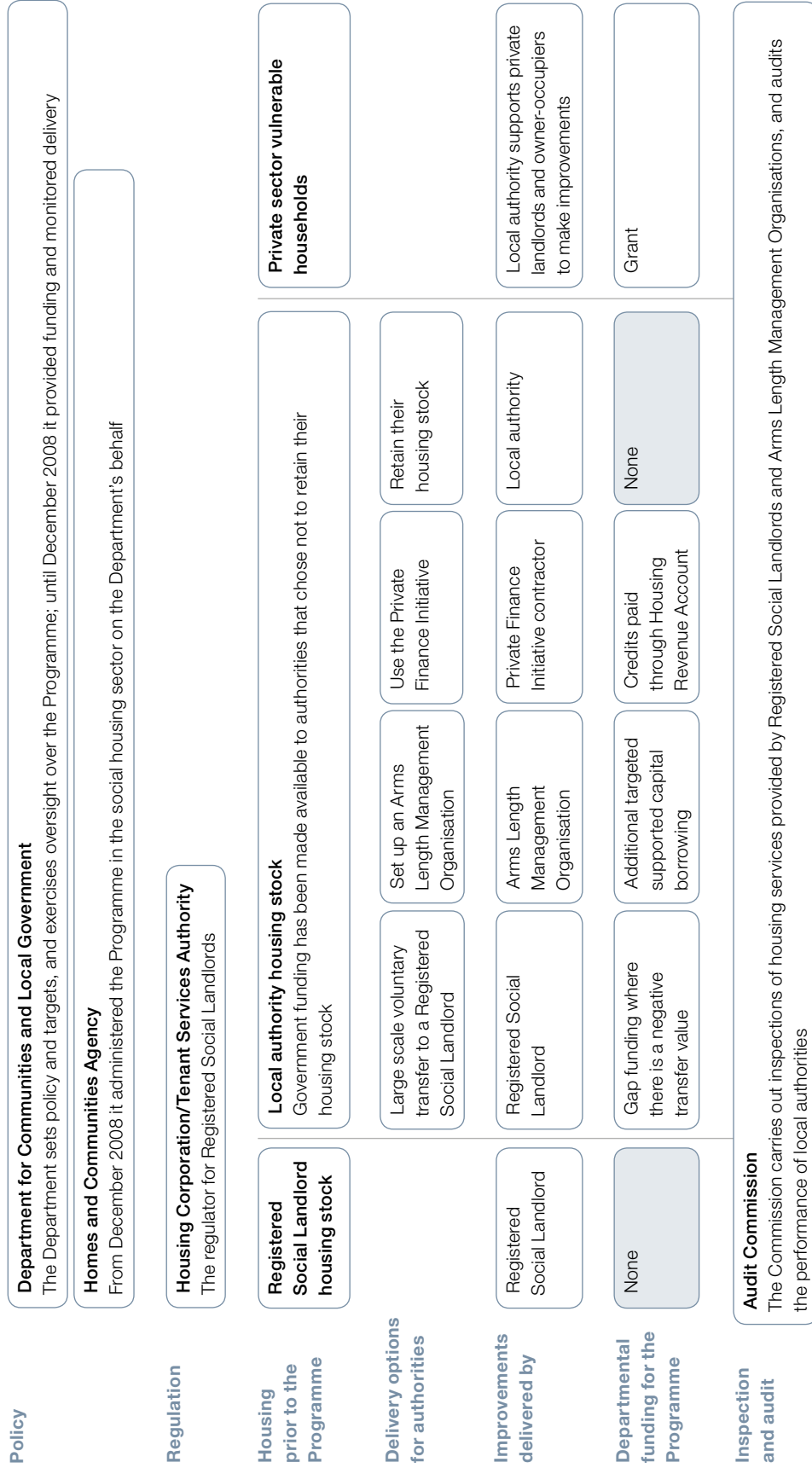
1 The Decent Homes Programme (the Programme), overseen by the Department for Communities and Local Government (the Department), aims to improve the condition of homes for social housing tenants and vulnerable households in private sector accommodation in England. The Department has set a 'decency' standard 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



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 inspections³ and Registered Social Landlord registration with the housing regulator⁴ 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;

Part One

Introduction

Programme aims

1.1 The Decent Homes Programme (the Programme) was launched in 2000 by the Department for Communities and Local Government (the Department) to improve the condition of homes for social housing tenants and vulnerable households in non-decent private sector accommodation. The Programme applies to England only, although similar programmes operate in Wales, Scotland and Northern Ireland (Online Appendix 1).

1.2 The Department established the Programme to address a backlog of repairs in local authority housing in England, estimated at £19 billion in 1997. The Programme also looked to improve the condition of the stock in other respects, such as its insulation, heating and provision of modern facilities. In 2000, the Department set a target for all social housing managed by local authorities and Registered Social Landlords to be decent by 2010. In 2002, it set a second target for increasing the proportion of vulnerable households in private sector accommodation who lived in decent homes to 70 per cent by 2010, and 75 per cent by 2020.

1.3 As at April 2001, there were 1.6 million non-decent homes in the social sector, 39 per cent of all social housing, consisting of approximately 1.2 million properties managed by local authorities and 400,000 managed by Registered Social Landlords. Almost 1.2 million vulnerable households were in non-decent private sector accommodation at that date, almost 43 per cent of such households.

1.4 In addition to improving the quality of social housing, the Department intended that the Programme bring wider benefits as set out in 'Quality and Choice' (December 2000). These included improving the quality of housing management through the transfer of social housing stock, the establishment of new management arrangements at a local level, the use of the Private Finance Initiative (PFI), and increasing tenant involvement in local housing decisions (**Figure 2**).

Figure 2

How local authorities accessed financing from the Department

All local authorities

All stock-owning local authorities were required to carry out a survey of their housing stock.

Authorities had to prepare an options appraisal that compared the different models available to deliver the Programme, including the option of retaining housing stock, leading to a local decision about which was most appropriate. Authorities were required to consult with tenants when drawing up the appraisals.

In 2003, the Department introduced a deadline that all appraisals should be completed and signed off by the relevant Government Office by July 2005.

Authorities seeking to transfer stock

The authority had to submit a bid to the Department for funding/inclusion on an annual bidding round.

The authority had to obtain the agreement of its tenants to the stock transfer, via a ballot, as, unlike other options, transfer involved a change of landlord.

New stock transfer Registered Social Landlords were required to register with the Housing Corporation.

Authorities setting up an ALMO

Authorities were required to demonstrate that tenants supported an ALMO's establishment.

ALMOs were required to achieve a 2-star rating in an Audit Commission Housing Inspection before the Department released funding. An ALMO had to have been operational for at least six months before undergoing an inspection.

Authorities using the PFI

The authority had to prepare Outline and Full Business Cases for Treasury approval and appoint a PFI contractor.

Source: National Audit Office

Programme delivery

1.5 The Department's role is to ensure that targets are met through setting policy and exercising oversight. Responsibility for delivery of the Programme in the social housing sector rests with Registered Social Landlords and local authorities. Registered Social Landlords were expected to make their homes decent from their own resources, while local authorities were expected to use existing funds (including the then newly introduced Major Repairs Allowance) to deliver the Programme. Where they could not do this and had shown this to be the case through options appraisals, they could apply for additional resources through ALMOs, stock transfer and housing PFI programmes (Figures 1 and 2). The Department monitored delivery until December 2008 when responsibility transferred to the newly established Homes and Communities Agency (the Agency).⁵

⁵ The role of the Agency is to make funding recommendations to the Department, and support local authorities to deliver their ALMO and PFI programmes. The Department retains overall control of the PFI Programme. For stock transfer, it makes payments for overhanging debt and receives levy receipts, while, for ALMOs, it agrees and facilitates funding support to authorities through the Housing Revenue Account Subsidy System. The Department also retains control of the private sector target.

1.6 By December 2008:

- 170 local authorities had transferred all their housing stock to a Registered Social Landlord, with six more planning to do so;⁶
- 112 had retained direct management of their stock;
- 66 authorities had established an ALMO, of which 15 had also transferred some properties to a Registered Social Landlord; and
- 14 authorities were using, or were planning to use, amongst other options, the Private Finance Initiative, to refurbish some of their stock.

1.7 Responsibility for improving the condition of private sector accommodation for vulnerable households rests with local authorities. Authorities need to work closely with private sector landlords and owner-occupiers, providing assistance and advice, and, if necessary, taking enforcement action.

The Decent Homes Standard

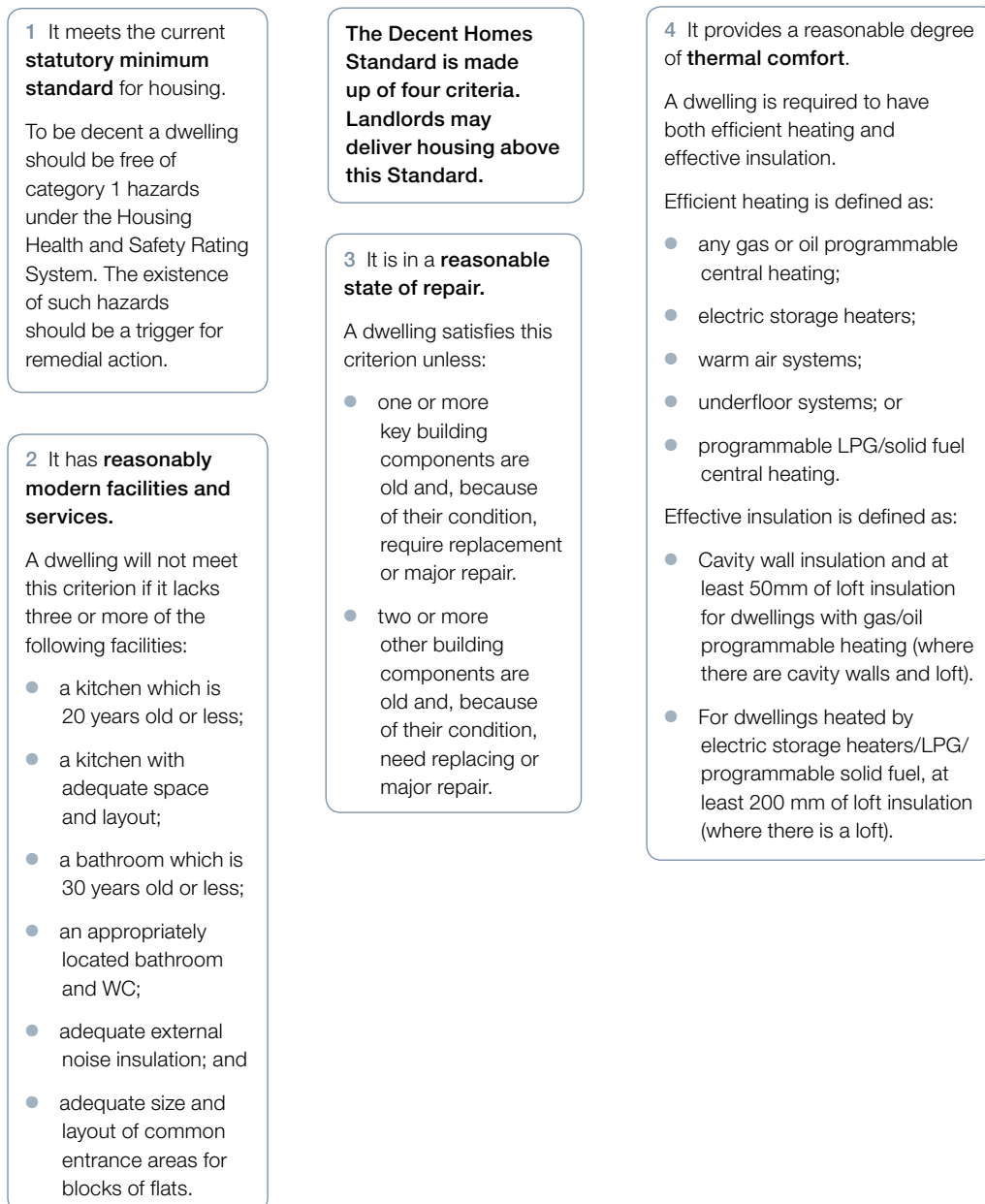
1.8 The Decent Homes Standard (the Standard) aims to make homes warm, wind- and weather-tight, and with reasonably modern facilities (**Figure 3**). The Standard was established as a minimum threshold below which no property should fall. Landlords were expected to improve the condition of any property falling below this, but were free to refurbish the property beyond the minimum specifications set out in the Standard. In many cases these improvements would be made in the context of wider neighbourhood renewal programmes.

1.9 The definition of the Standard has changed twice during the Programme:

- In 2002, in response to landlords' concerns, the Department issued revised guidance on the measurement of thermal comfort; and
- In 2006, there was a major revision with the introduction of the Housing Health and Safety Rating System in place of the less comprehensive Housing Fitness standard. The System is the statutory regime under which local authorities take enforcement actions against housing that contains hazards to health and safety. To be classed as decent, homes need to be free of serious hazards. Authorities were made aware of this prospective change at the start of the Programme.

⁶ A number of these authorities had transferred their stock prior to the Programme.

Figure 3
The Decent Homes Standard



Source: *The Department for Communities and Local Government*

NOTE

The English House Condition Survey 2007 reports that the two most common Category 1 hazards are extreme cold (where a property has a SAP rating of below 35) and falls (on stairs, on the level and between levels).

Scope

1.10 Our report examines the Programme's achievements to date as it nears completion, and seeks to identify lessons for any successor programme, and for future programmes of a similar nature. In particular we considered:

- progress towards targets;
- costs and the Department's management of the Programme; and
- impacts of the Programme.

We have not examined the decisions that led to the establishment of the Programme, or the options available to local authorities to deliver the Programme in the social housing sector. The Department's use of PFI for housing is the subject of a separate National Audit Office report which is yet to be published.

1.11 The Standard was scrutinised in detail by the Communities and Local Government Select Committee in 2004, therefore we have not repeated this scrutiny as part of our examination.

1.12 Our methodology is summarised at Appendix 1. A more detailed methodology is at Online Appendix 2.

Part Two

Progress towards targets

The Department set a clear and ambitious target for decency in the social housing sector

2.1 The Department set a target for all social housing to be decent by December 2010. It set interim milestones that the number of non-decent homes should fall by a third from 2001 levels by 2004, by 45-50 per cent by 2006, and by 65-70 per cent by 2008. In 2002, the Department set a target for private sector housing; that 70 per cent of vulnerable households in private sector housing should be in decent accommodation by 2010.

2.2 The Department understood that the social housing targets were ambitious, as social landlords not only had to tackle properties that were non-decent at the start of the Programme but also properties that became non-decent during the Programme. Forty-eight per cent of local authorities who replied to our survey, and 37 per cent of Registered Social Landlords and ALMOs considered the 2010 Programme deadline to be unrealistic.

2.3 Aspirational targets can be useful when there is a large gap to make up in performance, as was the case here. The Department's target of 100 per cent decency by 2010 was intended to focus the social housing sector on the task in hand, and the sector has bought into its achievement. For example, most Registered Social Landlords⁷ have implemented the Standard at their own cost, despite it not being a statutory requirement. The regulatory framework put in place by the Department has ensured that these Landlords have given a high priority to asset management and maintaining and improving all their homes to the Standard.

There has been substantial progress

2.4 As at April 2009, the numbers of non-decent social housing had fallen by 1,100,000 according to landlord returns (**Figure 4** overleaf), meaning that almost 86 per cent of all social housing was decent, with 579,000 properties failing to meet the Standard. Of these, 182,000 were Registered Social Landlord properties, representing over 8 per cent of their stock, down from a maximum of almost 21 per cent in 2003. Until 2008, the Department also used estimates from the English House Condition Survey (EHCS) to monitor progress.⁸ In recent years, however, the two data sources have

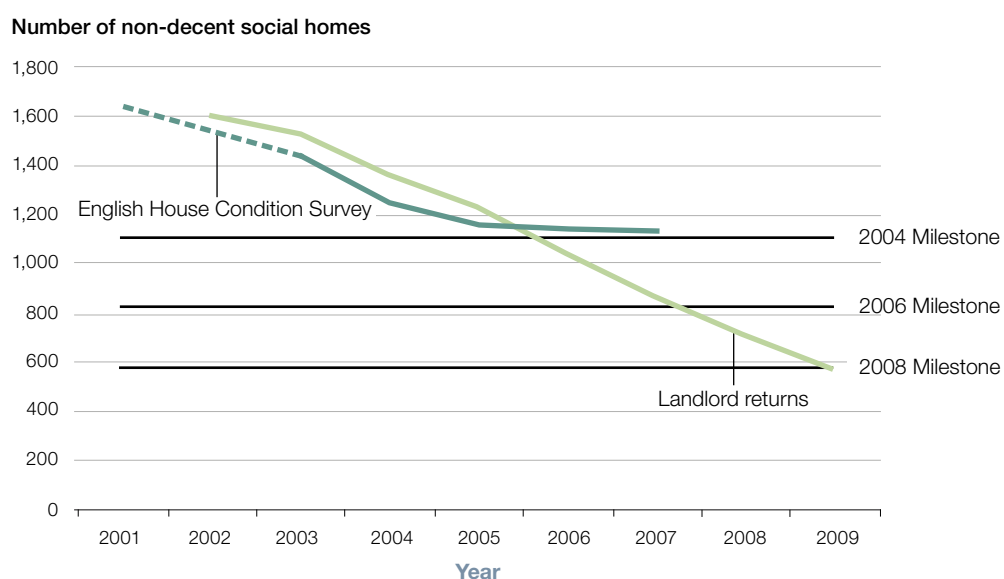
⁷ All Registered Social Landlords which existed before the start of the Programme and all those established as a result of a stock transfer after its start which were not in receipt of gap funding from the Department.

⁸ The EHCS is an independent survey conducted by the Building Research Establishment on behalf of the Department. Returns from landlords are returns submitted by ALMOs and retaining authorities to the Department and returns submitted by Registered Social Landlords to the Tenant Services Authority.

shown discrepancies in progress, with the EHCS showing a lower rate of progress; a reduction of only 500,000 non-decent homes by 2007. The Department has carried out a reconciliation exercise and has identified the reasons why these figures diverged. The reasons are set out at paragraphs 2.12 and 2.13.

2.5 In June 2006, the Department announced that the Programme's complexities meant that some aspects would take longer to complete and that therefore it was expected that 95 per cent of social housing would be decent by 2010. The majority of social landlords were still expected to ensure that all homes met the Standard by 2010, but some could agree an extension if it represented better value for money or enabled the landlord to undertake major remodelling of an estate, usually including demolition and rebuild. Thirty-nine local authorities, 38 ALMOs and 18 Registered Social Landlords agreed an extension. All social landlords were expected to complete their scheduled work by 2014-15.

Figure 4
Progress in delivering Decent Homes in the social housing sector



Percentage of decent homes in the social housing sector

	2001 (%)	2002 (%)	2003 (%)	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)	2009 (%)
English House Condition Survey	61.1	-	64.6	68.7	70.8	71.0	70.8	-	-
Landlord returns	-	62.4	63.5	66.7	69.5	73.9	78.2	82.0	85.5

Source: Department for Communities and Local Government and the Homes and Communities Agency

NOTES

- 1 The Department replaced the fitness element of the Standard in 2006 with the Housing Health and Safety Rating System (paragraph 1.9).
- 2 There was no English House Condition Survey for 2002.
- 3 The results of the English House Condition Survey for 2008 have yet to be published.
- 4 Returns from Registered Social Landlords did not collect data on Decent Homes until 2002.

2.6 As at November 2009, the Department estimated that approximately 92 per cent of social housing would be made decent by 2010, leaving 305,000 properties non-decent (**Figure 5**), although with work on these partially completed, underway or planned. It estimated that the number of non-decent properties would fall to 124,000 by March 2014, with 100 per cent decency being achieved by 2018-19. These estimates are based on the landlord returns which report a higher rate of completion than the EHCS.

2.7 By April 2006 68 per cent of vulnerable households in private sector housing were in decent accommodation (**Figure 6** overleaf). However, because of the introduction of the more demanding Housing Health and Safety Rating System in 2006, the number of vulnerable households in non-decent private sector accommodation subsequently increased. Under the new Public Service Agreement regime introduced in October 2007, the Department set an objective to increase the percentage of such households living in decent accommodation, without quantifying this or setting a deadline.

There are a number of reasons for non-achievement of the 2010 social housing target

2.8 There are a number of contributing factors for the failure to achieve the social housing target by 2010. These include the length of the process the Department put in place for local authorities to obtain extra funding to deliver the Programme (Figure 2). While the process needed to be robust for the Department to gain assurance that the funding it gave was reasonable and that tenants supported the chosen delivery route, it was long and involved. Some ALMOs had problems achieving the inspection

Figure 5

Estimated non-decent dwellings in the social housing sector by 2010

	Number	Percentage of all housing managed by landlord type	Percentage of all social housing
Local authorities			
ALMO	119,200	13.2	3.0
Retaining	86,300	10.0	2.2
All	205,500	11.6	5.2
Registered Social Landlords			
Traditional	28,000	2.4	0.7
Stock Transfer	71,000	6.6	1.8
All	99,000	4.5	2.5
All Social Housing	304,500		7.7

Source: Homes and Communities Agency

NOTE

All figures rounded to the nearest thousand.

rating required to access funding; a third of ALMOs failed their first inspections. As at November 2009, 11 ALMOs had not reached the required level of performance. Other delays arose from tenants voting against proposed stock transfers or the establishment of ALMOs. Some authorities found it difficult to transfer their housing as its condition was so poor that the new landlord required the Department to provide gap funding to make the transfer work.

2.9 Our analysis showed that the average time taken to start Programme delivery was 21 months for an ALMO and 31 months for stock transfers.⁹ **Figure 7** shows that only ALMOs in the first two rounds were likely to access funding and complete work by 2010. As a result, levels of non-delivery are projected to be higher for stock transfer Registered Social Landlords and ALMOs (Figure 5). The deadline for completion of option appraisals by July 2005 left those local authorities that only just met, or missed, this deadline with less than four years to complete refurbishment work. Our analysis suggests that it took, on average, five years to complete work. Forty-one authorities missed the July 2005 deadline, and so were unlikely to have made all their stock decent by the 2010 target. By December 2005, however, all but one authority had completed its appraisal and obtained Government Office sign-off.

Figure 6

Vulnerable households in private sector accommodation

Year	Total (000s)	In non-decent accommodation (000s)	In decent accommodation (%)
2001	2,692	1,151	57.3
2002 ¹	Not known	Not known	Not known
2003	2,839	1,056	62.8
2004	2,996	1,033	65.5
2005	3,156	1,069	66.1
2006	3,190	1,029	67.7
2006 Rebaselined ²	3,190	1,313	58.8
2007	3,160	1,231	61.0

Source: English House Condition Survey

NOTES

- 1 There was no English House Condition Survey for 2002.
- 2 The introduction of the Housing Health and Safety Rating System as part of the Decent Homes Standard increased the number of non-decent properties housing vulnerable households by 284,000.

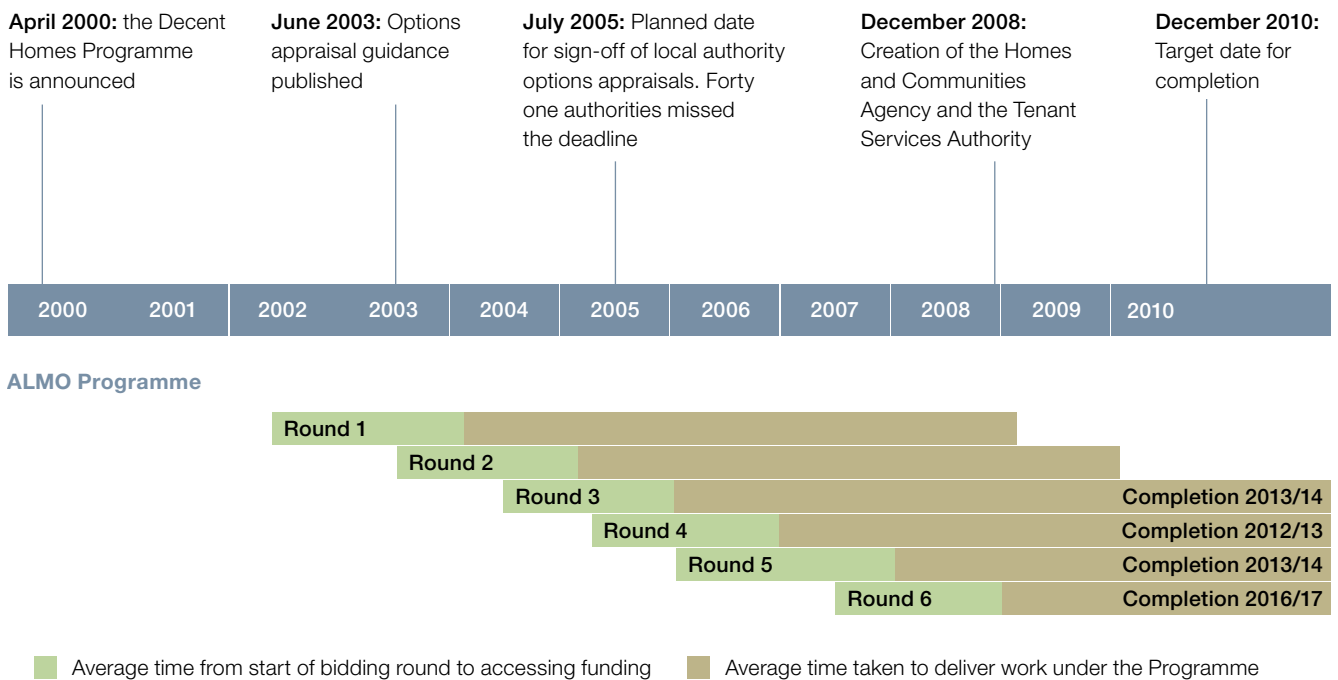
⁹ These timescales represent the estimated length of time taken from the issue of an invite to local authorities to bid for inclusion in an ALMO funding or stock transfer round to, for ALMOs, the successful obtaining of the required Audit Commission inspection rating, and, for stock transfers, the completion of the transfer, based on a review of Departmental papers.

2.10 Budgetting constraints also caused some delay. The Department expected 15 authorities to bid for funding of £1.3 billion in ALMO Bid Round 6. Instead, 16 submitted bids for £1.8 billion. The Department had to manage the Programme within its existing available resources and therefore agreed with ALMOs that had already agreed their funding that they delay some planned work and draw down part of their funding beyond 2010. It also spread some of its assistance to Round 6 ALMOs to beyond 2010.

There are shortcomings in the data on Programme progress

2.11 Local authorities and Registered Social Landlords report progress using two different sets of returns. The Department determines what information is required of authorities and the Tenant Services Authority¹⁰ does the same for Registered Social Landlords. In determining the level of information required on Decent Homes, both the Department and the regulator aimed to minimise the administrative burden on these. In particular, they were mindful that Registered Social Landlords are independent, private sector bodies, whose compliance with the Standard is not a legal requirement and the majority of whom were being asked to implement the Standard at their own cost. Therefore, Registered Social Landlords are required to provide much less information than local authorities.

Figure 7
Programme timeline with ALMO delivery



Source: National Audit Office

10 Before December 2008 the Housing Corporation.

2.12 There have been issues over the definition of what constitutes a decent home for reporting purposes. As landlords cannot make homes decent where tenants refuse work being done on their property and it makes little economic sense to improve properties scheduled for demolition, the Department allowed landlords in their returns to exclude these properties from the number of non-decent properties at the end of the year. These definitional issues partly explain the difference between the progress figures at Figure 4, as the EHCS does not discount factors such as tenant refusals or properties earmarked for demolition when classifying properties as non-decent.

2.13 There are other reasons for this divergence. For example, following the introduction of Housing Health and Safety Rating System (paragraph 1.9), social landlords are likely to deal with Category 1 Hazards as urgent responsive repairs. As a result, these failures are less likely to be recorded as Decent Homes work. From 2008, the Department decided to rely solely on landlord returns as their primary source of monitoring data.

2.14 While local authorities and stock transfer Registered Social Landlords have to provide information on the number of homes made decent during the year, traditional Registered Social Landlords do not. Concerns about the quality and completeness of the data means that the Department cannot aggregate the figures for individual authorities to identify the number of homes made decent nationally. Figures for the number of properties made decent also include properties that are non-decent but where tenants have refused the work or demolition is planned. The Department can, however, identify the number of non-decent homes at the beginning and the end of the year.

2.15 The Department also required local authorities to complete annual returns on progress for Decent Homes in the private housing sector. While it has monitored progress at a national level through the EHCS, it has had little contact with authorities and relevant stakeholder organisations and has relied on the Regions to monitor the funding allocated to authorities for private sector decency. The Department therefore does not monitor individual local authority performance.

2.16 For the above reasons, it is not possible to determine the total number of properties that have received improvements, although the Department estimated in November 2009 that almost 1.4 million local authority homes received work under the Programme to March 2009. The problems with the data mean that the Department cannot produce a complete picture of the Programme's performance or sufficiently analyse variations in performance. Projections of future performance also vary, depending on the information source used as the basis for the projection.

There are risks to the delivery of outstanding work

2.17 The Department has committed to fund the remainder of the Programme so that all social homes are decent. There are, however, a number of risks to the completion of outstanding work in the social housing sector beyond 2010:

- The current economic downturn has had a negative impact on the level of receipts which, for some landlords, are a key element of funding.
- As a Comprehensive Spending Review is pending, some ALMOs that, at the Department's request, rescheduled their programmes beyond the 2010 deadline have yet to receive any specific funding allocations beyond the current spending review period to deliver the remainder of their programmes.
- In July 2009, the Department announced that £150 million of the Decent Homes social housing budget for 2010-11 would be used to fund the construction of new affordable homes. The funding had been earmarked for the 11 ALMOs that had yet to achieve the appropriate inspection rating. Some of these ALMOs may not receive any direct financial assistance from the Department until 2011-12, even if they were to achieve the necessary inspection rating before this date. The Department estimates that 10,000 properties will be non-decent at 2010 as a result of this re-profiling. Four of the local authorities involved have applied for a judicial review of the Department's action.
- Eight retaining authorities have yet to finalise their delivery plans.

These risks are being managed by the Agency working with ALMOs and local authorities to ensure Programme delivery.

2.18 There are a number of risks to achieving the private sector target for vulnerable households:

- The recession may increase the number of vulnerable households in private sector accommodation claiming benefits. It is likely that private home-owners will have less money to spend on maintaining their properties.
- Under the new performance framework established for local government in October 2007, the previous indicator used to assess authorities' performance in improving the condition of private sector accommodation for vulnerable households has been removed. As a result, authorities may make activity in this area less of a priority.
- In July 2009, the Department announced that £75 million it had previously allocated for private sector renewal in 2010-11, including Decent Homes, would be used to fund the construction of new affordable homes.

Part Three

The costs and Department's management of the Programme

The Department did not fully estimate the likely cost of its policy and the total cost to the sector cannot be identified

3.1 The Department's strategy for achieving Decent Homes is for its delivery through locally implemented programmes. In line with its approach to other initiatives, such as Housing Market Renewal, it sees its role as creating a strategic framework to enable local delivery. It therefore set objectives and targets, established a choice of delivery routes, made financial assistance available where appropriate, and monitored overall delivery. It delegated oversight of local delivery to the Government Offices.

3.2 At the start of the Programme, the Department did not attempt to calculate an estimate of the total cost to local authorities and Registered Social Landlords of meeting the Standard on social housing stock up to 2010. It did assess the scale of the challenge for local authority owned stock, estimating that the total cost of improving such stock would be £19 billion: £10 billion to address the backlog of overdue work and an additional £9 billion to bring existing stock up to the Standard. This estimate did not include the cost of improving homes that fell into non-decency during the Programme or the cost of inflation. The Department did provide guidance for landlords on 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. It did not assess the likely cost to Registered Social Landlords as these were required to fund improvements from their own resources.

3.3 The Department has subsequently produced estimates of the total costs of all capital works undertaken by social landlords, including not only work on Decent Homes but also on wider neighbourhood improvements. It estimates that the Programme will cost these over £37 billion by March 2011 (**Figure 8**). However, the expenditure figures do not separately identify the costs of Decent Homes work from other capital works. Landlords often combine their capital investment programmes for Decent Homes and for other major repairs and improvement works to maximise efficiency, making it difficult for them to separately identify the costs of each without additional expense.

3.4 The Department prepared no initial estimate of the costs to local authorities of improving the accommodation of vulnerable households in the private sector and has no data on the total amount authorities have subsequently spent.

Figure 8

Estimated Decent Homes expenditure in the social housing sector

£ billion	2001 -02	2002 -03	2003 -04	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09	Total	2009 -10	2010 -11	Total
	Actual									Forecast		
Local authorities & ALMOs	2.12	2.35	2.64	3.18	3.38	3.31	3.21	3.05	23.24	3.34	2.74	29.32
Registered Social Landlords	0.54	0.73	0.67	0.51	0.72	0.88	0.94	1.14	6.13	1.04	0.90	8.07
Total	2.66	3.08	3.31	3.69	4.10	4.19	4.15	4.19	29.37	4.38	3.64	37.39

Source: The Department for Communities and Local Government and the Homes and Communities Agency

3.5 Whilst we recognise the difficulties the Department faced in attempting to calculate an overall estimate of costs for the Programme at the outset because of the range of local discretion allowed, we consider that such an estimate would have been useful in identifying the possible impact and affordability of its policy. It could then have compared this estimate to its subsequent ones, analysed reasons for variances, and used the results to develop its policy in this area.

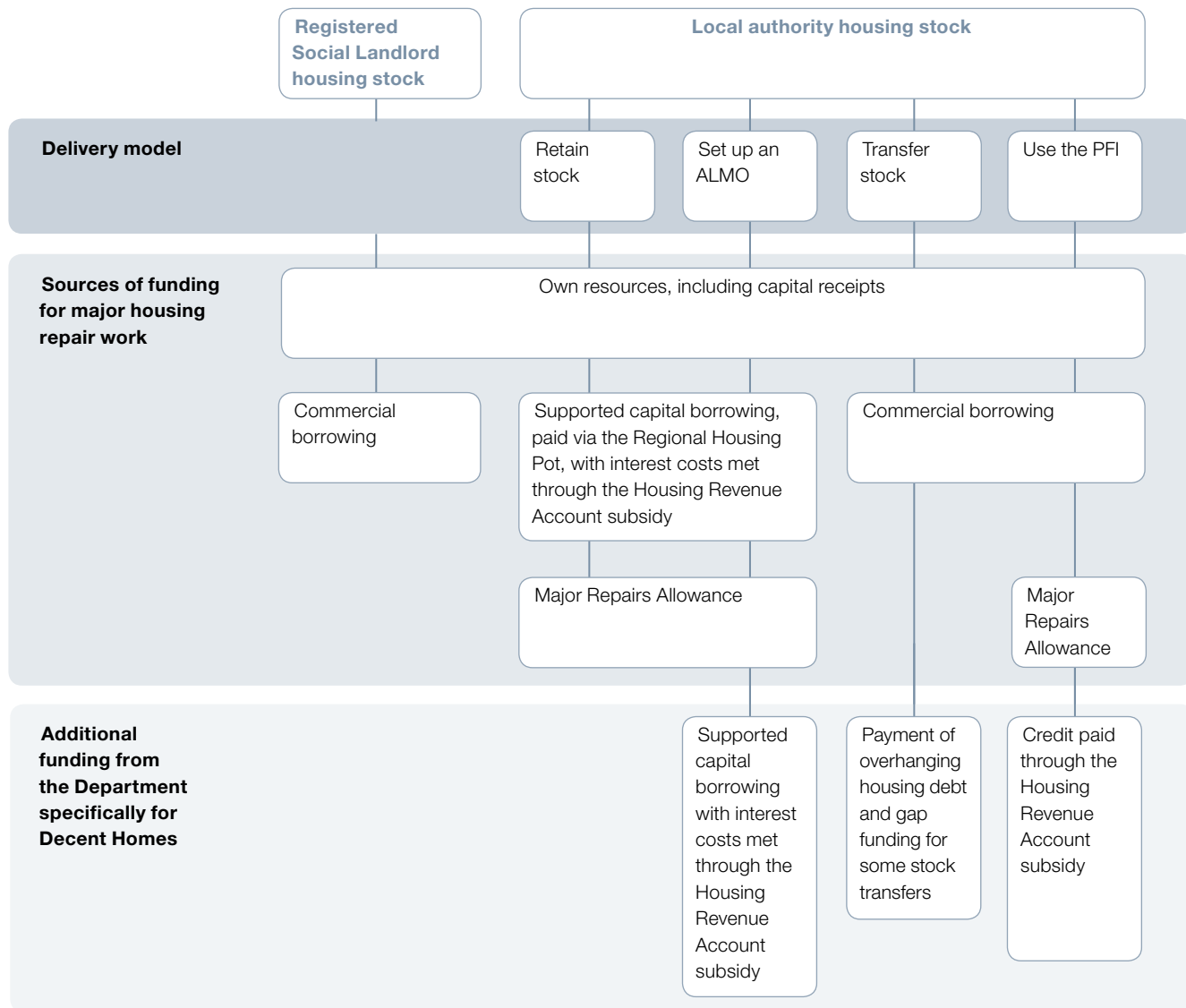
The Department's provision of financial assistance is complex

3.6 The arrangements for the Department's provision of financial assistance are complex and vary according to delivery route. In the social housing sector, Registered Social Landlords are expected to fund work needed to meet the Standard from their own resources and through new borrowing if required. There are a number of different funding sources for local authorities (**Figure 9** overleaf).

3.7 In addition to their own resources, authorities can use funding they receive from the Department:

- the Major Repairs Allowance, introduced in 2001-02, is provided through the Housing Revenue Account subsidy system to increase resources available to authorities to prevent homes becoming non-decent. It can be used for other repair work as well as Decent Homes; and
- supported capital borrowing, made available via the Regional Housing Pot by the Regions, which the Department intended to be primarily used on the Programme.

Figure 9
Funding the Programme in the social housing sector



Source: National Audit Office

3.8 The Department provides extra financial support specifically for Decent Homes work to authorities where tenants support a change in management arrangements for the housing stock. Thus:

- Authorities establishing ALMOs receive further supported capital borrowing directly from the Department;
- those using the PFI receive extra allowances via the Housing Revenue Account subsidy; and
- Authorities that transfer housing stock to a Registered Social Landlord may receive a lower payment from the new Landlord at transfer than the related housing debt. In these cases, the Department pays the balance between the transfer payment and the debt to clear any overhanging debt. From 2004, in cases where there was no receipt and the transferring stock was in such poor condition that it had a large negative value, the Department provided the new Landlord with a gap-funding grant.

3.9 The funding of improvements to private sector accommodation for vulnerable households is less complicated. The Regions allocate grants to local authorities from the part of the Regional Housing Pot meant for private sector renewal. The fund is not ring-fenced for Decent Homes and can be used for any of their capital expenditure.

The Department can only estimate the total cost of its financial assistance to the Programme

3.10 The Department can only estimate the total cost of its financial assistance to the Programme in the social housing sector. It can identify the cost of the extra financial support it gave specifically for Decent Homes work on local authority-owned social housing – almost £6 billion by March 2009, with total assistance expected to reach just under £9 billion by March 2011 (**Figure 10** overleaf). Whilst it can identify the total Major Repairs Allowance and the Regional Housing Pot funding given – almost £19 billion by 2010-11, it can only estimate how much of this funding was used to deliver the Programme. It estimates that approximately 65 to 69 per cent of this (£12.2 to £13 billion) will have been spent on the Programme up to 2010-11. The Department considers that to identify exactly how much of the £19 billion was used for 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.

3.11 Similarly, the Department can only estimate how much of the £2 billion that is earmarked from the Regional Housing Pot for private sector renewal (**Figure 11** overleaf) has been used to improve the housing of vulnerable households in private sector accommodation. It estimates that approximately 60 per cent of this (£1.2 billion) will have been spent on the Programme up to 2010-11.

Figure 10

Departmental funding for local authorities and ALMOs

£ billion	2001-2009 Actual Expenditure	2009-11 Planned Expenditure	Total
Additional Departmental funding specifically for Decent Homes			
ALMO	4.41	1.68	6.09
Private Finance Initiative	1.32	1.04	2.36
Gap funding for stock transfer	0.24	0.22	0.46
Total	5.97	2.94	8.91
Departmental funding for major housing repair work, including Decent Homes			
Major Repairs Allowance	11.12	2.39	13.51
Supported capital borrowing via the Regional Housing Pot	4.79	0.53	5.32
Total	15.91	2.92	18.83
Total local authority and ALMO funding from Department	21.88	5.86	27.74

Source: Department for Communities and Local Government

NOTE

The above Figure excludes the write off of housing debt which can occur on the transfer of housing stock to a Registered Social Landlord.

Figure 11

Regional Housing Pot funding of Private Sector Renewal

2001-02 (£bn)	2002-03 (£bn)	2003-04 (£bn)	2004-05 (£bn)	2005-06 (£bn) Actual	2006-07 (£bn)	2007-08 (£bn)	2008-09 (£bn)	Total (£bn)	2009-10 (£bn)	2010-11 (£bn) Forecast	Total (£bn)
–	0.01	0.01	0.06	0.02	0.38	0.44	0.35	1.27	0.43	0.38	2.08

Source: Department for Communities and Local Government and the Homes and Communities Agency

3.12 Because the Department can only estimate how much of the Major Repairs Allowance and the Regional Housing Pot for social and private sector housing was used for Decent Homes, it does not know definitively how much it has spent on the Programme as a whole.

The Department faced difficulties in setting a budget for its financial assistance

3.13 The Department faced difficulties in setting a total budget for the financial assistance it would need to give to local authorities specifically for Decent Homes work on social housing as the delivery route chosen by each authority had a direct impact on the amount of assistance given.¹¹ The Department did attempt to predict which delivery route local authorities would choose, and refined its predictions in collaboration with Government Offices as the Programme progressed. However, more authorities chose to establish an ALMO than the Department predicted. In a number of authorities, tenants did not agree with the delivery option proposed or the original proposal proved to be undeliverable or unsustainable.

3.14 The Department budgeted for the Programme on a two-three year basis in line with Comprehensive Spending Review periods. As a result, while it indicated to ALMOs and gap-funded Registered Social Landlords how much financial assistance it would give them over the course of their programmes, it could only guarantee this assistance over three years, paying funding in two-year tranches.¹² The short-term nature of the guaranteed funding made planning of some work more difficult.

3.15 Allowing local authorities and tenants the final say in the delivery route for authority owned stock, whilst meeting the Department's wider policy objectives, led to issues for the Department's management of its three yearly budgets, and for delivery at a local level. There were often delays in the choice of route early in the Programme, resulting in potential under-spends of the funds the Department had in its budget for ALMOs. To avoid these under-spends, the Department asked ALMOs that had already agreed their funding to bring forward planned refurbishment work and draw down their funding earlier. It also agreed with the Treasury that it could carry forward unspent ALMO funds into subsequent years. The funding bids for ALMO Round 6 exceeded the available budget and the Department's efforts to prevent an overspend impacted on delivery at a local level (paragraph 2.10). According to the National Federation of ALMOs, the stop start nature of the Programme has created major difficulties for ALMOs that have been asked to re-programme either by bringing forward or delaying expenditure.

¹¹ For example, until the introduction of gap funding in 2005, the Department provided no direct financial assistance for implementing Decent Homes when an authority chose to transfer its housing stock, apart from the payment of overhanging debt. In comparison, it did provide such assistance when an authority chose to set up an ALMO.

¹² The Homes and Communities Agency has subsequently changed to releasing funding to gap-funded stock transfer Registered Social Landlords in annual tranches.

The Department exercised effective cost control when bids were made

3.16 The Department ensured that the extra financing it released to local authorities specifically for Decent Homes work on social housing was reasonable by putting in place robust systems, which assessed the value for money of each bid before funding was released. All stock owning authorities were required to compile an options appraisal to identify their preferred delivery route for meeting the Standard and to submit these to the relevant Government Offices for scrutiny (Figure 2). As part of these appraisals, the authorities had to identify the funding they would require from the various available sources, including the financial assistance from the Department specifically for Decent Homes. We found that the process ensured a degree of robustness in the authorities' estimates.

3.17 Similarly, the Department took an active role when authorities submitted bids for ALMO and PFI funding, and for stock transfer rounds. It carried out extensive checks on bids to gain appropriate assurance that they represented value for money. Thus, on stock transfers, it reviewed all transfer valuations. For ALMOs, checks included a review of how an authority proposed to fund their programme, including the amount of Regional Housing Pot and Major Repairs Allowance funding it expected, and an assessment of the estimated costs in the bid against a cost-benchmarking model. The Department regularly used advice from the Building Research Establishment on up to date building costs and on the assessment of proposed unit costs in bids. It compared individual bids in different rounds and the average estimated costs for each round against each other, but did not compare bids to the actual costs that earlier ALMOs incurred when delivering the Programme.

3.18 When checking authority bids for ALMO funding, the Department aimed to ensure that the extra funding it provided was sufficient only to fund the costs of implementing the Standard. The amount of assistance it provided increased over time, in part because of increases in building cost inflation (Figure 12). The increase in assistance allowed some later ALMOs to refurbish their properties to a higher standard. For example, some later ALMOs were able to install both new kitchens and bathrooms, while earlier ones could only install one or the other.

3.19 Once the Department had completed these checks, it agreed the total extra funding for each ALMO, PFI project, or gap-funded Registered Social Landlord, which could not be increased except where there was an increase in the number of homes needing refurbishment. The Department provided funding for ALMOs and gap-funded Registered Social Landlords in two-year tranches (paragraph 3.14), reviewing whether the total amount of assistance agreed was still necessary before releasing the next tranche of funding. Poor performance by the ALMO or Registered Social Landlord put their financial assistance at risk.

Figure 12

The Department's financial assistance to ALMOs

- Rounds 1 and 2: The Department limited its assistance to £5,000 per property initially, and subsequently increased this to £6,000.
- Round 3 onwards: The Department removed this limit, and allowed ALMOs to include an allowance of five per cent for works to the wider estate, which did not form part of the Standard.
- Round 4 onwards: The Department allowed for building cost inflation which was particularly high at that time.
- Round 6: In response to problems with bids exceeding the available budget, the Department reduced the assistance given to 10 out of 16 applicants, reducing the average assistance given to £9,700 per property. The five per cent allowance remained.

Source: National Audit Office

3.20 In August 2009 the Agency commissioned a review of the gap-funding for 24 Registered Social Landlords. This concluded that this funding was still needed and was being spent on the Programme, and that there was no scope for renegotiating the funding agreements.

The Department had some measures in place to promote cost effectiveness

3.21 The Department used both existing and new measures to ensure the quality of housing management and delivery. New landlords established due to stock transfer were required to register with the Housing Corporation (now the Tenant Services Authority), while the Audit Commission conducts a programme of inspections for retaining local authorities and Registered Social Landlords. All ALMOs were required to undergo a housing inspection and achieve a two star rating before additional funding was released, and were regularly re-inspected.

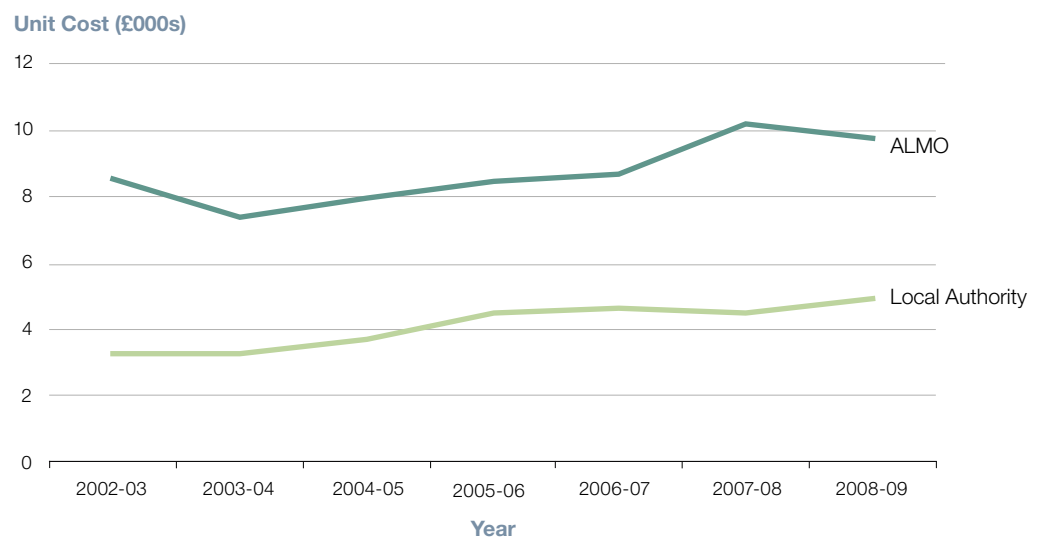
3.22 The Department has made efforts to encourage cost-effectiveness in Programme delivery. In October 2004, in response to the Gershon Review, the Department required local authorities bidding for ALMO and stock transfer funding to demonstrate how they would deliver efficiency gains that they could retain to deliver front-line services. ALMOs in bid rounds 1 to 3 were required to demonstrate savings of at least two per cent. Through its National Change Agent for Housing, a partnership between Davis Langdon and Trowers and Hamlins, the Department plans to spend £4.5 million by 2010 to support social landlords in setting up procurement consortia to achieve economies of scale in delivery. Fourteen consortia have been established covering 122 landlords, though in total these are only responsible for 33 per cent of Decent Homes work. These have identified total potential efficiency savings of £590 million, with actual savings of £160 million claimed to 2008-09.¹³

¹³ We have not audited these savings to assess their robustness.

3.23 Because of its concerns over the completeness and quality of data on the number of homes made decent (paragraph 2.14) and actual expenditure by landlords (paragraph 3.3), the Department has not routinely used this data to identify the average costs per property and how these costs have changed over time. For example, although the Department published an evaluation of the progress made by early ALMOs in 2005, this did not contain an analysis of costs per property. The National Audit Office's own examination of available information showed that ALMOs tended to spend more per property than retaining local authorities (**Figure 13**).¹⁴ The limitations of the Department's data mean that this comparison should be treated with some caution. The difference in costs does not necessarily mean that retaining authorities have achieved greater value for money than ALMOs. Greater investment at the outset may result in better value for money in the long term. ALMO stock may have required more work than retaining authority stock, while some ALMOs may have chosen to refurbish their stock to a higher standard or replace some building elements early to take advantage of the economies of scale.

Figure 13
Average cost per property for retaining local authorities and ALMOs

Comparison of unit costs for delivering Decent Homes



Source: National Audit Office

¹⁴ Data is not available on how much Registered Social Landlords spend per property on Decent Homes – see paragraph 3.3.

3.24 We consider that regular analyses of outturn costs would have assisted the Department when assessing if the financial assistance being sought by authorities in the later bids for ALMO funding and gap-funding for stock transfer was reasonable (paragraph 3.17). Such analyses would have assisted the Department when carrying out its reviews prior to its release of funding tranches (paragraph 3.19). If carried out once an ALMO or Landlord had completed its programme, they would have provided the Department with assurance that the assistance given had been reasonable and was used well. The Department does not consider such comparisons would have been useful, given the variation in the approach to Decent Homes work across authorities, variations in the type of housing, and differences in the level of historical investment.

3.25 Analyses of unit costs by the different approaches taken by landlords to procuring and carrying out the refurbishment work would have helped in the identification of good refurbishment practice. The Department has shared examples of good practice through conferences and workshops, and has worked with authorities to support them as appropriate. It has largely, however, relied on professional networks such as landlords' procurement consortia and the National Federation of ALMOs to identify and disseminate good practice. In December 2009, the Housing Minister announced an evaluation of the Programme to improve the Department's understanding of the Programme and to facilitate the sharing of best practice. Landlords were invited to submit evidence by January 2010 on how they had achieved value for money and on their programmes' wider benefits.

Part Four

The impacts of the Programme

The Programme has improved the condition of housing stock

4.1 Most stakeholders we consulted considered the Programme to be a success, and it has had a positive impact on the condition of the housing. A large majority of Registered Social Landlords and ALMOs we surveyed consider that the Programme had been a success and had been successfully implemented in their area. Two thirds considered that the Programme's value for money had been good. As at April 2009, numbers of non-decent social housing have fallen by approximately 1,100,000. Between April 2001 and March 2008, ALMOs and retaining authorities have installed 810,000 new kitchens, 610,000 new bathrooms and 1,140,000 new central heating systems. 850,000 council homes have been re-wired, over 1,000,000 have had new windows, and 882,000 have had improvements to their insulation.¹⁵ The energy efficiency of social housing stock has increased over the Programme, and at a faster rate than in the private sector, with the SAP rating¹⁶ for social housing increasing from 51.9 in 2001 to 57.8 in 2007, compared to 44.1 to 48.1 for private housing.

4.2 Many landlords state they have implemented a higher standard, which some considered was more in line with tenant expectations. According to survey respondents, the main ways in which they exceeded the Standard were by refurbishing homes to a higher quality, to higher energy efficiency levels, and by incorporating safety and security features. Some social landlords, however, have been constrained by the funding available. Fifty per cent of retaining local authorities that responded to our survey implemented a standard similar to the Decent Homes Standard (**Figure 14**). In comparison, ALMOs reported that they were able to spend more.

4.3 The majority of tenants we met were satisfied with the work done under the Programme. Those social landlords we visited had systematically sought feedback from tenants, which showed high levels of satisfaction. This was confirmed by tenants we met at these landlords and in separate focus groups who were generally satisfied, although some expressed concerns about disruption caused and the quality of the work.

¹⁵ The Department has not collected information on the numbers installed by Registered Social Landlords.

¹⁶ The Government's recommended system for assessing the energy efficiency of dwellings is the Standard Assessment Procedure, or SAP rating, which has a range from one to 100. A household that has a SAP rating of 100 is very energy efficient.

Figure 14

Survey respondents' views on work completed in comparison to the Standard

	The refurbishment standard adopted in comparison with the Decent Homes Standard		
	Similar (%)	A little higher (%)	Much higher (%)
Registered Social Landlords			
Stock transfer	9	50	41
Traditional	22	62	17
Local authorities			
Retaining stock	50	35	15
ALMO	8	70	23
Total	15	56	27

Source: National Audit Office survey of social landlords

4.4 It is difficult to identify the exact extent of tenant satisfaction with the Programme as the Department has not collected data specifically on this topic on a regular basis, nor has it collated or analysed information available at the local level. We accept, however, that there are methodological challenges in collecting such data. There have been regular surveys of tenant views on more general housing issues, including tenant views on the service provided by their landlord. In September 2008, the Department consulted social housing tenants, the majority of whom were content with the work done on their homes.

The Programme has produced wider benefits

4.5 According to stakeholders, the Programme has contributed to an improvement in the quality of service received by social housing tenants, with landlords placing a greater emphasis on the long term management of the housing stock. Thus, for example, 58 ALMOs have been rated as 2-star or above by the Audit Commission. Over the course of the Programme, tenant satisfaction with their social landlord has increased. Thirty per cent of survey respondents cited improved tenant satisfaction and engagement as one of the Programme's main benefits. Other benefits included increased employment opportunities and community spirit. Stakeholders also considered that the Programme had led to improvements to the environment and security of estates, the introduction of mixed provision in the delivery of social housing, and greater partnership working.

4.6 The Department has not systematically collected data on these wider benefits on a regular basis, although in 2007-08 the National Change Agent for Housing started to collect information on the number of jobs and training opportunities created by members of the consortia it had helped to establish. Lack of data on these wider benefits means that it is not possible to identify the Programme's true impact throughout its life.

There are concerns over maintenance of housing stock once the Programme ends

4.7 PFI schemes generally have clauses written into their contracts that give assurances that maintenance and quality standards will be sustained over the contract period, which is typically 30 years. For non-PFI provision, social landlords are concerned about how they will maintain their housing stock once the Programme and its extra funding ends. Almost a quarter of survey respondents mentioned the need for funding of work after 2010 to be addressed. ALMOs and retaining authorities have expressed concern about the difficulty in sustaining the current standard of homes without continued extra funding or reform of the Housing Revenue Account. The Department's analysis in July 2009 revealed a 24 per cent shortfall in the level of the Major Repairs Allowance needed to meet the Standard. The projected backlog of work at 2010 for these landlords is over £6 billion, although this includes some major repair as well as Decent Homes work.

4.8 Many stakeholders have expressed uncertainty over the standard to which the housing stock would be expected to be maintained once the Programme ended. While approximately half of survey respondents considered the Standard had been set at an appropriate level, about 40 per cent considered that it had been set too low. This view echoes the recommendations of the then Office of the Deputy Prime Minister Select Committee in 2004, which recommended that a 'more ambitious definition' of the Standard be adopted post 2010, which 'should be better aligned to the wishes and expectations of occupants'.¹⁷ Tenants consulted as part of the Housing Finance Review mentioned the Standard had focused on features within the home, potentially at the expense of other aspects outside it, such as lifts and common parts. According to stakeholders, social landlords and tenants, there were a number of areas where the Standard could be improved (**Figure 15**).

¹⁷ Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions, Fifth Report, Session 2003-04.

Figure 15

Scope for improving the Standard

- Higher standards for individual elements, in particular installation of new external doors and double-glazing.
- The need for flexibility within the Standard for tenant choice.
- Higher energy efficiency standards.
- Work on external areas, such as boundary fences.
- Work on lifts and communal areas.
- Work to improve the condition of the wider estate and security.

Source: National Audit Office

The Department has taken steps to address these concerns

4.9 In July 2009, the Department began consultation on new regulatory standards, which it proposed to direct the Tenant Services Authority to set for Registered Social Landlords and local authorities from April 2010. One of these standards covered quality of accommodation, with the Department proposing that accommodation should continue to be maintained to the Standard. In addition, the Tenant Services Authority proposed in November 2009 that a local standard higher than the Decent Homes Standard could be set if agreed between the landlord and its tenants, and that homes built with public sector subsidy to a higher standard should be maintained at this higher level. It also proposed to introduce a new regulatory standard covering maintenance and management of communal areas of housing estates, with details to be agreed with tenants.

4.10 The Department issued a consultation paper in July 2009 on the reform of the Housing Revenue Account Subsidy System, including a proposal to increase the resources available to retaining authorities and ALMOs to allow them to carry out necessary maintenance. It also intended that there should be sufficient funding in the new regime to allow authorities and ALMOs to tackle items that were missing from the original Standard such as lifts and common areas, with backlogs of work on these items to be dealt with by capital grant programmes. It did not rule out proposing a floor on the level of future decreases in the rents payable to authorities and Registered Social Landlords.

4.11 In its July 2009 Energy and Climate Change White Paper the Government stated it was considering with the Tenant Services Authority the need for aspirational standards for energy savings and emissions reductions in the refurbishment of existing social housing stock. The Department is currently considering how such standards could be funded.

Appendix One

Methodology

Selected Method

Purpose

1 Data analysis

We reviewed the Department's sources of data regarding the condition of social housing and private vulnerable households.

To evaluate progress towards targets.

2 Financial analysis

We analysed the Department's figures on expenditure.

To clarify total expenditure on the Programme and to assess value for money.

3 File review

We reviewed ministerial submissions, Project Board minutes, a sample of option appraisals and Departmental reviews of local authority bids, alongside key documents and Departmental guidance.

To inform our understanding of the Programme and how it was managed, monitored and evaluated.

4 Interviews

We held interviews with a range of staff at the Department, Government Offices and Regional Housing Boards, and other key stakeholders.

To understand Programme delivery, successes and barriers to better performance.

5 Survey

We surveyed local authority Heads of Housing, Registered Social Landlords, and ALMOs.

To establish the views of those delivering the Programme and the role the Department had in supporting their work.

6 Focus groups

We commissioned PriceWaterhouseCoopers to carry out eight focus groups with landlords and tenants.

To gather views of those delivering and benefiting from the Programme.

Selected Method	Purpose
7 Case studies We visited four different types of social landlord and one local authority in relation to the private sector target.	To gain an insight into delivery of the Programme at a local level.
8 Expert panel We discussed emerging findings with an expert panel.	To critically assess our findings.
9 Literature review We reviewed academic research and policy papers.	To inform our understanding of current thinking in social housing research and the wider housing environment.



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