

Improving the Decent Homes Standard requires funding

A Briefing paper by the Labour Campaign for Council Housing



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Introduction

In 1997 when New Labour was elected, there was estimated to be a backlog of work on council housing to the value of £19 billion. This was the result of Tory policies from 1979. Not only did they progressively end funding for building new council homes, they cut funding for maintaining existing homes as well. They stole tenant rent in a number of ways¹. This backlog of work was addressed by the introduction of the Decent Homes Standard and the Major Repairs Allowance.

Despite the limitations of the DHS (the standard was set 'too low' according to two Parliamentary committees) the MRA did improve living conditions of tenants as it provided double glazing, central heating and UPV doors etc. However, in 2012 a new council housing finance system was introduced. This involved a 'debt settlement' in which what was said to be the national council housing debt was disaggregated - divided up between all councils owning housing stock. 136 councils were loaded up with additional debt of more than £13 billion. This was not real debt – the cost of borrowing – but the result of financial manipulation by the Treasury.

As we explain in detail below, the amount of debt given was based on estimates of income and expenditure, and work to maintain homes at the DHS level. But no sooner had the new system been introduced than the coalition and Tory governments moved the goalposts and councils are taking in far less income than was incorporated in the debt settlement. **The result is that they have insufficient funds to maintain the DHS over the long term.** This means that the quality of existing homes, and hence the living conditions of tenants, will deteriorate.

The government is now reviewing the DHS, ostensibly to assess whether or not it needs to be improved. It appears, however, that the government is trying to avoid the thorny question of funding. If you are considering improving the standard there is a financial cost. Councils could not implement improvements without additional funding.

The review, whatever the intentions of the government, gives us the opportunity to highlight the limits of the current DHS and the crisis of funding faced by housing revenue accounts. A central component of improving the standard would be retro-fitting of existing council homes, necessary if homes are to be decarbonised. Yet it's not clear that this will be addressed by the review.

Our briefing explains the historical background to the DHS and suggests some improvements. **Essentially there needs to be a concerted campaign to resolve the problem of under-funding in order to improve the quality of existing housing stock and to face up to the costs of decarbonisation.**

What is the Decent Homes Standard?

The government has begun a review of the Decent Homes Standard. It was announced in the Social Housing White paper late in 2020. The DHS was implemented in 2002 and amended in 2006, since when there has been no change. The standard sets out four criteria for evaluating 'decency'. It requires that homes

¹ This is explained in detail in our pamphlet [The case for cancelling council Housing debt](#).

- A. Meet the current statutory minimum standard for housing – they must not have one or more Category 1 hazards.
- B. Are in a reasonable state of repair.
- C. Have reasonably modern facilities and services
- D. Provide a reasonable degree of thermal comfort.

A. **Statutory minimum standards**

They must not have any Category 1 hazards. The [Housing Health & Safety Rating System](#) (HHSRS) was introduced in the 2004 Housing Act. It assesses 29 categories of housing hazard. Each hazard has a weighting which will help determine whether the property is rated as having category 1 (serious) or category 2 (other). It is widely considered to be overly complicated.

B. **Reasonable state of repair**

Dwellings which fail to meet this criteria are those where either a) one or more of the key building components² are old and, because of their condition, need replacing or major repair; or b) two or more of the other building components are old and, because of their condition, need replacing or major repair.

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

C. **Reasonable modern facilities and services**

Dwellings which fail to meet this criterion are those which lack three or more of the following:

- a reasonably modern kitchen (20 years old or less);
- a kitchen with adequate space and layout;
- a reasonably modern bathroom (30 years old or less);
- an appropriately located bathroom and WC;
- adequate insulation against external noise (where external noise is a problem); and
- adequate size and layout of common areas for blocks of flats.

A home lacking two or fewer of the above is still classed as decent, therefore it is not necessary to modernise kitchens and bathrooms if a home meets the remaining criteria!

D. **A reasonable degree of thermal comfort**

“This criterion requires dwellings to have both effective insulation and efficient heating. However, whilst dwellings meeting criteria b, c and d are likely also to meet criterion a, some Category 1 hazards may remain to be addressed. For example, a dwelling meeting criterion d may still contain a Category 1 damp or cold hazard.”

Social Housing White Paper

The White Paper said that “If the evidence demonstrates that we need to revise the Standard, we will consider the strategic, economic and management case for new criteria as a second stage of the review.” However, it says “It is important that any changes to the Standard are affordable and deliverable.”

This looks like a get-out clause. You cannot have a policy of ensuring everybody has “a

² Key building components are those which, if in poor condition, could have an immediate impact on the integrity of the building and cause further deterioration in other components. They are the external components plus internal components that have potential safety implications and include: external walls; roof structure and covering; windows/doors; chimneys; central heating boilers; gas fires; storage heaters; plumbing; and electrics.

good quality home” and then say, sorry, we can’t afford it.

In fact the White Paper does not even address the finances of local Housing Revenue Accounts (HRAs), which are underfunded as a result of the new ‘self-financing’ system introduced in 2012, and government policies such as the four year rent cut³. **You cannot seriously consider ensuring good quality homes without assessing the current condition of the stock and the estimated cost of bringing homes up to an improved standard. For council homes this requires looking at Housing Revenue Account finances.**

Back in 2018 the original Social Housing Green Paper included a review of the DHS. At the time ARCH (the Association of Retained Council Housing) made the point that the amount of so-called debt that councils were given in 2012, under the ‘debt settlement’⁴, was in part based on the Decent Homes Standard as it was then. John Bibby, of ARCH said:

“The problem comes with resources. The self-financing settlement of the housing revenue account was predicated on local authorities having the income and borrowing to deliver and maintain the standard over a 30 year business plan period, and if there is a significant change that could make those plans not sustainable. *The government would need to revisit the settlement if it did make major changes* (our emphasis).”

We have long argued for cancellation of this bogus debt which is the result of manipulation by the Treasury rather than of actual borrowing. An improvement of the DHS, which is certainly necessary, underlines [the need for debt cancellation](#) since council HRAs do not have the resources to maintain the current standard, never mind an improved one.

What are the aims of the review?

The government has said that the first part of the review “will be to explore the case for criteria within the Decent Homes Standard and begin to understand what should be included in a new standard”. For each of the current criterion “it will consider the strategic fit against wider Government objectives and seek to identify any contradictions or inconsistencies”. It will consider whether the criterion reflects present day expectations and concerns”. It will also seek to identify any unintended and undesirable consequences precipitated by the criterion and consider whether the criterion has been practical and deliverable on the ground. The findings will guide a decision on whether to include, amend or remove the criterion from the new Decent Homes Standard.

Part 2 of the review will run from Autumn 2021 to Summer 2022. The aim of Part 2 will be “to redefine decency”. The Ministry of Housing says it will do this by considering “the strategic, management, economic and financial case of policy options identified during Part 1 of the review.”

In the document the government produced on the Social Housing Charter, which formed the main part of the White Paper, it said it would

“Review the Decent Homes Standard to consider if it should be updated, including how it can better support the decarbonisation and energy efficiency of social homes, and improve communal and green spaces.”

Clearly if all existing council homes are to be decarbonised then the DHS would have to be updated and funded to enable the work to take place.

“The DHS is set at too basic a level”

So how good was the DHS? It's worth going back and looking at the background, in particular the critique which two Parliamentary committees made, in 2003-4 and in 2010 . The 2003-4 report of the “Housing, Planning, Local Government and the Regions Committee” of the House of Commons,

3 This was a 1% cut in rent, each year from 2016.

4 136 councils were loaded up with additional 'debt' over over £13 billion. 33 councils were given some debt relief adding up to £5 billion.

despite pointing to positive results of the policy, said that the standard was set at “too basic a level”.

In the 1985 Housing Act there was a “fitness standard” which set out a list of nine criteria with which a dwelling must comply, such as structural stability, sanitation, basic heating etc. This was replaced by the HHSRS.

“Reasonably modern facilities”

In order to fail the DHS in relation to “reasonably modern facilities” a property had to lack three or more of these criteria:

- a. a kitchen which is 20 years old or less;
- b. a kitchen with adequate space and layout;
- c. a bathroom which is 30 years old or less;
- d. an appropriately located bathroom and WC;
- e. adequate noise insulation [external noise only]; and
- f. adequate size and layout of common entrance areas for blocks of flats.

Whilst an age guide might be useful, in real life components can last for less time or more. It does not become “life expired”, need replacing, according to a rigid timescale. The Parliamentary Committee said

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

Thermal comfort

According to the Parliamentary report the standard of insulation was *lowered after lobbying from social landlords*.

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

At the time it was estimated that 34% of local authority stock failed the DHS on thermal comfort, nearly as bad as the private rented sector's 40%. The Chartered Institute of Housing pointed out that new building regulations would soon require 300mm insulation, whereas the DHS only required 50 mm in properties with oil or gas central heating.

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

The All Party Parliamentary Warm Homes Group told the committee that:

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

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

target to end all fuel poverty in those sectors by 2010 is met.”
The Sustainable Energy Partnership pointed out that:

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

The committee concluded

“The ‘Decent Homes Plus’ target...should not only include a much more ambitious thermal comfort criterion, but it must also work in tandem with other key policies such as the Fuel Poverty Strategy and energy efficiency targets. Funding for the different programmes must be closely coordinated.”

CLG Parliamentary Committee

In 2010 the Communities and Local Government Committee did a report on the DHS (*Beyond Decent Homes*). It said

“The decent homes programme has had a dramatic, positive effect on the living conditions of almost all social housing tenants by putting very significant resources into tangible improvements to social housing. We applaud the Government, local authorities and their partner organisations for the tenacity with which they have pursued the ten year goal and the results they have achieved. The decent homes standard is, nonetheless, *a low standard* (our emphasis), which makes it all the more shocking that nearly 40% of social homes were below that level in 2001; and all the more encouraging that so many landlords have gone beyond the standard in the improvements they have carried out.”

In relation to criterion (c) the committee said that the way it was expressed “allows homes with quite different standards of amenities to be classified as decent”. A landlord may avoid installing new kitchens and bathrooms if he judges the other elements to be “adequate” and “appropriate”.

The thermal comfort criterion generated the most criticism. Inadequate heating, of course, is connected with winter deaths, which are worse in the UK than in colder countries, such as in Scandinavia where the quality of homes is better. But as the government guidance itself said simply meeting the required insulation and heating systems inputs will not necessarily be sufficient to prevent a Category 1 hazard. The guidance seeks to link an energy efficiency measurement to warmth by specifying that a Standard Assessment Procedure (SAP) rating (the Government’s measure of energy efficiency) of less than 35 “has been established as a proxy for the likely presence of a Category 1 hazard from excess cold”.

The evidence was almost universally negative about the level at which the thermal comfort criterion was set. The Chartered Institute of Environmental Health said the level was too low. The Association for the Conservation of Energy called it “woefully inadequate to provide affordable warmth”. National Energy Action described the criterion as “not fit for purpose” and stated that the “adoption of SAP 35 as a proxy for a Category 1 hazard under the HHSRS, with the implication that any higher SAP does not pose a major risk to health and well-being, is unacceptable”.

The Energy Saving Trust said that “there is a lack of guidance about what is a Category 1 hazard for cold”, describing “confusion among local authorities”. The Association for the Conservation of Energy concurred, citing research by the Chartered Institute of Environmental Health showing that “the energy assessment required by the HHSRS is quite subjective, leaving council officers unsure whether the premises in question are in fact suffering from ‘excess cold’”.

The committee concluded that

“...there is evidence of confusion around how to use the HHSRS in this area. We recommend that the Government formulate and disseminate practical guidance on what constitutes a risk of excess cold under the HHSRS, building on the extant guidance for landlords and property related professionals on the HHSRS.”⁵

It also pointed out that “Thermal comfort” and fuel poverty are inextricably linked. “A comfortably warm home will not be achieved through energy efficiency alone, should the inhabitant be unable to afford energy costs.”

The committee considered what might comprise improvements to the standard. Suggestions to add criteria relating to energy consumption ranged from energy efficiency, fuel poverty, carbon dioxide emissions and overheating to water consumption. Many of the responses to the committee focused on reducing carbon dioxide emissions through energy efficiency measures.

The Sustainable Housing Action Partnership (SHAP) stated that meeting the carbon reduction targets “could require a major retro-fitting of low carbon technologies such as solar water heating, photo-voltaic electricity generation and heat pumps”.

Funding

Delay in achieving the standard was related to funding. Where tenants did not vote for transfer there was no “equal playing field” and funding was not available. BRE housing group described this as “using the Decent Homes targets as a way of forcing Local Authorities to carry out stock transfers and/or set up ALMOs”. It had been “deeply unpopular with tenants and staff within these organisations”. Those authorities which had been unable to win tenant support for change were “caught in an impossible situation”. In 2004, the predecessor ODPM Committee described the pursuit of this policy as a “dogmatic quest to minimise the proportion of housing stock managed by Local Authorities”.

One of the advantages of transfer of stock to a housing association was debt write-off, which was given if tenants voted “the right way”. However, with financial circumstances of the great crash, New Labour decided that they could not afford debt write-off. Housing Minister John Healey told the committee that the new finance system would ensure that councils had the finances “to keep homes at a decent level”.

“We note, however, that the Minister’s replies were significantly weaker on the question of how retention authorities can bring their stock up to that level in the first place. HRA reform will not solve that problem. We call on the Government urgently to set out how, post-HRA reform, authorities which have retained management of their stock will be funded to eliminate the backlog of non-decent housing....We conclude that local authorities with retained stock are capable of effective day to-day management, but that lessons learned from ALMOs should be applied to improve their results. We further conclude that unless local authorities with and without ALMOs receive the same funding for housing improvements, the results will always be skewed in favour of ALMOs.”

The Tenant Services Authority said:

“The ability of LA landlords to comply with [the Decent Homes] standard depends on their funding position; the proposals for reform of council housing finance offer the prospect of local authorities being in a better position to manage the quality of their housing stock on a more stable and predictable basis, but *realising this will depend on the specific outcome of the review.*”

Could the Major Repairs Allowance fund the DHS? The National Federation of ALMOs summed up the general view of witnesses:

“The major repairs allowance is nowhere near keeping pace with the requirement to cater for properties that fall outside the decent homes standard post 2010 while management and

⁵ See Chartered Institute of Environmental Health

maintenance allowances are considerably below that which is needed to maintain current levels of service and day to day repairs.”

Gwyneth Taylor, the Federation’s Policy Director, amplified this in oral evidence:

“The original aim of the Decent Homes programme was to fund the backlog and then future properties would not fall out of decency because the major repairs allowance would achieve that. The Government’s own review has proved conclusively that the major repairs allowance would need to be dramatically increased, by at least 43 per cent overall but in individual circumstances probably by a significant amount more, in order to sustain Decent Homes longer term.”

However the government was only proposing a 24% increase in MRA. So when the system was introduced by the coalition government, *under-funding was built into the system*.

Carbon reductions and thermal comfortability

The National Housing Federation quoted estimates from their members of £25,000 per property in order to meet 80% carbon reductions targets, “with higher costs in difficult to treat properties such as high rise flats”.

The CLG Committee's Report drew attention to the apparent inequity whereby private tenants could apply for a Warm Front grant to replace an old heating system, whereas a social sector tenant whose heating had not yet been replaced under the decent homes programme would have to wait until the system broke down.

The committee concluded:

“When our predecessor ODPM Committee looked at Decent Homes in 2004, the Government was reluctant to consider the future of the policy. Even now we found a similar reluctance on the part of the current Housing Minister when he came to give evidence to this inquiry: Mr Healey was considerably more forthcoming on the merits of the current programme than when questioned on the main subject of our inquiry, what should come next. Now is the time when serious consideration needs to be given to the future of standards in social housing: what standards are appropriate and achievable; and how they can be achieved and maintained in the current and likely future financial and policy context.”

The committee recommended another important extension to the existing decent homes criteria: the addition of a specific minimum standard for energy efficiency. It considered this to be important for tenants, *who may suffer excesses of cold or fuel poverty even in homes currently considered decent*. **An equally important driver for this extension, however, is the imperative of meeting climate change targets.** Work to improve energy efficiency in the existing housing stock is crucial if significant inroads are to be made into reducing domestic carbon emissions, and the decent homes standard is an obvious means of ensuring that happens, at least in the social housing sector.

Retro-fitting

Since 2010 the question of retro-fitting existing stock has moved centre stage. Buildings produce approximately 20% of all carbon emissions in Britain, houses 14%. From 2025 all new homes will be unable to fit central heating with gas boilers: “new homes should not be connected to the gas grid from 2025”.

“The 2019 Spring Statement includes a commitment that, by 2025, we will introduce a Future Homes Standard for new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency.”

This means a new home built to the Future Homes Standard might have a heat pump, triple glazing and standards for walls, floors and roofs that significantly limit any heat loss. For council housing

there is no way that this work can be done without central government funding. Some local authorities have begun producing homes to the Passivhaus standard and some have started trials of retro-fitting homes using, for instance, the Dutch Energiesprong⁶ system. But these are small scale trials.

If we assume £20,000 per property to decarbonise home then the 1.6 million council homes in England would cost £32 billion. The Tory Party's manifesto pledge of £3.8 billion (only a £50 million pilot has so far been brought forward) will barely scratch the surface.

Overview

Improvements in the DHS cannot take place without an assessment of the financing of HRAs. Owing to their under-funding as a result of 'self-financing' and government policy since 2012 they have insufficient resources over the long term, to be able to renew key housing components and prolong the life of stock. They are taking in billions of pounds less rent than was estimated and incorporated into the 2012 'debt settlement'. Moreover, if the government were serious about decarbonisation then it would not be shy of discussing the cost of retro-fitting social housing.

In 2019-20 data returns from English councils suggest that 4.85% of their homes were 'non-decent'. Given the fact that councils themselves determine whether or not homes are 'decent', the number is probably in reality higher.

The initial results of the Sounding Board set up to review the DHS suggest that all participants will call for improvements of the standard and simplification of the HHSRH or its replacement.

That facilities can be considered "reasonably modern" with a bathroom more than 30 years old and a kitchen more than 20 years old, shows how inadequate the current standard is. One should be sufficient for a home to be deemed non-decent.

The standard should not only be based on safety – threats to the health of the tenant should be unacceptable – but on the quality of their lives. That is affected by deterioration of components but also by heat loss. Properly insulated homes cut the costs of heating. If, during cold spells tenants cannot afford to put the heating on much, if at all, then damp will result.

Although councils will keep records of component age, in practice, in practice they are dependent on tenants reporting problems. One thing which might be done as a result of the view is to use the annual gas safety check to carry out an inspection and to give the tenant an opportunity to raise any issues. A proactive rather than reactive response would potentially improve the relationship with tenants who currently may often struggle to get repairs done.

With the issue of retro-fitting now on the agenda, a renewed DHS would have to include replacing gas boilers for central heating and preventing heat-loss. This will simply not be done unless government funding is provided. Not only is this necessary to cut carbon emissions but it will provide the opportunity of creating socially useful jobs in a situation where unemployment is on the rise owing to the economic impact of covid.

The review of the DHS provides us with an opportunity to explain how HRAs are funded, how they are in fact under-funded, to campaign for the funding necessary to improve the quality of homes and to prepare the move towards non-carbon heating systems and improved living conditions for tenants.

⁶ [RICS](#) says: Energiesprong, Dutch for 'energy leap', is a standard for whole-house refurbishments and new builds that requires contractors to achieve affordable, year-round comfort for three decades at no extra cost to households. To meet this standard, a retrofit must provide a 21°C year-round temperature in the living room and 40 minutes of hot water a day, plus adequate clean electricity to run appliances. How these standards are achieved is left to the contractor, but Energiesprong's Dutch experience has shown that on-site works can typically be completed in ten to 15 days.