

# From Decent Homes to Sustainable Communities

A discussion paper

# housing

# Introduction

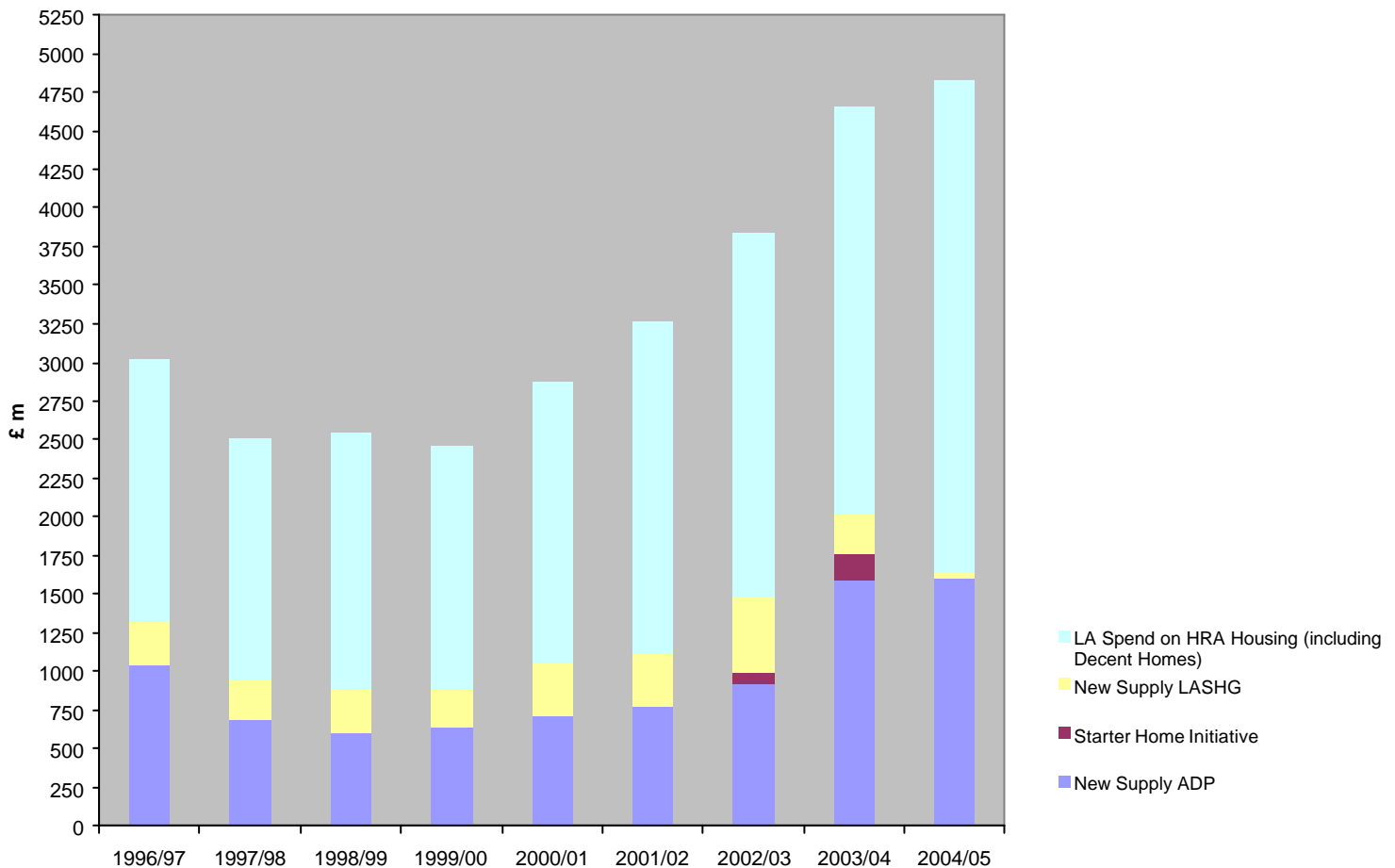
1. In 1997 we faced three major housing challenges. The private housing market was suffering from serious long term instability, characterised most recently by the housing market crash of the early nineties when almost 400,000 people had their homes repossessed. The social housing stock was suffering from a £19 billion backlog in repairs and maintenance with more than two million homes failing basic decency standards. And there had been a serious and worrying increase in the number of vulnerable people ending up on the streets or in bed and breakfast for want of a home.
2. In each of those three areas we have made substantial progress. Economic stability has delivered much lower long term interest rates, historically low levels of repossessions and helped a million more families into home ownership. An ambitious multi-billion pound investment programme is underway to get all council and social housing up to proper decency standards with over half the problem tackled already. The number of rough sleepers on the streets is down by two thirds, families are no longer kept in long term bed and breakfast and the latest figures show a marked reduction in the number of homeless families.
3. Alongside the progress in those major areas, other challenges have emerged too. In particular we need to build more homes across the board – more market housing, more shared equity and more social housing – to meet the needs of our ageing, growing population. Over the last three decades of the 20th century we saw a 30 per cent increase in the number of households but a 50 per cent drop in the level of house building. That is unsustainable. Already, through the sustainable communities plan, we have increased house building significantly in the past few years. But we will need to go further, as our response to Kate Barker's review made clear. And whilst progress has been made, we also need to go further in improving environmental and design standards of new housing too.
4. More needs to be done to support mixed and sustainable communities. Much has been achieved through the neighbourhood renewal programme, the housing market renewal pathfinders and the decent homes programme to turn around the most deprived estates. But housing in many areas is still too polarised between areas of high cost private housing and concentrations of deprivation in large estates of social housing. Poor housing and deprived neighbourhoods have an impact on people's health, job prospects and children's education. That is why we are determined to go further in improving the quality of housing and mixed communities.

5. The Government's housing policy aims are to deliver:
  - A step on the housing ladder for future generations of homeowners
  - Quality and choice for those who rent
  - Mixed sustainable communities.
6. Investment and reform to improve Britain's housing is underway across the country, through the decent homes programme, the Sustainable Communities Plan and the response to the Barker Review. But as part of the preparation for the 2007 Comprehensive Spending Review, the Department for Communities and Local Government is undertaking a wide ranging review of the priorities for investment and the reforms needed in the next phase.
7. As part of that work we are keen to seek the views of stakeholders and local communities across the country. We are already consulting widely on many of the reforms proposed as part of the Barker Review; the Shared Equity Taskforce is looking in detail at ways to expand shared ownership; and the Housing and Regeneration review, which includes the roles of the Housing Corporation and English Partnership, is looking at ways to get the best use out of public sector investment and assets to deliver more affordable housing and sustainable communities.
8. This document looks in particular at some of the emerging ideas around social housing and affordable housing. The Chancellor said in the pre-Budget report that new social housing would be a priority for the Comprehensive Spending Review. As part of the CSR we are therefore exploring ways to increase the impact of public sector investment and public sector assets, and also to find innovative ways to lever in additional funds particularly from the private sector to expand affordable housing. Already local authorities and housing associations across the country have been pursuing innovative ideas to improve the quality of social housing and expand supply. We now want to seek wider views on how we build from decent homes to sustainable communities.

# Investment in social and affordable housing

9. Since 1997 we have increased substantially the capital investment in social and affordable housing. The greatest increase has been to repair and refurbish existing homes – many of which were failing basic decency standards. Investment in new social housing has also increased significantly. However rising land and construction prices have pushed up the cost of new social housing, at the same time as rising household formation is pushing up demand.

## Chart on overall public sector spend on social housing



10. However rising demand for new social housing as well as the need to continue investment in high quality homes and neighbourhoods means we need to look at new and innovative ways to use the investment, and to lever in additional resources to deliver sustainable communities.

## **Decent Homes**

11. The Decent Homes programme has been a tremendous success. It is making a big difference to the lives of millions of tenants up and down the country. It has already reduced the number of non-decent properties by over one million. 500,000 homes have new kitchens and 350,000 new bathrooms, and 500,000 homes have new wiring. But the programme has not just been about improvements to homes it has resulted in greater involvement of tenants in decision making about their homes; it has created thousands of training and employment opportunities; and has stimulated improvement in housing services.
12. We have substantially increased the funding available to councils to invest in improvements to their stock. This year it is about £1,100 per home, up from spend equivalent of £800 in 1997. Ninety eight local authorities say they are able to meet the Decent Homes target as a result of these additional resources.
13. In addition, up to 2007/08 £3.7 billion is available to local authorities setting up ALMOs, which will result, each year, in an average of a further £1,700 being spent whilst the ALMO programme is running. Fifty six local authorities are currently on the ALMO programme. In total £20 billion of public money has been invested in council housing since 1997.
14. We have we have also levered in an additional £7.4 billion through stock transfers and the private finance for the five to seven years it takes a transfer to complete its decent homes initiative. This is the equivalent to £3,000 per home per year whilst improvements are being completed. Two hundred and forty eight local authorities are pursuing the stock transfer approach.
15. In order to complete the programme we are launching the final bidding round for funding within the Decent Homes programme for ALMO and stock transfers. This will allow bids from the remaining 44 local authorities who still need additional funding to make their homes decent and who have completed their options appraisals. As these areas will be late in starting on the Decent Homes programme we will negotiate individual time tables to complete decent homes as fast as is realistically possible.
16. All this means that by 2010 over 3.6 million homes will have some work undertaken to them as part of the decent homes programme - a much greater outcome than simply reducing the 2.2 million non decent homes we inherited.

17. We also need to ensure that as we complete the programme we respond to the wider housing challenges that remain, and make certain that the investment so far supports our other housing priorities - to increase new supply and create mixed, sustainable communities.
18. The decent homes programme has already created much greater tenant involvement in the decision making about their homes. We want to go further now and encourage local authority involvement in the ownership and management of their homes through options including the Community Gateway, community mutual, and community land trusts. We are interested in views on how we can promote greater tenant and community based ownership of homes.
19. We recognise that the decent homes programme needs to support the creation of decent communities. In many areas the decent homes programme has already made a real difference to the lives of tenants by modest improvements to essentially good quality housing alongside improved services, helping to create sustainable mixed communities. But more radical solutions are required to transform some of the poorest neighbourhoods. We are interested in views on how the decent homes programme can be used to deliver decent communities too.
20. Some local authorities have raised concerns with us that the decent homes timetable is preventing them delivering more substantial transformations of local estates which inevitably take more time to get right. In order to ensure that the decent homes investment supports and is aligned with our other housing priorities - of increasing new supply and creating mixed communities – we will relax the constraint of 2010 in a limited number of cases for those local authorities engaged in or wishing to pursue major transformations of their estates or where it is clear that we could secure better communities and also better value for money by going beyond 2010. We still expect the majority of social landlords to make all their homes decent by 2010, 95 per cent of social housing will reach the Decent Homes standard and the number of non decent social rented homes will fall by 2 million. This is a tremendous achievement. However, we are interested in views from local authorities who would benefit from greater flexibility.
21. The decent homes programme is delivering a wide range of benefits but we want to see it working more flexibly. We also want to look at how we address the long term future of social housing going beyond decent homes. In the longer term we are keen to see decisions on investment in the social housing stock taken alongside decisions about other aspects of mixed communities and affordable housing rather than as separate programmes. We believe Local Area Agreements could offer the potential to do this but would like views on how this could be delivered in practice.

## **New social housing**

22. We are looking to get more out of existing provision to help meet the need for social housing. The Housing Corporation's programmes have shown significant efficiency gains in recent years as housing associations improve the management of their delivery chains and the Corporation uses more rigorous tools to assess value for money. In addition use of Modern Methods of Construction, which now accounts for almost half of the Corporation's programmes, is improving reliability, certainty of delivery and is bringing costs down. But we still need to do more and we are therefore examining innovative approaches to supply which could help bring in more resources and get more from this investment.
23. In general building new social housing through housing associations levers in around 40 per cent extra funding through private sector borrowing. The result is that we can build 40 per cent more new homes than if we build directly through local councils or other public sector agencies. That is why we expect the new building programme to continue to be concentrated through housing associations. However, we need to look more widely at different ways to lever in additional resources, including looking at ways for ALMOs, local councils and the private sector to be involved in new social housing.
24. We are funding developers alongside housing associations to provide a competitive spur and to promote innovation. The Housing Corporation is currently negotiating funding for the provision of some 3,000 homes by private sector developers, comprising both social housing and low cost home ownership. We are interested in views on how we could encourage more private sector provision of affordable housing.
25. We are examining innovative ideas for high performing LAs and ALMOs to build more social housing. In some areas innovative partnerships are being explored between local councils, ALMOs and developers to build more homes. Some areas have been exploring using local authority land and mixed communities proposals to fund new social housing that would be owned by the ALMO. We have set out in the ALMO review document details of how ALMOs could bid for social housing grant. We are also keen to explore innovative ways for local authorities to be able to use their land for new council housing too. Any proposals have to meet the value for money test.
26. We are launching an "Extra Homes Pilot" to test and develop temporary to settled housing initiatives in London, so that they help more families move from expensive and insecure temporary accommodation into more settled and affordable homes. We are already funding the Newham Local Space pilot which is buying up private rented properties and converting them over time into social housing in order to get people out of expensive temporary accommodation and generate savings in housing benefit. We are interested in other views on measures to bring down the housing benefit costs from

expensive temporary accommodation and on proposals for the Extra Homes Pilot in London.

27. Currently 60 per cent of medium and large residential schemes are built without any section 106 contribution to social or affordable housing. Ninety per cent of small residential schemes have no affordable housing. There are also wide variations in section 106 arrangements even for similar local authorities. In rural areas alone, if the lowest performing local authorities were able to meet the section 106 performance of the best we could deliver over 2,000 more affordable homes in rural areas. Therefore we want to explore better ways of using section 106 agreements and planning gain to support affordable housing whilst supporting development. We are interested in views on any obstacles local areas currently face.
  
28. The Review of Housing and Regeneration, which includes the roles of the Housing Corporation and English Partnerships, is looking at ways to extend and strengthen the way in which we deliver new social housing and mixed communities, making the best use of the significant funding through the Housing Corporation as well as English Partnerships assets. We have sought views separately on these proposals but would welcome any further considerations.

## **Low cost home ownership**

29. In addition to much needed social rented housing, we are also looking at ways to help households get a first step on the housing ladder:
  
30. We are already developing shared equity schemes through English Partnerships using public sector land and learning from our £60k house challenge to provide more affordable and attractive homes. We believe there is considerable scope for local authorities to use their own land to launch their own shared equity homes on the English Partnerships model. We welcome views on this development.
  
31. We are looking at ways of leveraging more private investment into the affordable housing sector to make grant go further. We have already entered into a partnership with private sector lenders to joint fund equity loans. This will enable an expansion of the Open Market HomeBuy scheme from October 2006, helping us to achieve our target of helping 100,000 households into home ownership in the five years to 2010. In March, the Chancellor announced the establishment of a Shared Equity Task Force. This will examine ways to increase the number of people able to benefit from shared equity products. It will report at the end of 2006 to inform the Comprehensive Spending Review decisions in summer 2007. We are interested in particular in how to get greater private sector involvement in shared equity schemes and would welcome views on how to increase shared ownership schemes.

## More mixed communities

32. Alongside the challenges on refurbishment and supply, the Government recognised that in some areas poor housing, poor job prospects and poor services can drive down the quality of life and make it very hard for people to achieve their potential. Our mixed communities demonstration projects are bringing together social, economic and physical elements of regeneration in a cohesive manner to help us share learning about some of the key principles of a mixed approach. Key principles include effective income mixing, innovative approaches to finance, intensive neighbourhood management, attracting and retaining residents, and high quality public services.
33. The big challenges in housing call for considerable investment, but it is also essential that we make the most of our assets and where possible lever in additional investment. We already have excellent examples where private sector investment has improved large estates of social housing, providing homes for social letting as well as more private homes and mixed communities as a result.
34. The need for communities that provide opportunities and incentives for all, including the most vulnerable, must underpin our long term strategic planning and influence all of our work, from the creation of small mixed tenure developments, through shared ownership initiatives, to the most ambitious regeneration schemes.
35. Manchester City Council is maximising its use of private sector investment in to its stock. The City has led in the use of housing PFI with four social housing schemes. The scheme at Plymouth Grove is a DCLG Pathfinders and has secured a 30 year £100m investment programme led by Grove Village Consortia, a partnership between Harvest Housing Group, Nationwide Building Society and Gleeson Homes. Alongside modernising 660 homes, the Consortia have demolished 400 of the worst houses to free up land to building 660 new homes. This work is being underpinned by new shopping and community facilities, a better estate layout and a greener local environment. We are seeking views on how this approach could be delivered in other areas.
36. To achieve quality local environments we must build high-quality and sustainable homes. We are committed to creating better, more liveable places through promoting better informed attention to design. It is the quality of the design that makes the difference in creating places that will stand the test of time, and be loved by their community. We must not repeat the mistakes of the past and build places where nobody wants to live. Well-designed places last longer and are easier to maintain, so the costs of the design element are repaid over time.
37. As part of the planning reform, we have set planning policy and guidance with emphasis on good design. We have also provided £36 million (2002 - 08) to the Commission for Architecture and the Built Environment

(CABE) to support their work to transform neighbourhoods. Critically, we are also promoting and championing understanding and take-up of innovation and good practice, and are working to raise local capacity through the Academy for Sustainable Communities. The £60k home competition showed how it was possible to improve design and space standards without pushing up costs. Half of the homes built through the competition will be affordable housing – both social housing and shared equity homes. We are interested in views on how we can further promote good design in social housing and affordable housing.

38. We are driving up environmental standards in both the new and the existing stock. Already building regulations introduced this year mean that energy efficiency standards in the new stock will be some 40 per cent better than in 2002. The new Code for Sustainable Homes will lead the way for even higher standards in the future and give builders and householders' aspiration standards to drive the market. Social housing and any other publicly funded housing will be built to level 3 of the Code. But we will need to go further and we have a range of work underway to promote low cost, low carbon housing in future. We are interested in what cost effective improvements we could make to increase the environmental standards of new homes.

## More flexibility for local councils, ALMOs and Housing Associations

39. It was important to establish a targeted programme to secure the immense progress that has been made towards delivering decent homes. However this bidding round will be the last within the decent homes programme, and the last to include direct government investment to meet the decent homes target.
40. In future we want decisions on investment in improving social housing to be considered alongside those on the other investment necessary to deliver sustainable mixed communities, and not as a separate programme. We want these decisions to be made locally by councils, along with residents and local partners, including ALMOs and RSLs. Local Area Agreements could offer the opportunity to do this and to introduce greater flexibility for local authorities on how to achieve different priorities and explore different models for managing homes and encouraging new social housing. We will explore how to achieve this in the long term as part of the Comprehensive Spending Review.
41. While Government provides substantial investment in housing, we also want local authorities to consider whether they have assets such as land which can be better used to deliver improvements for the community they serve. We are interested in views on this as well as on whether there are obstacles

to innovative use of assets to support mixed communities and affordable housing.

42. We are also looking at the costs and benefits of allowing some excellent councils and councils with excellent ALMOs the freedom to operate their finances outside the Housing Revenue Account Subsidy system. We intend to invite six local authorities, some of whom have retained their housing management in-house and some who have established ALMOs, to work with us to examine further these proposals. We are aware that many more local authorities are interested in this approach. Therefore part of the work will be to test out how this could work and consider a number of significant issues that have already been raised by in discussion. This is a major change which could potentially deliver longer term sustainable investment in the local housing stock, so we see it as vital to explore the impacts first to ensure we get it right.
43. And we are responding to the review of ALMOs which completed its work last year. The review examined how ALMOs could build on the success of their delivery of decent homes. As the initial contracts between ALMOs and local authorities come to an end, we are setting out a way forward which would allow ALMOs to continue to play an effective role in driving up the quality of housing services. We believe that successful ALMOs should be able to continue their work and we are interested in views on more flexible arrangements to maximise the service and support for local communities.
44. Many of these innovations offer local councils an opportunity to take a bigger role in meeting local housing needs. We want more decisions to be made locally by councils in discussion with residents and local partners, including Arms Length Management Organisations and Registered Social Landlords. In many areas local councils and RSLs have strong partnerships to expand and improve social housing. We are interested in views on what more can be done to promote effective working at the local level and ensure proper accountability to local tenants and residents.
45. We believe that greater flexibility could be achieved through Local Area Agreements. To support this we will examine further the potential and the benefits of more funding streams going through Local Area Agreements.
46. These changes should give councils a bigger influence over investment decisions in their areas - what housing is built and where it is built - as well as greater local discretion to allocate resources in a way that meets local priorities, for example, in making a choice between providing new homes or improving the existing stock. We would like views on how best to develop Local Area Agreements to support a strategic role for housing with strong emphasis on affordable homes.
47. Local authorities are also increasingly working effectively with neighbouring local authorities within the sub-regional housing market – particularly in housing market renewal areas and in growth areas. In addition the merger of

the Regional Housing Boards and the Regional Assemblies provides the opportunity to strengthen regional strategic decisions about planning and investment in housing. We are interested in views on how Local Area Agreements could operate effectively with sub-regional and regional arrangements in order to support affordable housing and sustainable communities. Some of these issues have already been raised as part of the review on Housing and Regeneration, however we are interested in further considerations.

48. Devolution of decision-making should not stop at councils and their partners. The decent homes programme has created greater tenant involvement in decision making about their homes. Tenants have participated in options appraisals and are board members of ALMOs and housing associations set up through transfers. We have already made clear our intention to promote more community ownership of homes. We also want to see greater tenant involvement on the boards of other RSLs as well as for stock transfer RSLs. We are interested in views on how to promote greater tenant involvement and accountability for local housing decisions.

## Your views

49. The Government will continue to set out its ambition for homes for all in sustainable communities. It will provide investment and a strong framework for delivery. But it is at the local level that priorities are determined and that delivery is secured. So we want your views.
50. This discussion paper has described a number of initiatives and ideas that are already under consideration and we will continue to develop our thinking as part of our work on the Comprehensive Spending Review. But we would welcome your views to contribute to our thinking. Specifically we are looking for views on:
  - getting the most out of existing public sector investment and assets;
  - ways to improve planning for affordable housing at the local level, including a stronger role for local authorities;
  - ways to lever in additional resources and assets to support social and affordable housing in particular from the private sector; and
  - ways to strengthen tenants role in decisions on social housing.

51. We would like everyone to have a chance to contribute and will be arranging a number of stakeholder discussions over the summer. If you want to give your views directly please email them to:

**simon.connell@communities.gsi.gov.uk**

**by 15 September 2006**

Any such response to the discussion document may be made available publicly unless you state clearly you want your contribution to be treated as confidential.

## Further Information

Further copies of this discussion paper are available on the DCLG website:

[www.communities.gov.uk](http://www.communities.gov.uk)

or from:

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