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Derby Homes Asset Management Strategy

2007

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Derby Homes Asset Management Strategy

Introduction

Derby Homes manages the City Council housing asset base of just under 14,000 homes on its behalf. There is a requirement for us to develop an asset management strategy for the public sector housing stock in Derby, which must support our strategic aim to:

'**maintain all council housing at the decent home standard, and to deliver value for money and customer satisfaction'**

This strategy has been developed in conjunction with the 30 year Housing Revenue Account (HRA) business plan at 1 April 2007, which is shown in appendix 4. It is important to note that the strategy is based on the levels of funding available through the HRA business plan for both repairs and investment. The HRA is an account of rent money and other income and spending related to Council housing.

There is some uncertainty about the future availability of funds via the HRA as the system is based on subsidy allowances from central government. This investment strategy is based on the latest projection.

Spending on the housing stock covers:

1) Routine repairs and maintenance, including responsive repairs, works to void (empty) properties, servicing equipment and cyclical work such as external painting. We are spending around £8.5 million a year on this type of work.

2) Planned maintenance carried out when parts of a building (called 'components') need to be replaced before they fail. We are now spending around £8.5 million a year on this type of work.

3) Environmental and estate improvements which improve the condition and security of estates. We are spending around £3 million a year on this work through our Estates Pride programme, until 2010/11.

4) Development and re-development of housing ,which can include acquisition, demolition, remodelling and new build with different types and mixes of housing. There are currently no budgets available to support Derby Homes carrying out such programmes.

This asset management strategy deals with expenditure in the first second and third categories – that is repairs, planned maintenance and Estates Pride improvements.

The housing stock

The Council housing stock in Derby dates back to the late 1920s, with Osmaston, Allenton, Cowsley, Austin, Morley, Old Sinfin and parts of Spondon, Chaddesden and Alvaston being developed during this time. 'Pre war' homes represent just over a third of the Council housing stock in Derby. These estates were designed to meet the needs of families, the majority of these homes are three bed semi-detached properties.

The next period of council house building in Derby took place around the 1950s, with Mackworth, Alvaston, Chaddesden and parts of Littleover and Chellaston being built during this period. This 1950s era post-war housing represents just under a third of the remaining stock. The majority of homes built during this period were designed for families, with some bungalows spread amongst the estates. There were also a significant number of non traditional homes built at this time, using concrete and steel frame construction.

The newest council housing in Derby was built around the early 1970s, with New Sinfin, parts of Alvaston and dispersed sheltered housing schemes and flats being built. The majority of these homes were smaller units of accommodation for single people, couples or the elderly.

Stock profile

	pre 1945	1945-1964	1965-1974	post 1974	all
Traditional Houses & Bungalows					
1-2 bed house	994	259	32	180	**1,465**
1-2 bed bungalow	157	790	147	7	**1,101**
subtotal	**1,151**	**1,049**	**179**	**187**	**2,566**
3+ bed house	3,063	1,187	277	351	**4,878**
3+ bed bungalow		1		7	**8**
subtotal	**3,063**	**1,188**	**277**	**358**	**4,886**
Non Traditional Houses & Bungalows					
House	294	1,288	110		**1,692**
Bungalows	1	197	25		**223**
subtotal	**295**	**1,485**	**135**	**0**	**1,915**
Flats					
Low rise 1-2 storey	82	310	658	2,157	**3,207**
Med rise 3-5 storey	41	214	590	291	**1,136**
High rise 6+ storey			79		**79**
subtotal	**123**	**524**	**1,327**	**2,448**	**4,422**
Maisonettes					
1-2 bed			95		**95**
3+ bed		26	30		**56**
subtotal		**26**	**125**		**151**
TOTAL	**4,632**	**4,246**	**1,918**	**2,993**	**13,940**

Right To Buy sales	**122**

Past investment

Prior to the Decent Homes programme the only stock to benefit from significant improvement were pre-war homes and non traditional stock. These improvements were carried out in some areas during the late 1980s and early 1990s, paid for through special funding called 'Estate Action'. Osmaston, Allenton, Cowsley, Old Sinfin, Morley and parts of Spondon were modernised during this time.

Decent Homes

The Decent Homes programme has enabled us to focus our efforts on the homes built during the 1950s and 1970s. These represent about two thirds of the stock and nearly all had significant improvements offered during the programme. The majority of these homes benefited from new kitchens, bathrooms and energy efficient gas central heating systems. There were some tenants that refused the work (around 8%) and we plan to complete these improvements when the tenant leaves or changes their mind; the current capital programme includes a contingency for this. There are currently about 200 homes that fail the Decent Homes standard, mainly as a result of having no form of central heating, but many of these tenants are elderly and do not want the disruption.

Ongoing investment programmes

There are a number of investment programmes that continue beyond our Decent Homes programme. These include UPVC window installation and the replacement of electric storage heater systems. We are also continuing our programme to re-modernise kitchens and bathrooms in pre-war homes, working our way through the most sustainable estates first. The window replacement programme is the highest priority and is scheduled for completion by 2011/12, based on current levels of funding.

Appendix 1 sets out the five year capital investment programme.

Future investment needs of the housing stock in Derby

We have a clear understanding of the future investment needs of the stock. The data collected during the Decent Homes programme provides a solid platform to plan future investment. Having completed the major modernisation and catch up repair programme, for which Derby received extra funding in 2002 -2006, it is now a fact that the reduced resources available do dictate the pace at which future investment can be delivered. Our current aim can only be to work within these financial constraints to maintain the stock to a fairly minimum Decent Homes standard. It is likely that over time homes will become non-decent, that current levels of resources will be unable to keep pace and that there will be a need for another Decent Homes programme in the future.

As mentioned previously the pre-war stock received significant planned improvement work during the late 80s and early 90s. The Decent Homes programme allowed us to improve previously unmodernised pre-war homes. It also allowed us to commence a re-modernisation programme for these older homes, replacing kitchens and bathrooms. Around a quarter of the pre-war stock has benefited from this work, mainly in Spondon, Austin, Morley and Old Sinfin.

This leaves three quarters of all pre-war homes with the potential to become non-decent within the next five to ten years. It is important that the right investment decisions are taken for these homes, as many are within fairly deprived communities and there are issues regarding the future sustainability of some of these areas.

Our short term plans include continuing the re-modernisation programme in Old Sinfin then moving to work in Alvaston, with further consideration through master planning for Osmaston and Derwent. This may result in major development and re-development programmes which are not covered in this asset management strategy.

Current resources will, however, allow us make these homes decent by replacing old worn out kitchens, bathrooms and heating systems, although this will take a long time. We will not be able to afford the additional insulation required to significantly improve the energy efficiency of these homes. There are also estate based issues like off street parking and old, ineffective rear boundary fencing – again, resources do not stretch to deal with these issues.

The large majority of post war homes have been refurbished during the Decent Homes programme. There is a longer term future investment need for these homes as components wear out, which will become a major issue within the next 10 - 25 years. Again the resources available will determine when failing components actually get replaced. If funding available does not permit planned replacement on time we can expect an increase in day to day repairs caused by components that fail.

In summary, as a result of the recent Decent Homes investment, there is no immediate short term risk of homes becoming non-decent and us not having the resources to deal with them. There is, however, a medium to long term risk of this occurring.

Capital resources

The HRA Business Plan shows resources at around £8.5m per year for spending on planned maintenance. This money comes from the Council's capital resources, with 'capital' meaning that the spending relates to things that will last over a period of years. Most of this money comes from the Major Repairs Allowance (MRA), which is a Government calculation of how much Derby needs to spend and which is paid to the Council through the housing subsidy system. There are some items that require a continuous level of funding to ensure component renewal and upgrade, including door entry systems, smoke alarms, damp-proofing and asbestos management. These total approximately £700k per year, leaving £7.8m per year for other areas of investment.

Investment priorities:

Short term, 1 to 5 years	£ millions
• UPVC window programme	10
• Replacement of electric storage heating and old central heating systems	6
• Decent Homes Standard refusals (kitchens and bathrooms)	4
• Replacement kitchens and bathrooms to pre war homes in sustainable areas	6
• Adaptations for disabled tenants	4
• Electrical upgrades	3.5
• Major repairs/one offs	2
• Re-roofing work	2.5
• Contingency sum	1
Total	**39**

The costs of work needed over the following 45 years are less certain but we are able to identify the following priorities:

Medium term, 5 to 15 years

- Replacement kitchens and bathrooms to pre-war homes becoming non-decent in Osmaston and Derwent (not including energy efficiency improvements)
- Adaptations for disabled tenants
- High security external doors
- Replacement central heating systems and boilers
- Re-roofing pre-war homes in remaining pre-war estates and some 1950s areas
- Decent Homes refusals

Long term, 15 to 30 years

- Replacement central heating systems and boilers
- Replacement kitchens and bathrooms to pre war homes becoming non-decent in sustainable areas
- Replacement kitchens and bathrooms to pre-war homes becoming non-decent in Osmaston and Derwent, including extensive energy efficiency improvements
- Replacing kitchens and bathrooms fitted during Homes Pride, mainly to post war stock
- Re-roofing work, mainly to post war homes
- Adaptations for disabled tenants

Very long term, 30 to 50 years

- Replacement kitchens and bathrooms in pre and post war homes
- Re-roofing work to pre and post war homes
- Window replacement programme
- Adaptations for disabled tenants
- Environmental improvement work
- Master-planning estates built during the 1950s

In addition it is important to note that maintaining a housing stock that is ‘fit for purpose’ in the future will require provision of dwellings that offer different features, services and conditions and which respond to factors such as climate change, demographic change, technological change and new tenant expectations. At some point some of our stock may become no longer fit for purpose and its replacement, rather than planned maintenance, will be appropriate. The current master planning in Osmaston and Derwent should help address this in those areas but over time these issues may also arise elsewhere.

Repairs and maintenance

There will always be a need to carry out responsive maintenance work. Components require attention through general wear and tear or the failure of specific parts. We currently spend £3.8 million per year on day to day repairs (£273 per dwelling) and £1.5 million per year on works to re-let empty homes. This work is delivered through a partnership arrangement with the Council's Environmental Services Department (ESD). We are introducing new technology that will modernise the way responsive repairs are carried out in the City.

Our new partnership gives us the opportunity to work as one virtual organisation, focusing our efforts on a repair service that strives for excellence and provides exceptional value for money and a quality focus.

We plan to develop to a complete open book arrangement for this work from April 2008, with streamlined processes that take out waste and duplication. I estimate that we should aim to reduce costs by over 10% whilst at the same time increasing the quality of the repair product.

The core team responsible for managing the strategic change for this area of work has aspirations to expand the service to other housing organisations over time.

It has been frustrating that we have not noticed a reduction in demand for repairs following the decent home investment. This is a trend that is being found in other ALMOs. Further analysis is being carried out to identify repair demand across the city and this information will be used to inform different approaches.

Cyclical maintenance work forms a core basis for our maintenance activities. The repairs prior to painting programme gives us the opportunity to carry out a range of external maintenance work to the housing stock on a periodic basis. We are also piloting a system of doing internal inspections at the same time, to identify and carry out internal repairs in a planned, cost effective way. We have shifted from a five year programme to one spread over eight years, as a result of the extra work undertaken through the replacement window programme. It is our intention to revert back to a five year programme for this work once the window programme is complete in 2012.

The majority of our programmed and cyclical maintenance work is delivered within strong partnership alliances. Partnerships with ESD, Vinshires, Barron McCann, and Initial ensure tenants are safe in their homes and that services are inspected in a timely manner.

Our partnership with ESD on repairs before painting and replacement window programme is providing high quality value services.

The HRA provides resources for this work via a designated Repair Account. This is under considerable pressure to provide adequate resources for us to deliver services and has, over time, failed to keep pace with increases in building costs.

We have worked hard to contain expenditure within the Repair Account. Costs have been contained in the short term through reductions in the amount spent on empty homes, introducing 'repair not replace' protocols and seeking out efficiency savings. This will need to continue into the future as the HRA projects continuing pressure.

Appendix 2 shows the Repair Account projected over the next five years.

Continuous improvement and communication

Tenants are key to the delivery of improved services, so it is important we use every available opportunity to ask how we are doing. Using this information enables us to shape the way the services are improved and ensures that they meet the needs of tenants. We gather data from a sample of customers to provide data that is statistically valid within 5%. We commit to use this data to improve the service over time in line with customer expectations.

We have process improvement teams in place to improve services, with tenants and staff working together to analyse this data, draw conclusions, consider options for improved performance and make proposals

We can always improve the way we communicate with tenants. Poor communication is the cause of many of our complaints and we must establish consistent methods of ensuring effective communication. Agreed standards for communication were developed during the Decent Homes programme and these need to be applied to all our investment and regeneration activity.

Risk management

We have considered how the risks that Derby Homes faces could influence our asset management strategy. These form part of an assessment of risks carried out across Derby Homes which its Board uses to identify the risks and agree measures that can reduce, mitigate or alleviate them. The most severe risks are coded red in the analysis that follows:

1a.	Insufficient funding to meet improved bronze, silver or gold standard of maintenance	Red
1b.	Insufficient funds to continue existing 'tin standard' of maintenance	Green
2.	Change in government policy – new standards introduced	Green
3.	Shortage of skilled building labour	Amber
4.	Over heated building market – increase in prices, reduced interest from contractors	Red
5.	Acts of god – tornados, floods etc	Red
6.	Inability to recruit and retain skilled and experienced maintenance staff at Derby Homes	Amber
7.	Increased property turnover – unsustainable estates	Amber

The most significant risks are those which have the greatest impact and are the most likely to occur. These appear in the top right hand quadrant of the matrix above and are coded as red.

This analysis identifies insufficient funding in the future as having a potentially catastrophic impact and a very high likelihood of occurring. Another red risk is the potential for an overheated building market, rated as having a critical effect and a high likelihood of occurring. There is also the risk of acts of god, such as tornados or floods, which is considered a potentially catastrophic effect with a significant likelihood.

IMPACT

LIKELIHOOD		4	3	2	1
	A				1a
	B			4	
	C			3, 6, 7	5
	D			2	
	E				1b
	F				

Likelihood

A	Very High
B	High
C	Significant
D	Low
E	Very Low
F	Almost Impossible

Impact

1	Catastrophic
2	Critical
3	Marginal
4	Negligible

Key

	Green
	Amber
	Red

Modern methods of procurement

When procuring any service it is important to balance price and quality. Our procurement strategy enables the formal selection of contractors to take this into account. In addition we use modern methods of procurement to embed a partnered relationship with service providers. This also ensures the customers play a role in the partnerships to enable services to be provided that both meet their needs and, through continuous feedback, strive for excellence.

Most capital improvement work continues to be delivered through the strategic partnerships set up to deliver the Decent Homes Standard. The main contractor delivering the majority of this programme is ESD, with Vinshires continuing to renew heating systems. We periodically review our procurement arrangements in order to achieve best value and continuous improvement.

Collaborative working

Our buying power has reduced considerably as resources have fallen back to pre-ALMO levels, following the end of the Decent Homes programme. We have engaged with other ALMOs and RSLs within the region to explore the opportunity of combining buying power and sharing resources to set up a regional strategic framework for the delivery of planned and responsive maintenance work. This could reduce duplication, provide greater opportunity for supply chain integration and deliver efficiency savings. There is also possible scope for added value through the reinvestment of savings into local community initiatives like training and employment.

Health and safety issues

Derby Homes has a legal responsibility to ensure all our customers live in a safe environment. This legal requirement, along with a moral responsibility for all our service users and providers, is taken very seriously. To ensure we comply with our responsibilities Derby Homes has engaged contractors to carry out the following work on our behalf:

- Check on an annual basis the safety of all gas appliances, pipework and associated fittings at properties we manage

- Carry out periodical electrical checks over a ten year period to all properties we manage and upgrade installations where required

- Check and sample water to all water systems that could be susceptible to contamination of legionella bacteria, within the timescales laid down by the Health and Safety Executive

- Check, clean and service all smoke alarms on an annual basis

- Check and service all fire alarms as required by current legislation

- Check all fire fighting equipment and signage, replacing any damaged or faulty equipment

- Check all lifting equipment every six months or monthly, dependant on the type of equipment

- Check and service communal door entry systems

These inspection regimes are used to collect regular data which enables the identification of asset deterioration and facilitates decision making on replacement timescales.

Environmental sustainability

This strategy needs to consider the different environmental impacts it has on the wider environment. This is recognised by our new strategic aim, as we are keen to help contribute to the City Council's commitment to reduce CO_2 by 25% over the next five years.

We have over the past fifteen years been carrying out substantial energy efficiency improvements to the stock. Nearly all cavity walls and lofts have been insulated, over half of homes have high efficiency condensing boilers, nearly all non-traditional stock have high levels of thermal insulation as part of refurbishment programmes and over three quarters of the stock has double glazing. Our average Standard Assessment Procedure (SAP) rating for council housing in Derby has increased from 40 to 67 over the last fifteen years.

Many pre-war homes have running costs of over £1,000 per year. This is dependant on the levels of insulation and heating systems fitted during the modernisations programmes of the 1980s and 90s. We have recently refurbished a pre-war home and incorporated high levels of thermal insulation, provided an efficient gas heating system and fitted a solar panel to provide hot water. These improvements cost £22,000, but increased the SAP rating from 30 to 80 and reduced running costs by over £400 per year and more than halved the amount of $C0_2$. This is the standard we would prefer to adopt when refurbishing pre-war homes in the future, but current levels of funding will not allow this level of refurbishment to become standard in all our properties.

We commit to:

- Reducing the environmental impact of the delivery of maintenance work
- Evaluating and maximising the potential of delivering improvements to homes that improve energy efficiency and reduce future running costs for our customers
- Developing innovative solutions around the provision of heat and power in a sustainable way, maximising the use of renewable energy
- Building new homes that are designed to the highest energy efficiency standards

Adapting the stock to meet the needs of an increasingly elderly population

It is clear that the housing stock in Derby does not meet the changing needs of many of our customers. Significant adaptations are often required to enable tenants to continue to live in their homes independently. This also has a major impact on levels of under occupation of homes within estates that predominantly consist of family housing. The poor mix of house types makes it difficult for someone to live within the same community throughout the various stages of their life.

The recently completed Decent Homes programme pro-actively encouraged tenants to have adaptation work carried out as part of the improvements. It is estimated that over £2.8 million was spent on adaptations during the programme, in addition to normal adaptation expenditure. It was hoped that this would ease the pressure on the demand for adaptations, but so far there are no signs of any reductions in demand.

A significant budget (£700,000) is set aside from within the capital programme to carry out adaptations upon request, based on an assessment by an occupational therapist. We aim to complete work within six months of referral. At this level of funding we are just able to complete work within this timeframe.

One of the recommendations from the Audit Commission was that we reduce the timescales for completing work and that we market the availability of adaptations to our customers.

This is likely to further increase the demand for this already stretched service. Any further increase in funding for this work reduces the availability of funding for improvements to maintain the Decent Homes standard. The MRA (the government's formulae for providing funding for capital investment) takes no account of the need to adapt homes.

A sustainable investment vision !

It is important that we continue to invest in assets that are sustainable into the future. Sustainable investment means that our properties provide homes in places where residents want to live and stay. There are a number of indicators that help determine the level of sustainability of housing estates, including demand, turnover, deprivation and mix of dwelling type and tenure. The Government sees mixed communities as the way forward and have commended our approach to not invest large sums of Decent Homes funding in estates that require larger scale investment solutions to ensure their future sustainability.

There are some estates in the City that, through the indicators above, require intervention. We will work with communities through events like the Investment Conference to tackle these issues and work towards plans to make all estates places where people choose to live and prosper.

Master Planning

Some of the largest and oldest Council estates in Derby show signs of becoming unsustainable communities. The pre-war estates of Osmaston and Derwent both have poor mixes of tenure and house type and are currently the focus of master planning exercises. The homes on these estates are also amongst the most energy inefficient and have large, often unwanted gardens. Levels of worklessness, educational attainment and health are also key issues within these communities.

There are also units of stock that are no longer in demand - some sheltered housing schemes have become out-dated and undesirable compared to other available options. Our review of sheltered schemes will set out a sustainable way forward and some schemes may require redevelopment or major conversion works to achieve this. Future options include the provision of 'Extra Care' housing, which describes a type of housing, care and support that falls somewhere between traditional sheltered housing and residential care.

There is an opportunity to develop an investment vision for these communities that addresses the issues highlighted. We have worked closely with the City Council to commission the development of Masterplans for these communities. This will enable us to develop a sustainable investment vision for the estates. The plans will also appraise the options available for delivery.

Estates Pride

One of our eight strategic aims is to deliver the Estates Pride improvement programme. It is important to protect the Decent Homes investment by ensuring all decent homes exist within decent estates. This funding helps go some way towards achieving this goal.

This funding from the HRA has been made available via the Local Area Agreement. This ensures we maximise the potential to work in partnership with other stakeholders, with shared outcomes, values and aspirations. Working together, combining resources and communicating with neighbourhoods should ensure the sum of our inputs are maximised. Effective partnerships and co-ordinated delivery of local services is crucial to the success of this programme.

Communities play a key role in identifying how this is delivered. Initial consultation highlighted the need to deal with crime, the fear of crime and the general untidiness of estates. We have responded to this by:

- Expanding the youth inclusion programme from Osmaston into Alvaston/Boulton and Morley/Mackworth/ Stockbrook Street - targeting those at risk of offending, providing support and clear boundaries on living within a community

- Supporting the neighbourhood teams in the five priority areas, working closely with them to make places cleaner and safer.

- Expanding the model for neighbourhood working to other Council housing estates over the next few months

- Supported the City Councils street lighting PFI scheme, securing improvements to lighting on all Council estates, including the maintenance and running costs for the next 25 years

- Worked closely with the parks department to secure external funding to improve parks within our estates

- Supported the development of much needed community facilities at Osmaston and Sunnyhill

- Delivered wholesale physical environmental work in the Stockbrook Street area of the city

- Worked jointly with Derwent Community Team to transform Sussex Circus in Derwent

- Empowered local housing boards to identify any small scale improvements that have instant impact to solve local issues

- Agreed to continue to work with community panels and local housing boards to identify physical improvements on estates, to be delivered over the next four years

Conclusion

Future investment need is dependant on the condition of the stock and the aspirations of tenants to live within sustainable communities in modern homes, maintained to a modern standard into the future. However, this has to be balanced against the resources available to deliver it.

Current projections of investment resources available are based on calculations of the basic renewal of components over what we consider to be unrealistic timeframes. These allowances do not allow for adaptation, environmental or re-modelling work.

For the purposes of this strategy we have set out an investment plan that can be delivered within the resources available but does not meet any of the aspirations referred to above.

***Current resource projections allow us to barely maintain basic decent homes into the long term future*.** Whilst continuing to seek efficiency savings, we have benchmarked our costs against other comparable programmes and believe that that they are reasonable and realistic. We have set out in the table below four standards for our asset management plan, which are which are based on differing assumption about the number of years that should elapse before components are replaced. This shows a £1.6 million shortfall if replacements were to occur in line with Government assumptions, £2.8 million if our preferred replacement lifecycles were to be applied and a £4.5 million gap if replacement lifecycles were to be in line with assumed tenant preferences.

Comparison of alternative asset management standards				
Components	Standards based replacement lifecycle years			
	Tin Lifecycle permitted by current resources	**Bronze** Lifecycle assumed for the MRA	**Silver** Realistic lifecycle to prevent failure	**Gold** Tenant preference to meet aspirations
Kitchens	50 years	30 years	20 years	15 years
Bathrooms	50 years	40 years	30 years	20 years
Roofing	75 years	50 years	75 years	75 years
Central heating boiler	15 years	15 years	15 years	15 years
Central heating distribution	40 years	40 years	30 years	30 years
Electrical systems	40 years	30 years	40 years	40 years
Communal door entry	10 years	10 years	10 years	10 years
Smoke alarms	10 years	20 years	10 years	10 years
	Tin	**Bronze**	**Silver**	**Gold**
Windows and doors	50 years	40 years	35 years	35 years

Lifts	30 years	30 years	30 years	30 years
Gutters and downpipes	25 years	25 years	25 years	25 years
plus programmes at these funding levels:				
Asbestos management	£100,000	£100,000	£150,000	£200,000
Damp proofing	£150,000	£150,000	£150,000	£200,000
Adaptations	£700,000	£800,000	£800,000	£1,000,000
Major refurbishment	£250,000	£250,000	£250,000	£250,000
Overall funding gap	**£0**	**£1.6 m**	**£2.8 m**	**£4.5m**

The timescales for the replacement of components assumed by Government is unrealistic, as prescribed by the formulae behind the calculation of the MRA. The allowance has not kept pace with increases in the costs of building work, which further lengthens the timescale of component renewal in practice. It also ignores key areas of investment need. In Appendix 3 we set out in more detail the funding gap and highlight the shortfall in resources to even meet the MRA theoretical component lifespans. It also shows the levels of funding required to achieve what we feel are more realistic component lifespans. In summary this analysis shows significant funding shortfalls if stock condition is to be maintained and greater shortfalls if we aspire to further improvements.

Current resources of £8.5 million per year for planned maintenance will enable us to offer what can be characterised as a **'Tin Standard'**. This would mean replacing, for example, kitchens every 50 years (rather than 30 years as assumed by Government) and bathrooms every 50 years (rather than 40 years as assumed by Government). It would cause significant failure to replace key components prior to or at the point of failure in a planned way. This would bring properties back into a 'non decent' state and create severe pressure on day to day repairs spending.

Our analysis of the resources required to deliver planned maintenance based on the lifecycles that Government assumes for the purposes of setting the MRA is that it would enable us to achieve what can be characterised as a '**Bronze Standard'**. This would require £10.1 million per year to carry out replacements based on MRA lifecycles at our assumed costs. This is £1.6 million per year in excess what is currently available. It would mean replacing, for example, kitchens every 30 years (whereas we believe that to prevent failure or near failure this should occur every 20 years) and bathrooms every 40 years (whereas we believe that to prevent failure or near failure this should occur every 30 years). It would result in some failure to replace key components prior to or at the point of failure in a planned way. This would bring properties back into a 'non decent' state and create further pressure on day to day repairs.

The Derby Homes Board agreed at the away day earlier this year to develop an aspirational business plan for Derby Homes, one that provides resources to provide excellence in maintenance and management for all Council housing in Derby.

Further consultation will be required to develop this plan over the next six months. Appendix 3 gives us some idea of the levels of investment required to maintain modern homes within sustainable communities. Our intention is to develop a silver and gold level asset management plan, which from a stock investment point of view could include the following:

'**Silver Standard'** - This would require £11.3 million per year to carry out replacements based on realistic lifecycles at our assumed costs. This is £2.8 million per year in excess what is currently available. It would mean replacing, for example, kitchens every 20 years (compared to every 30 years as assumed by Government) and bathrooms every 30 years (compared to every 40 years as assumed by Government). It would result in planned replacement at the right time, maintenance of the Decent Homes Standard and would avoid exacerbating the pressure on day to day repairs spending.

'Gold Standard' - This would reflect the standard and frequency of replacement to which we believe tenants aspire to. It would require £13 million per year and is £4.5 million per year in excess of what is currently available. This would mean replacing, for example, kitchens every 15 years (rather than every 50 years as current resources will allow) and bathrooms every 20 years (rather than every 50 years as current resources will allow). It would replace components ahead of failure, meet tenant's aspirations more fully and could help towards alleviating pressure on day to day repairs spending.

The figures above do not include investment for estate based improvements, redevelopment or re-modelling. To maintain the investment started though Estates Pride would require an additional £3 million per year to ensure the environment outside the home is maintained and improved to a high standard.

The Asset Management Strategy raises some serious issues around the lack of resources to help sustain stock condition into the future. Current resources will result in homes again becoming non-decent and we need to address these issues as soon as possible to prevent this. Investment decisions today affect the overall strategy and future sustainability of the housing stock in Derby.

Decisions on the outcome of the Masterplanning exercises are also critical in terms of future investment planning and the continued delivery of excellent services to tenants. Our recent Investment Conference confirmed that tenants are keen to ensure homes are maintained to a modern standard and that we are able to continue to provide excellent management services into the future

The current housing subsidy system does not provide adequate resources for stock investment. This national system has come under criticism over the last two years by ALMOs and the Audit Commission. Appendix 4 shows a 30 year

business plan for the Housing Revenue Account, including the effect of ‘negative subsidy’.

The government are currently evaluating the potential impact of local authorities (with or without ALMOs) operating outside the housing subsidy system, were this option to be made available. If this proves to be viable, is agreed by Government and sought by the City Council, it would increase the levels of funding available for investment. There is however no guarantee that this option will become available. If we fail to address the investment gap now there is a risk that more estates will become unsustainable and require even greater intervention in the future.

APPENDIX 1 - CAPITAL PROGRAMME

	£ thousands				
TYPE OF WORK	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Kitchens & bathrooms - post-war	900	500	500	500	500
Kitchens & bathrooms - pre-war	950	1,500	1,500	1,500	1,500
Damp-proofing	150	150	150	150	150
Roofing	150	100	100	850	1,000
Major refurbishments or alterations	250	250	250	250	300
Wimpey and unity refurbishment	250	0	0	0	0
Central heating	1,200	1,200	1,200	1,200	1,600
Electrics	650	600	600	600	900
Asbestos	125	200	200	200	200
Communal door entry systems	200	150	150	150	150
Smoke alarms	200	200	200	200	200
Windows and doors	2,250	2,250	2,250	1,500	500
Adaptations for disabled tenants	800	700	700	700	700
Capitalised salaries	680	700	710	720	730
Contingency sum	87	63	165	268	358
TOTAL	**8,842**	**8,563**	**8,675**	**8,788**	**8,788**

APPENDIX 2 – REPAIR ACCOUNT

		£ thousands				
TYPE OF WORK		**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Equipment servicing and maintenance						
Emergency call systems maintenance		75				
Communal aerial maintenance		15				
Electrical testing		60				
Gas appliance maintenance		1,550				
Alarm maintenance		275				
Door entry maintenance		140				
Fire equipment servicing		10				
Lift maintenance		85				
CCTV maintenance		10				
Water safety		60				
	subtotal	**2,280**	**2,370**	**2,500**	**2,640**	**2,760**
Day to day repairs						
Disrepair notices Day to day repairs Vandalism Fire damage Eaton Court - landlord work Out of hours Storm damage Rechargeable repairs		(all included in £3.2m subtotal)				
	subtotal	**3,200**	**3,200**	**3,200**	**3,200**	**3,200**
Other responsive maintenance						
Structural repairs		100				
Shops		5				
Local office repairs		20				
Drain clearance		150				
Gas appliance repairs		185				
Electric heating maintenance		145				
	subtotal	**605**	**600**	**590**	**580**	**570**
Voids						
Voids		1,200				
Decoration vouchers		75				
Internal void decoration		75				
	subtotal	**1,350**	**1,370**	**1,380**	**1,390**	**1,400**

	£ thousands				
TYPE OF WORK	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**
Planned work					
Painting and repairs prior to painting	450				
Internal painting	50				
subtotal	**500**	**650**	**700**	**800**	**850**
Housing projects and miscellaneous					
Garden maintenance scheme	100				
Fire risk assessments	5				
Heat lease	10				
Playground inspections	70				
Sheltered schemes - fixtures	10				
Internal decoration scheme	220				
subtotal	**415**	**470**	**490**	**510**	**530**
Contingency / investments in service	**185**	**50**	**50**	**100**	**94**
TOTAL REPAIR ACCOUNT	**8,535**	**8,710**	**8,910**	**9,220**	**9,404**

APPENDIX 3 - CALCULATION OF AVERAGE ANNUAL CAPITAL COSTS BASED ON BUILDING COMPONENT REPLACEMENT

(This provides the underlying cost of capital investment. Actual costs vary from year to year and need to be 'smoothed out' as much as possible)

			MRA Assumed Lifecycles 'Bronze Standard'			Derby Homes assumed lifecycles to prevent failure or near failure of components 'Silver Standard'			Assumed lifecycles which would reflect tenant preferences 'Gold Standard'			Lifecycles allowed by current funding 'Tin Standard'		
	No. of units to maintain	Replacement cost per unit (£)	MRA lifecycle (years)	No. per year	Annual cost	Realistic lifecycle (years)	No. per year	Annual cost	Preferred lifecycle (years)	No. per year	Annual cost	Funding dictated lifecycle (years)	No. per year	Annual cost
Kitchens	13,968	3,800	30	466	1,769,280	20	698	2,653,920	15	931	3,538,560	50	279	1,061,568
Bathrooms	13,968	2,500	40	349	873,000	30	466	1,164,000	20	698	1,746,000	50	279	698,400
Roofing	11,560	3,500	50	231	809,200	75	154	539,467	75	154	539,467	75	154	539,467
Central heating boiler	13,968	1,500	15	931	1,396,800	15	931	1,396,800	15	931	1,396,800	15	931	1,396,800
Central heating distribution	13,968	2,000	40	349	698,400	30	466	931,200	30	466	931,200	40	349	698,400
Electrical systems	13,968	2,000	30	466	931,200	40	349	698,400	40	349	698,400	40	349	698,400
Communal door entry systems	241	8,000	10	24	192,800	10	24	192,800	10	24	192,800	10	24	192,800
Smoke alarms	13,968	100	20	698	69,840	10	1,397	139,680	10	1,397	139,680	10	1,397	139,680
Windows and doors	13,968	3,200	40	349	1,117,440	35	399	1,277,074	35	399	1,277,074	50	279	893,952
Lifts	5	20,000	30	0.17	3,333	30	0.17	3,333	30	0.17	3,333	30	0.17	3,333
Gutters and downpipes	11,560	400	25	462	184,960	25	462	184,960	25	462	184,960	25	462	184,960
Asbestos	n/a		Not included in MRA calculation		100,000	n/a		150,000	n/a		200,000	n/a		100,000
Damp-proofing	n/a				150,000	n/a		150,000	n/a		200,000	n/a		150,000
Capitalised salaries	n/a		Not included in MRA calculation		680,000	n/a		680,000	n/a		680,000	n/a		680,000
Adaptations	n/a				800,000	n/a		800,000	n/a		1,000,000	n/a		700,000
Major refurbishments	n/a		Not included in MRA calculation		250,000	n/a		250,000	n/a		250,000	n/a		250,000
Contingency sum	n/a				100,000	n/a		100,000	n/a		100,000	n/a		100,000
		TOTAL £			**10,126,253**			**11,311,634**			**13,078,274**			**8,487,760**

CURRENT AVAILABLE CAPITAL BUDGET (MRA plus permitted borrowing) = APPROX. £8,500,000 PER YEAR

APPENDIX 4 – HOUSING REVENUE ACCOUNT – 30 YEAR BUSINESS PLANNING ASSUMPTIONS

		Expenditure								Income							General reserves				
Year		Major Repairs Allowance	Contribution to Repairs Account (net)	Provision for bad & doubtful debts	Estates Pride	Supervision and Management	Capital Financing Mainstream	Capital Financing ALMO	Total Expenditure	Gross Rent	HRA Subsidy Receivable/ (Payable) (Mainstream)	HRA Subsidy Receivable (ALMO)	HRA Subsidy Receivable/ (Payable) (Total)	Statutory Rebates	Community Facilities & Other Income	Total Income	Net Income/ (Expenditu	Balance Brought Forward	Interest	Balance Carried Forward	Overall Change In Year
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2006/07	1	7,465	8,635	576	1,574	13,441	4,823	4,944	41,458	37,086	(2,510)	7,774	5,264		221	42,571	1,113	10,476	469	12,058	**1,582**
2007/08	2	7,504	8,778	592	2,965	13,835	4,872	5,066	43,612	38,412	(3,549)	7,774	4,226		231	42,868	-744	12,058	497	11,811	**-248**
2008/09	3	7,566	8,951	608	2,749	13,524	4,827	5,093	43,318	40,507	(4,950)	7,774	2,824		241	43,571	254	11,811	507	12,572	**761**
2009/10	4	7,678	9,127	623	3,769	13,729	4,879	5,058	44,864	42,717	(6,394)	7,774	1,380		252	44,350	-514	12,572	523	12,581	**9**
2010/11	5	7,791	9,495	639	3,647	13,923	4,931	4,855	45,280	45,006	(7,958)	7,774	-184		264	45,086	-194	12,581	531	12,917	**336**
2011/12	6	7,906	9,682	654	0	14,080	4,983	4,855	42,160	47,419	(9,638)	4,855	-4,783		275	42,912	752	12,917	565	14,234	**1,317**
2012/13	7	8,023	9,872	669	0	14,374	5,035	4,855	42,828	48,360	(9,930)	4,855	-5,075		288	43,573	745	14,234	621	15,600	**1,366**
2013/14	8	8,141	10,067	683	0	14,718	5,088	4,855	43,552	49,319	(10,255)	4,855	-5,400		301	44,220	668	15,600	677	16,945	**1,346**
2014/15	9	8,261	10,265	698	0	15,126	5,140	4,855	44,344	50,297	(10,612)	4,855	-5,757		315	44,855	510	16,945	731	18,187	**1,241**
2015/16	10	8,383	10,467	712	0	15,431	5,192	4,855	45,040	51,295	(10,977)	4,855	-6,122		329	45,502	462	18,187	783	19,431	**1,244**
2016/17	11	8,507	10,674	726	0	15,416	5,245	4,855	45,422	52,312	(11,349)	4,855	-6,494		344	46,162	740	19,431	842	21,012	**1,581**
2017/18	12	8,632	10,884	739	0	15,820	5,297	4,855	46,227	53,350	(11,730)	4,855	-6,875		360	46,835	607	21,012	906	22,525	**1,513**
2018/19	13	8,759	11,098	753	0	16,182	5,350	4,855	46,997	54,408	(12,119)	4,855	-7,264		376	47,521	523	22,525	968	24,017	**1,492**
2019/20	14	8,889	11,317	766	0	16,549	5,402	4,855	47,778	55,488	(12,516)	4,855	-7,661		393	48,220	443	24,017	1,030	25,490	**1,473**
2020/21	15	9,020	11,540	779	0	16,980	5,455	4,855	48,628	56,589	(12,921)	4,855	-8,066		411	48,933	305	25,490	1,090	26,884	**1,395**
2021/22	16	9,153	11,767	792	0	17,350	5,507	4,855	49,425	57,712	(13,335)	4,855	-8,480		430	49,661	236	26,884	1,148	28,268	**1,384**
2022/23	17	9,288	11,999	805	0	17,766	5,560	4,855	50,273	58,857	(13,758)	4,855	-8,903		449	50,403	129	28,268	1,204	29,602	**1,333**
2023/24	18	9,425	12,235	818	0	18,227	5,613	4,855	51,173	60,025	(14,190)	4,855	-9,335		470	51,159	-14	29,602	1,258	30,846	**1,244**
2024/25	19	9,564	12,476	830	0	18,628	5,666	4,855	52,019	61,216	(14,632)	4,855	-9,777		491	51,931	-89	30,846	1,309	32,066	**1,220**
2025/26	20	9,705	12,722	842	0	19,075	5,719	4,855	52,918	62,431	(15,082)	4,855	-10,227		513	52,718	-201	32,066	1,359	33,224	**1,158**
2026/27	21	9,848	12,973	854	0	19,568	5,772	4,855	53,870	63,671	(15,542)	4,855	-10,687		537	53,520	-350	33,224	1,405	34,279	**1,055**
2027/28	22	9,993	13,228	866	0	20,001	5,825	4,855	54,769	64,935	(16,012)	4,855	-11,157		561	54,338	-430	34,279	1,448	35,296	**1,017**
2028/29	23	10,141	13,489	878	0	20,501	5,878	4,855	55,742	66,224	(16,492)	4,855	-11,637		586	55,173	-568	35,296	1,488	36,216	**920**
2029/30	24	10,290	13,755	889	0	21,008	5,931	4,855	56,728	67,539	(16,982)	4,855	-12,127		613	56,024	-704	36,216	1,524	37,036	**820**
2030/31	25	10,442	14,026	900	0	21,477	5,985	4,855	57,684	68,880	(17,483)	4,855	-12,628		641	56,893	-792	37,036	1,557	37,802	**766**
2031/32	26	10,596	14,302	911	0	21,992	6,038	4,855	58,695	70,248	(17,994)	4,855	-13,139		670	57,779	-916	37,802	1,587	38,473	**671**
2032/33	27	10,752	14,584	922	0	22,556	6,092	4,855	59,761	71,643	(18,516)	4,855	-13,661		701	58,682	-1,079	38,473	1,612	39,006	**533**
2033/34	28	10,911	14,871	933	0	23,082	6,145	4,855	60,798	73,066	(19,049)	4,855	-14,194		732	59,604	-1,194	39,006	1,632	39,444	**438**
2034/35	29	11,072	15,164	944	0	23,617	6,199	4,855	61,850	74,517	(19,594)	4,855	-14,739		766	60,544	-1,307	39,444	1,649	39,786	**342**
2035/36	30	11,235	15,463	954	0	24,049	6,253	4,855	62,809	75,997	(20,150)	4,855	-15,295		801	61,503	-1,306	39,786	1,663	40,143	**357**