

Local Authority Housing Capital Expenditure Statistics England 2007

A Review of the English Local Authority Spending Statistics between 2005-2007 for Rewiring, Roof Structure, Roof Covering, Chimneys, Windows, Doors, Structural Works, Central Heating, Insulation, Kitchens, Bathrooms, Security & Disabled Adaptations.

This Report includes an Overview of the UK Social Housing Market and is accompanied by a Comprehensive Spreadsheet Detailing Dwelling Stock by Type & Expenditure for Each Key Product Sector by Local Authority and Region in 2005/6 and 2006/7.

October 2007

Market Report Contents

1.	INTRODUCTION	6
2.	EXECUTIVE SNAPSHOT	7
2.1	UK SOCIAL HOUSING MARKET DEFINITION	7
2.2	UK SOCIAL HOUSING MARKET SIZE	7
2.3	SOCIAL HOUSING MARKET BY COUNTRY	8
3.	PRIMARY MARKET INFLUENCES	10
3.1	POLITICAL	10
3.2	ECONOMIC	11
3.2.1	UK GROSS DOMESTIC PRODUCT	11
3.2.2	UK INFLATION 2003-2012	12
3.2.3	INTEREST RATES	15
3.2.4	DISPOSABLE INCOME LEVELS BY REGION	15
3.3.	CONSTRUCTION & REFURBISHMENT	16
3.4.	CONSTRUCTION MATERIAL PRICE INFLATION	19
4.	THE UK SOCIAL HOUSING MARKET	21
4.1	SOCIAL HOUSING MARKET DEFINITION	21
4.2	UK SOCIAL HOUSING MARKET	21
4.3	SOCIAL HOUSING MARKET BY COUNTRY 2000-2012	23
4.3.1	ENGLISH SOCIAL HOUSING MARKET 2000-2012	23
	OVERVIEW OF DECENT HOMES STANDARD	26
5.	LOCAL AUTHORITY HOUSING –KEY CAPITAL EXPENDITURE LEVELS	28
5.1	HOUSING CAPITAL EXPENDITURE BY LOCAL AUTHORITY REGION 2006/7	28
5.2	CAPITAL EXPENDITURE ON HOUSING BY KEY PRODUCT SECTOR	30
5.2.1	EXPENDITURE ON HOUSING – SHARE BY KEY PRODUCT SECTOR 2007	30
5.2.2	REWIRING – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	32
5.2.3	ROOF STRUCTURE – LA EXPENDITURE BY REGION 2005/6 – 2006/7	36
5.2.4	ROOF COVERING – LA EXPENDITURE BY REGION 2005/6 – 2006/7	40
5.2.5	CHIMNEYS – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	44
5.2.6	WINDOWS – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	48
5.2.7	DOORS – LOCAL AUTHORITY EXPENDITURE BY REGION 2005/6 – 2006/7	52
5.2.8	STRUCTURAL WORKS – LA EXPENDITURE BY REGION 2005/6 – 2006/7	56
5.2.9	CENTRAL HEATING – LA EXPENDITURE BY REGION 2005/6 – 2006/7	60
5.2.10	INSULATION – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	64
5.2.11	KITCHENS – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	68
5.2.12	BATHROOMS – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	72
5.2.13	SECURITY – LA HOUSING EXPENDITURE BY REGION 2005/6 – 2006/7	76
5.2.14	DISABLED ADAPTATIONS – LA EXPENDITURE BY REGION 2005/6 – 2006/7	80
6.	ARMS LENGTH MANAGEMENT ORGANISATIONS	84
6.1	STOCK OF DWELLINGS BY ALMO	84
6.2	TYPICAL CHARACTERISTICS, TRENDS & SUPPORT FOR ALMOS	86

6.3	FUTURE DIRECTIONS FOR ARMS LENGTH MANAGEMENT ORGANISATIONS	88
7.	KEY PROCUREMENT & SPECIFICATION ISSUES IN SOCIAL HOUSING	89
7.1	OVERALL FACTORS INFLUENCING SPECIFICATION OF PRODUCTS & SERVICES	89
7.2	KEY BUYING & SPECIFICATION CONSIDERATIONS IN SOCIAL HOUSING PROCUREMENT	90
7.3	BACKGROUND & ROLE OF PROCUREMENT / BUYING GROUPS IN SOCIAL HOUSING	91
7.3.1	SELECTED FRAMEWORK PARTNERING SUPPLIERS & CONTRACTORS	92
7.4	FRAMEWORK PARTNERING OVERVIEW	95

Market Report Tables & Charts

Figure 1: English Local Authority Housing Expenditure Share by Product 2006/7	6
Figure 2: UK Social Housing Market – Total Dwellings 2000-2012 (Bi-annual)	8
Figure 3: Social Housing Market Split by Country – England, Wales, N. Ireland & Scotland	9
Figure 4: UK GDP 2003-2012 £m Current Prices	12
Figure 5: UK Inflation – All Items 2000 – 2012 £m	12
Figure 6: UK Inflation – Furnishing & RMI of Dwellings 2000-2012 £m	13
Figure 7: UK Inflation – Products & Services for RMI of Dwellings 2000-2012 £m	14
Figure 8: UK Inflation – Furniture, Furnishings & Floorcoverings - RMI of Dwellings 2000-2012	14
Figure 9: UK Interest Rates – Bank of England Base Rate 2000-2012	15
Figure 10: Average Disposable Income by Region £ 2000-2012	16
Figure 11: New Build & Refurbishment Market by Value 2000-2012 £m	17
Figure 12: New Build Activity – Value Share by End Use Sector 2007	18
Figure 13: RMI Activity – Value Share by End Use Sector 2007	19
Figure 14: New Build & Refurbishment Market by Value 2000-2012 £m – (index 2000=100)	20
Figure 15: UK Social Housing Market – Total Dwellings 2000-2012	22
Figure 16: Social Housing Market by Country – England, Wales, N. Ireland & Scotland 2007	23
Figure 17: English Social Housing Market Stock of Dwellings 2000-2012	24
Figure 18: English Social Housing – Split by RSLs / Housing Associations & LAs 2007	25
Figure 19: Split by English Housing Associations & Local Authorities – Change over Time 2000, 2007 & 2012	26
Figure 20: Housing Capital Expenditure - Share by Local Authority Region 2006/2007	28
Figure 21: Change in Local Authority Housing Capital Spending by Region 2005-2007	29
Figure 22: Average Capital Expenditure Per Dwelling By Region 2006/7	30
Figure 23: Local Authority Housing Capital Expenditure - Share by Product Sector 2007	31
Figure 24: Rewiring Capital Expenditure by Region - 2006/7 – Value £000s	32
Figure 25: Rewiring RMI on Housing – Number of Dwellings 2006/7	33
Figure 26: Rewiring Capital Expenditure by Region - % Change 2005/6-2006/7	34
Figure 27: Average Capital Expenditure by Region on Rewiring in 2006/7	35
Figure 28: Roof Structure Capital Expenditure by Region - 2006/7 – Value £000s	36
Figure 29: Roof Structure RMI on Housing – Number of Dwellings 2006/7	37
Figure 30: Roof Structure Capital Expenditure by Region - % Change 2005/6-2006/7	38
Figure 31: Average Capital Expenditure by Region on Roof Structures in 2006/7	39
Figure 32: Roof Covering Capital Expenditure by Region - 2006/7 – Value £000s	40
Figure 33: Roof Covering RMI on Housing – Number of Dwellings 2006/7	41
Figure 34: Roof Covering Capital Expenditure by Region - % Change 2005/6-2006/7	42
Figure 35: Average Capital Expenditure by Region on Roof Covering in 2006/7	43
Figure 36: Chimneys Capital Expenditure by Region - 2006/7 – Value £000s	44
Figure 37: Chimneys RMI on Housing – Number of Dwellings 2006/7	45
Figure 38: Chimneys Capital Expenditure by Region - % Change 2005/6-2006/7	46
Figure 39: Average Capital Expenditure by Region on Chimneys in 2006/7	47
Figure 40: Window Capital Expenditure by Region - 2006/7 – Value £000s	48
Figure 41: Window RMI on LA Housing – Number of Dwellings 2006/7	49
Figure 42: Windows Capital Expenditure by Region - % Change 2005/6-2006/7	50
Figure 43: Average Capital Expenditure by Region on Windows in 2006/7	51

Figure 44: Door Capital Expenditure by Region - 2006/7 – Value £000s	52
Figure 45: Door RMI on Local Authority Housing – Number of Dwellings 2006/7	53
Figure 46: Doors Capital Expenditure by Region - % Change 2005/6-2006/7	54
Figure 47: Average Capital Expenditure by Region on Doors in 2006/7	55
Figure 48: Structural Work Capital Expenditure by Region - 2006/7 – Value £000s	56
Figure 49: Structural RMI on Local Authority Housing – Number of Dwellings 2006/7	57
Figure 50: Structural Capital Expenditure by Region - % Change 2005/6-2006/7	58
Figure 51: Average Capital Expenditure by Region on Structural Works in 2006/7	59
Figure 52: Central Heating Capital Expenditure by Region - 2006/7 – Value £000s	60
Figure 53: Central Heating RMI on Local Authority Housing – Number of Dwellings 2006/7	61
Figure 54: Central Heating Capital Expenditure by Region - % Change 2005/6-2006/7	62
Figure 55: Average Capital Expenditure by Region on Central Heating in 2006/7	63
Figure 56: Insulation Capital Expenditure by Region - 2006/7 – Value £000s	64
Figure 57: Insulation RMI on Local Authority Housing – Number of Dwellings 2006/7	65
Figure 58: Insulation Capital Expenditure by Region - % Change 2005/6-2006/7	66
Figure 59: Average Capital Expenditure by Region on Insulation in 2006/7	67
Figure 60: Kitchen Capital Expenditure by Region - 2006/7 – Value £000s	68
Figure 61: Kitchen RMI on Local Authority Housing – Number of Dwellings 2006/7	69
Figure 62: Kitchen Capital Expenditure by Region - % Change 2005/6-2006/7	70
Figure 63: Average Capital Expenditure by Region on Kitchens in 2006/7	71
Figure 64: Bathroom Capital Expenditure by Region - 2006/7 – Value £000s	72
Figure 65: Bathroom RMI on Local Authority Housing – Number of Dwellings 2006/7	73
Figure 66: Bathroom Capital Expenditure by Region - % Change 2005/6-2006/7	74
Figure 67: Average Capital Expenditure by Region on Bathrooms in 2006/7	75
Figure 68: Insulation Capital Expenditure by Region - 2006/7 – Value £000s	76
Figure 69: Security RMI on Local Authority Housing – Number of Dwellings 2006/7	77
Figure 70: Security Capital Expenditure by Region - % Change 2005/6-2006/7	78
Figure 71: Average Capital Expenditure by Region on Security in 2006/7	79
Figure 72: Disabled Adaptation Capital Expenditure by Region - 2006/7 – Value £000s	80
Figure 73: Disabled Adaptations on Local Authority Housing – Number of Dwellings 2006/7	81
Figure 74: Disabled Adaptation Capital Expenditure by Region - % Change 2005/6-2006/7	82
Figure 75: Average Capital Expenditure by Region on Disabled Adaptations in 2006/7	83
Table 76: ALMOs & Their Respective Stock of Dwellings	84
Table 77: Tenant Support for ALMOs Rounds 1-4	86
Figure 78: Ranking of Key Specification Criteria for Housing Associations	91

Published in 2007 by



This report reflects MTW Research's independent view of the market which may differ from other third party views. Whilst we try to ensure that our reports are an accurate depiction of their respective markets, it must be emphasised that the figures and comment contained therein are estimates based on a mix of primary and secondary qualitative research, and should therefore be treated as such.

Terms & Conditions of Use

The information contained within this report remains the copyright of MTW Research. Subject to these Terms and Conditions (this "Agreement"), MTW Research ("we", "our", "us") makes available this publication and data or information contained therein (the "Report"). Your use of this report constitutes your acknowledgment and assent to be bound by this Agreement.

Permitted Use, Limitations on Use

You may access purchased Reports only as required to view the Reports for your individual use, and may print/copy a purchased Report once for your use. You may copy extracts from purchased Reports onto your own documents, provided that all citations are attributed to "MTW Research", and are for internal use only. You may not republish, resell or redistribute any Report, or do anything else with any Report, which is not specifically permitted in this Agreement. You may not reproduce, store in a retrieval system or transmit by any means, electronic or mechanical, any report without the prior permission of MTW Research.

Limitation of Liability

You are entirely liable for activities conducted by you or anyone else in connection with your use of the Report. We take no responsibility for any incorrect information supplied to us during the research process. Market information is based on telephone interviews and secondary sources whose accuracy we cannot guarantee. You acknowledge when ordering that MTW Research Reports are for your internal use and not for general publication or disclosure to third parties, unless otherwise agreed. Neither MTW Research nor any of its affiliates, owners, employees or other representatives will be liable for damages arising out of or in connection with the use of the Report or the information, content, materials or products included in the Report. This is a comprehensive limitation of liability that applies to all damages of any kind, including (without limitation) compensatory, direct, indirect or consequential damages, loss of data, income or profit, loss of or damage to property and claims of third parties.

Applicable Law

This Agreement will be governed by and construed in accordance with the laws of England and Wales without giving effect to the principles of conflict of laws thereof, and to the extent permitted by applicable law, you consent to the jurisdiction of courts situated in England and Wales in any action arising under this agreement.

Intellectual Property Rights

You acknowledge that legal and beneficial interest in Intellectual Property Rights in connection with the Report belong to us. This includes all Intellectual Property Rights in any Material. You have no rights in or to the Report and you may not use any Material other than as permitted under this Agreement. We grant you a non-exclusive, non-transferable licence to use the Intellectual Property Rights referred to above solely for the use of Material as permitted under this agreement.

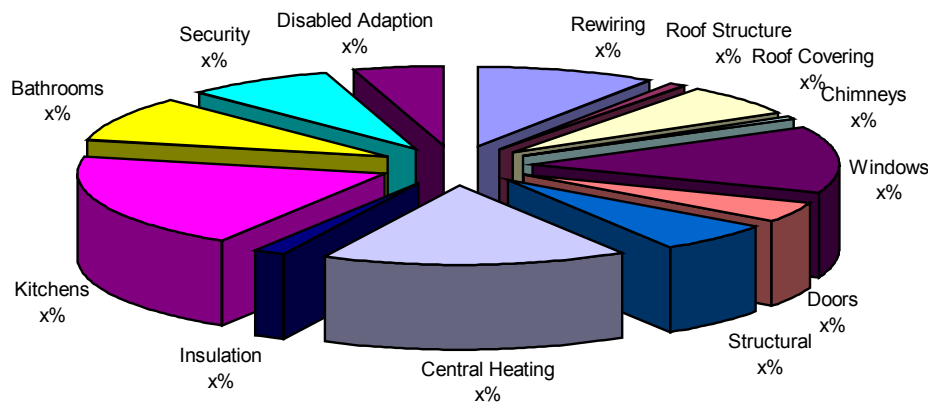
1. Introduction

MTW Research are an independent market research publisher focused on providing high quality, value for money market reports, statistics and databases within the UK DIY, Building & Home Improvement Products Industry. MTW Research reports are researched, collated and compiled by experienced and qualified professionals, ensuring that the information contained within the report is as accurate, relevant and up to date as possible.

MTW Research offers professional, quality market reports which are easy to read and digest and provide valuable information on which to base further research or decision-making.

This report and accompanying spreadsheet provides an overview of the social housing market, stock of dwellings forecast to 2012 and reviews the capital expenditure by each English local authority on housing for a number of key product sectors, with the share by key sector illustrated below:-

Figure 1: English Local Authority Housing Expenditure Share by Product 2006/7



(actual figures censored in sample) Source: MTW Research / CLG

The comprehensive spending statistics spreadsheet supplied with this report provides overall and average expenditure statistics in value and volume by product, by region and by local authority. This report provides an overview of the social housing market, share by housing associations and local authorities, overview and identification of ALMOs, and a brief overview of key specification and procurement influences in social housing. In addition, the report draws out some of the key statistics from the accompanying spreadsheet.

The methodology for this report included primary qualitative research from social housing providers, manufacturers, contractors and other trade sources. This was supported by secondary research from a wide range of sources including trade journals, company reports, Companies House, Government statistics, trade associations, company websites and existing knowledge in this sector.

4. The UK Social Housing Market

4.1 Social Housing Market Definition

The UK Social Housing market is defined as consisting of houses, apartments and other dwellings which are funded in full, or part by public expenditure either through central Government or local authority funding. Primarily, these dwellings are provided by one of the following:-

- Local Authority
- Arms Length Management Organisation (ALMO)
- Registered Social Landlord / Housing Association including:-
 - Abbeyfield
 - Almshouse
 - Co-operative
 - Co-ownership
 - Hostel
 - Letting/Hostel
 - Letting
 - Sale or Lease
 - Stock Transfer (LSVT)
 - YMCA/YWCA

Funding for these organisations is provided from the public monies and distributed or raised through the following means:-

- HRA (Housing Revenue Account)
- HIP (Housing Investment Programme)
- PFI / PPP (Private Finance Initiative / Public Private Partnerships)
- Other publicly funded grants & loans

This report specifically excludes affordable housing schemes which are financed wholly by the private sector.

4.2 UK Social Housing Market

The UK social housing market primarily consists of houses and flats owned by local authorities and housing associations. In total, for 2007 it is estimated that there are around 26.7 million dwellings in the UK, including privately owned, privately rented and publicly owned homes.

The following table illustrates the total social housing market since 2000 and forecasts to 2012 within the context of the overall UK total stock of dwellings.

Figure 15: UK Social Housing Market – Total Dwellings 2000-2012

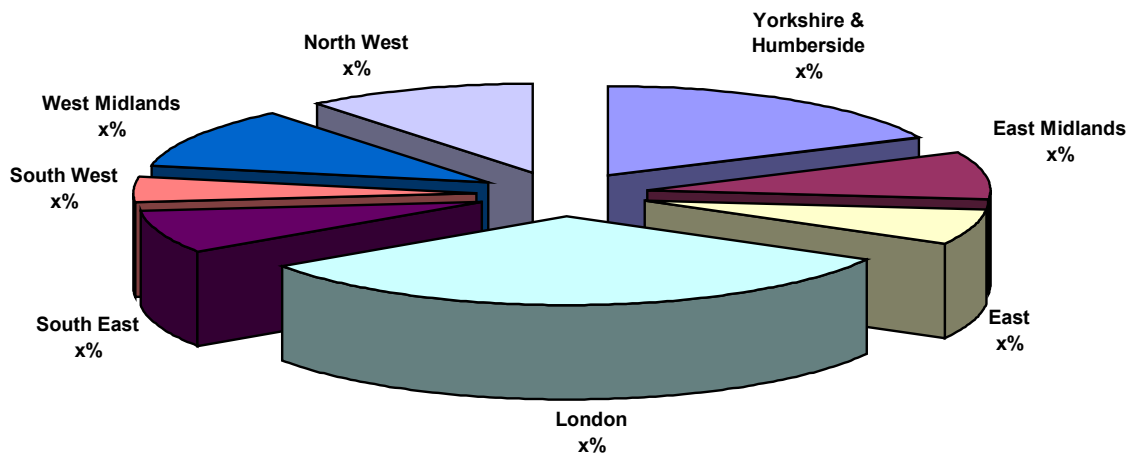
5. Local Authority Housing –Key Capital Expenditure Levels

5.1 Housing Capital Expenditure by Local Authority Region 2006/7

The following charts in this section are based on the statistics provided in the accompanying spreadsheets, which provide further more detailed information on capital expenditure levels.

Extracted from the accompanying spreadsheets, the following chart provides the share by region for local authority housing capital expenditure in 2006/7:-

Figure 20: Housing Capital Expenditure - Share by Local Authority Region 2006/2007



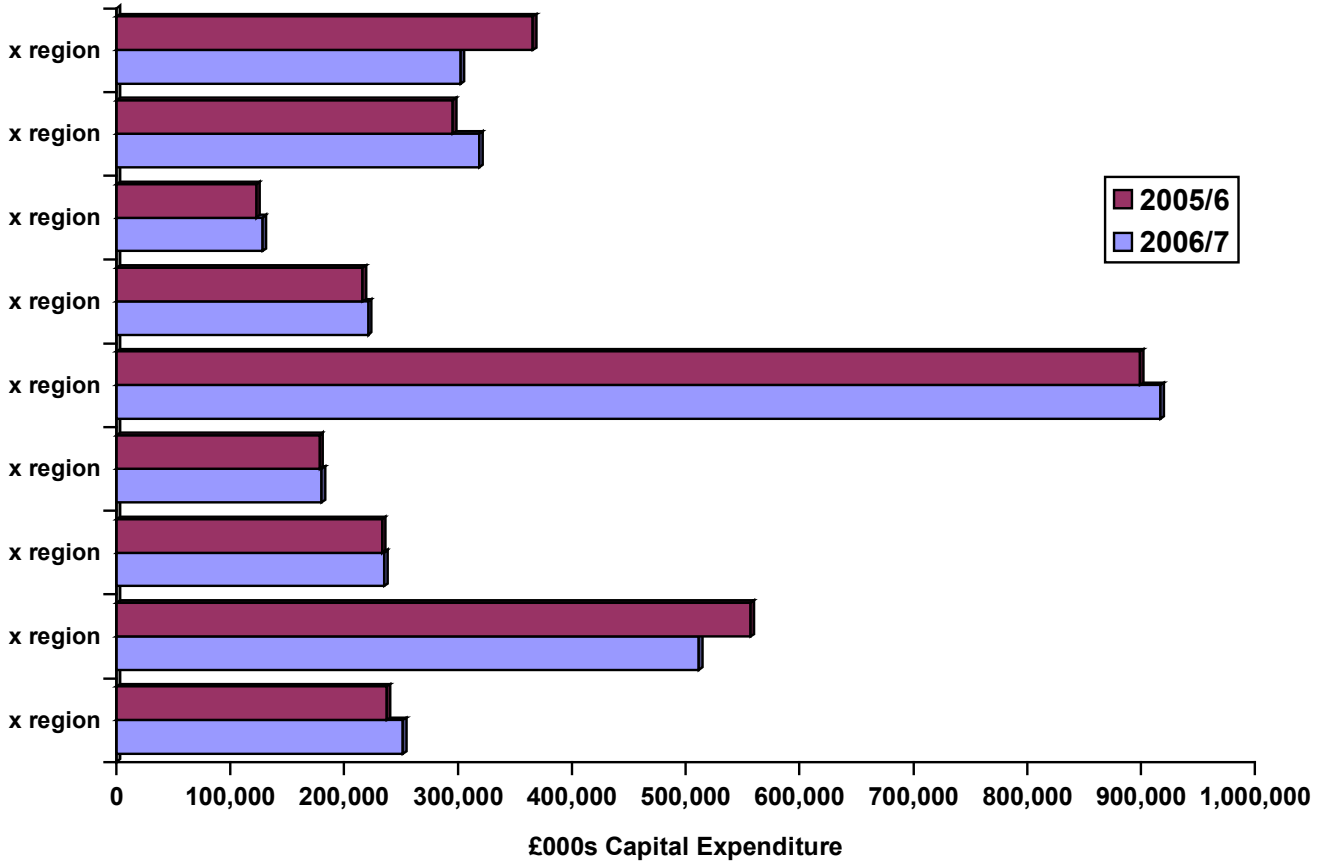
(actual figures censored from sample) Source: MTW Research / CLG

From the total £xxx billion of capital expenditure on local authority housing in 2006/7, xx% of this was attributed to social housing in London, reflecting a total of just over £xxmillion and an increase of x% over the previous year.

The second largest region is x, which in 2006/7 spent just over £xx million on housing improvements, though this reflected a decrease in expenditure of x% over the previous year.

The following chart illustrates the change in capital expenditure between 2005/6 and 2006/7 by region:-

Figure 21: Change in Local Authority Housing Capital Spending by Region 2005-2007



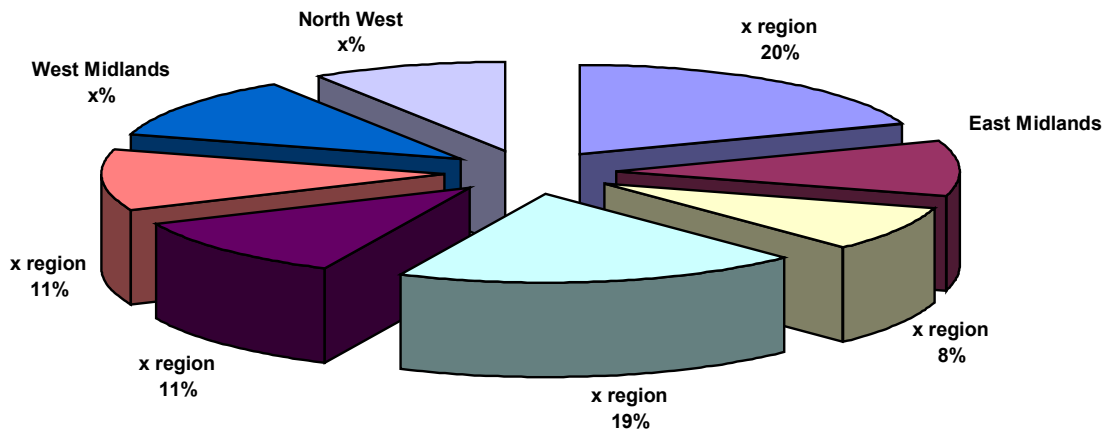
(regions & actual figures censored from sample) Source: MTW Research / CLG

As the chart illustrates, the level of capital expenditure on housing is relatively volatile from year to year.

Regions which increased capital expenditure on housing improvements include

There are also significant variations in terms of the average level of overall expenditure on housing by region, as illustrated in the following chart:-

Figure 22: Average Capital Expenditure Per Dwelling By Region 2006/7



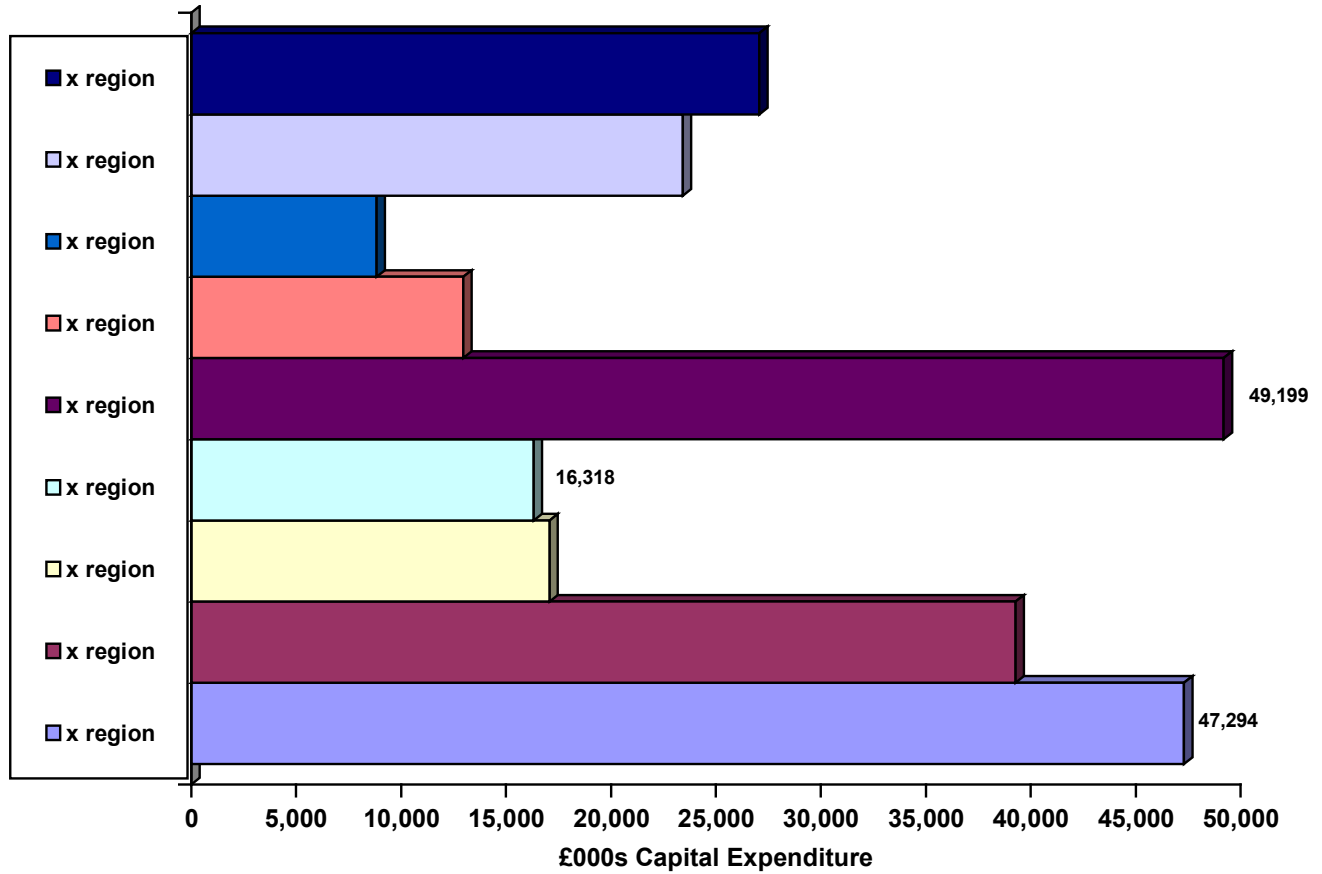
(figures & regions censored from sample) Source: MTW Research / CLG

In terms of average expenditure levels,

5.2.2 Rewiring – LA Housing Expenditure by Region 2005/6 – 2006/7

The following chart illustrates the capital expenditure levels by value on rewiring by local authorities in 2006/7:-

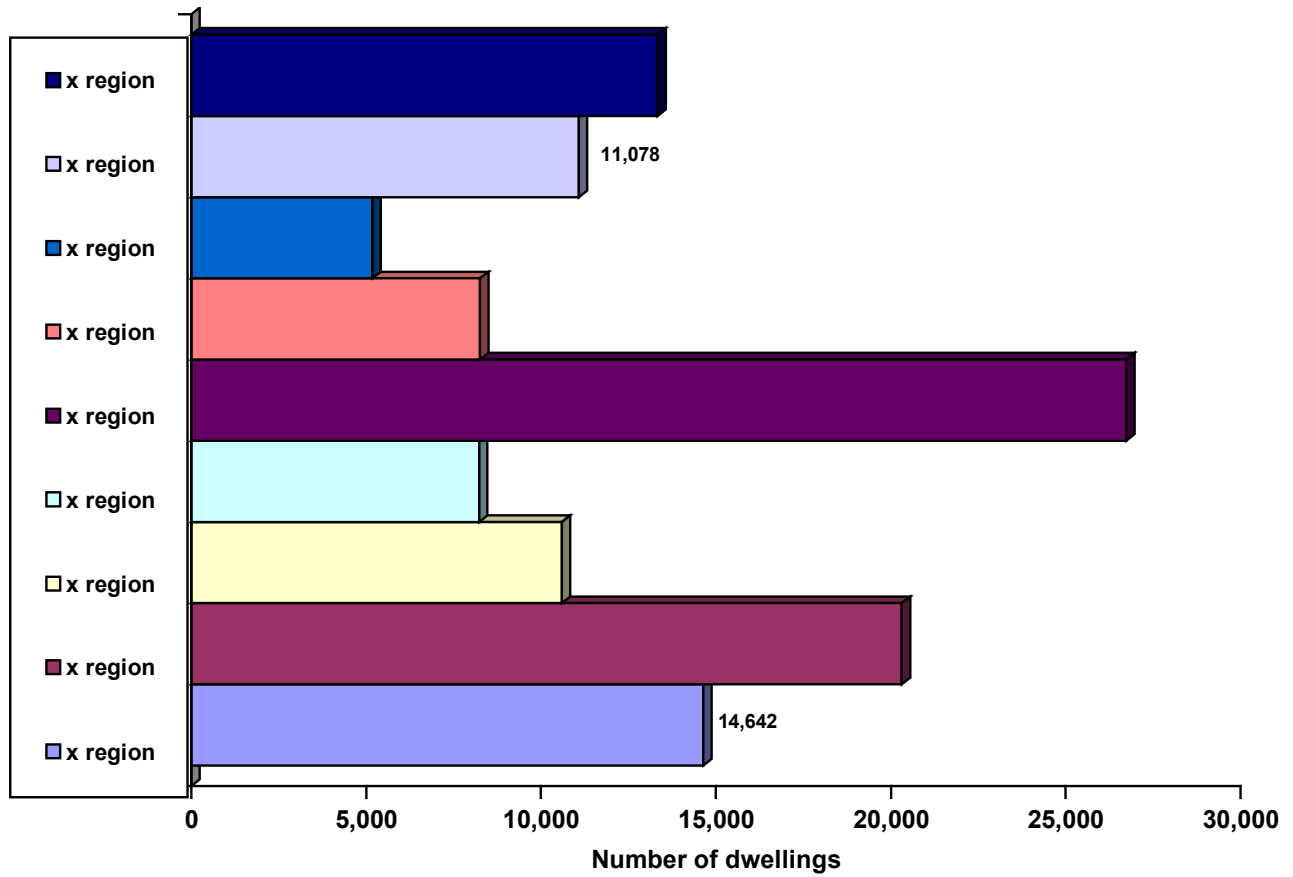
Figure 24: Rewiring Capital Expenditure by Region - 2006/7 – Value £000s



(regions & figures censored from sample) Source: MTW Research / CLG

The following chart illustrates the level of RMI work for this product sector by number of dwellings undertaken on behalf of local authorities during 2006/7:-

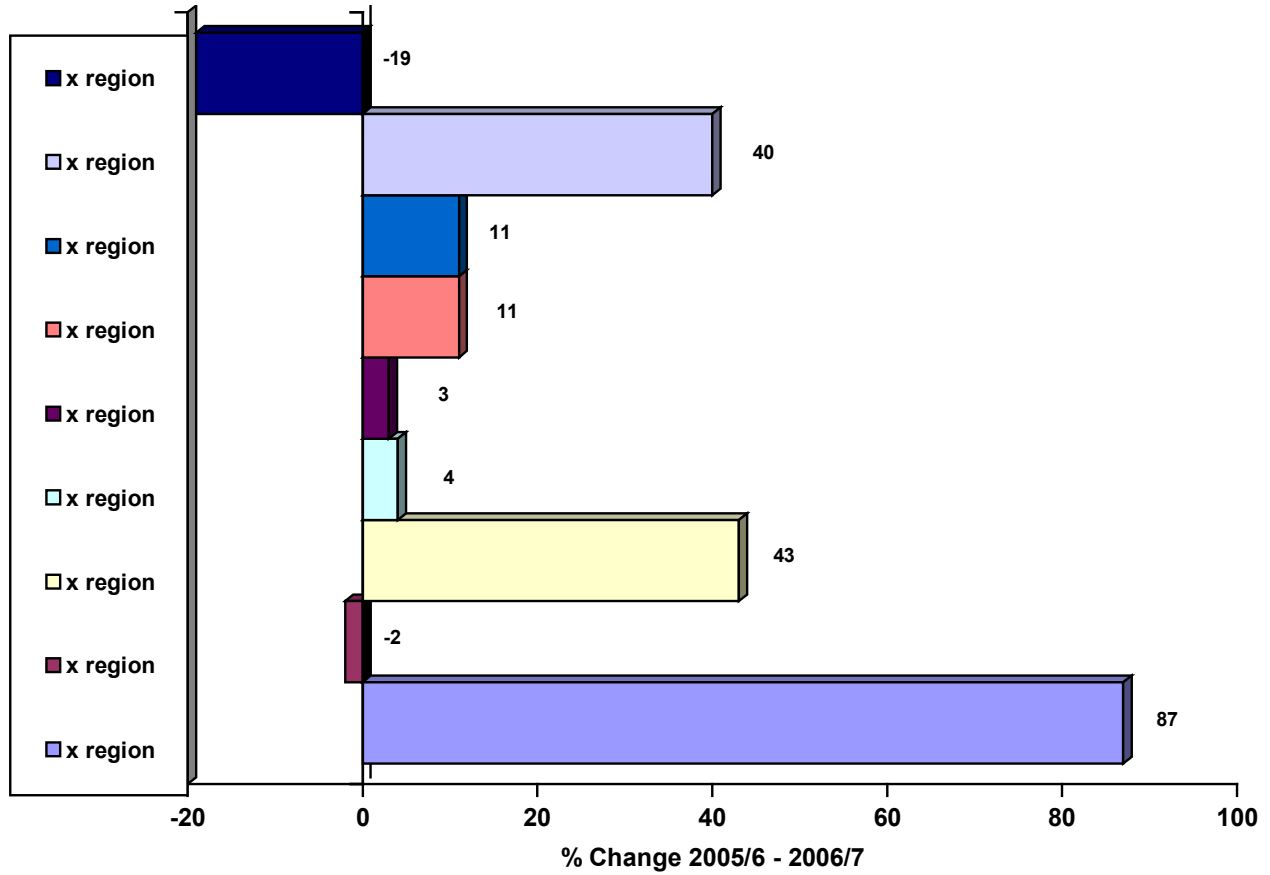
Figure 25: Rewiring RMI on Housing – Number of Dwellings 2006/7



(regions & figures censored from sample) Source: MTW Research / CLG

In order to provide an indication of which regions are generally focusing more on a particular sector than others, the following chart illustrates how the value of capital expenditure on this sector has changed as a percentage since 2005/6 by region:-

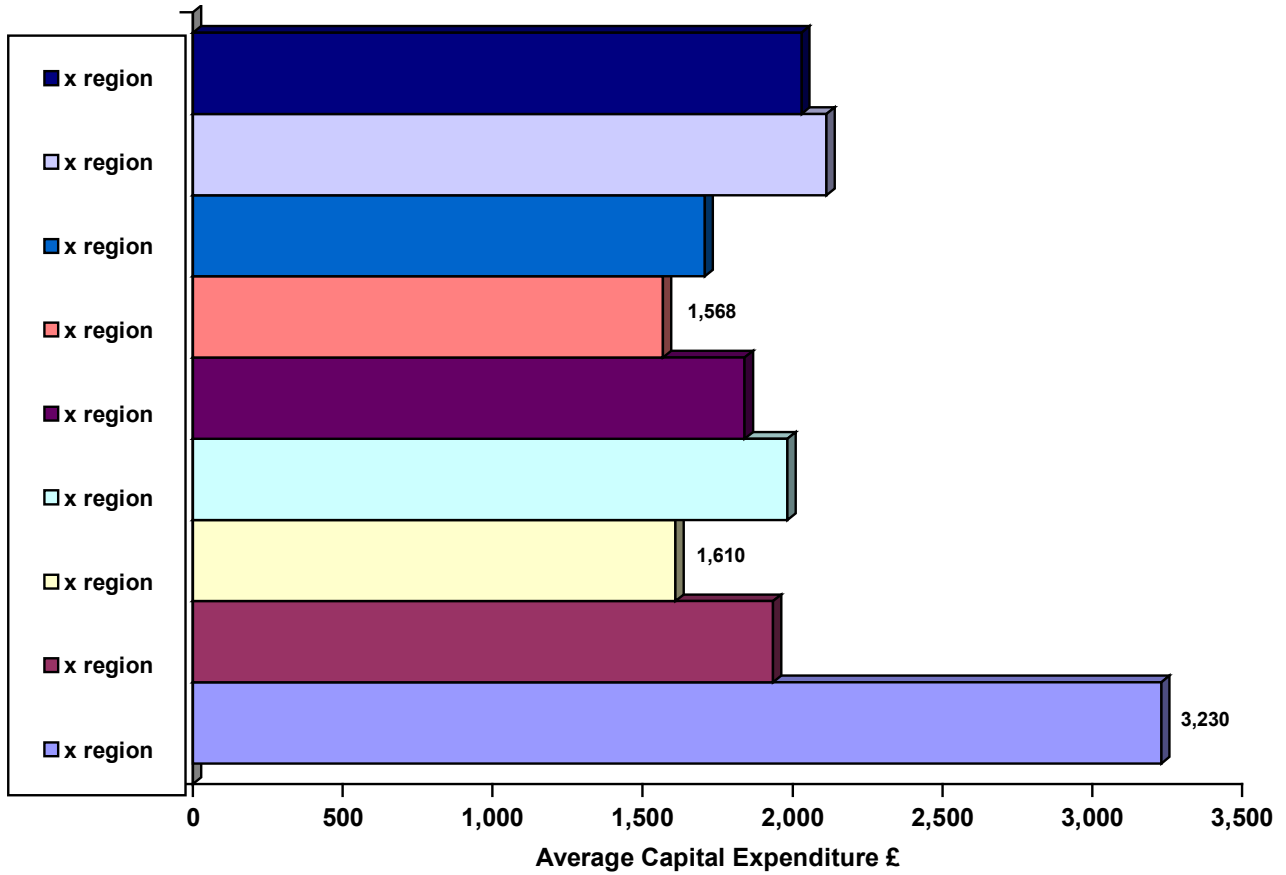
Figure 26: Rewiring Capital Expenditure by Region - % Change 2005/6-2006/7



(regions & figures censored from sample) Source: MTW Research / CLG

The average level of expenditure for each product sector varies fairly considerably by region, with some areas often spending a significant amount more on certain sectors than others. The following chart illustrates the average spend by region for this product sector in 2006/7:-

Figure 27: Average Capital Expenditure by Region on Rewiring in 2006/7



(figures & regions censored in sample) Source: MTW Research / CLG

6. Arms Length Management Organisations

Arms Length Management Organisations are private companies established by local authorities as an alternative to stock transfer to housing associations. Whilst stock remains the property of the local authority, day to day management of the properties is transferred to ALMOs who are better placed to manage dwelling stock.

The primary focus of ALMOs until now has been the need to ensure all local authority stock reaches the minimum decent homes standard by 2010. In the next few years, ALMOs' roles are likely to change and become more broad ranging, as is discussed later in this section.

6.1 Stock of Dwellings by ALMO

Responsible for managing over 30% of social housing stock in the UK, arms length management organisations are the third option for local authorities to improve their dwelling stock to the decent homes standard by 2010. An ALMO is a private company which is established by a local authority as an alternative to LSVT (large scale voluntary transfer) to a housing association or PFI. The first round of ALMOs were established in 2002, with the final (sixth) round of ALMOS announced in mid 2006.

The following chart illustrates the 70 ALMOs currently in operation, alongside their respective social dwelling stock:-

7. Key Procurement & Specification Issues in Social Housing

7.1 Overall Factors Influencing Specification of Products & Services

There are a number of over-riding factors which directly impact on the specification of products and services to be used in the social housing market, driven primarily by central government policy. These include:-

- **Adherence to Best Value** practices whereby price must be one of the evaluation criteria when acquiring goods and services. Other evaluation criteria may include, but are not limited to environmental considerations, quality, and vendor performance.
- **Delivery of Decent Homes Standard**, particularly for local authorities and ALMOs, but also housing associations to some extent, is crucial in order to receive funding and is therefore an over-riding principle in terms of specifying products and services by local authorities and ALMOs.
- **Efficiency** is a key issue impacting on specification, following Sir Peter Gershon's Review of Public Sector Efficiency, which was published as part of the 2004 Spending Review. The Gershon principles are of fundamental importance in terms of assessing specification and procurement techniques, with a number of associations and buying groups adopting these guidelines.
- **Sustainability** considerations are also increasingly an over-riding factor for local authorities and ALMOs who may bid for resources which include environmental or other works not directly contributing to the decent homes target, but which enhance the sustainability of the investment in Decent Homes.
- **Current**

The above overall issues are generally found in the procurement processes of local authorities and ALMOs in terms of refurbishment materials and services specification, although a number of further factors also impact on procurement, including:-