

OPERATION OF THE MAJOR REPAIRS ALLOWANCE FOR LOCAL AUTHORITY HOUSING

MRA is calculated as follows. First, at the national level, each property in an authority's housing stock is classed as one of 13 building archetypes derived from the following factors:

- **the type of dwelling** — terraced/semi-detached/detached house, bungalow or low/medium/high rise flat: this reflects different elements, e.g. lifts and flat roofs in high rise flats;
- **traditional or non-traditional construction** — because they are made up of certain different materials which have different lives;
- **age** — for a given dwelling type size will vary depending on the period when the property was built; also the range of elements varies with age; and dwellings of different ages have elements of different ages and hence have very different replacement profiles;
- **size** — even when account has been taken of the property type and age, there can still be substantial variation in size. Size is classified by reference to floor area rather than, say, number of rooms, because floor size relates best to the size or number of individual elements, e.g. larger properties have bigger kitchens and more windows, and therefore greater replacement costs.

Dwellings are also divided into a series of building elements or components, e.g. wall structure and finish, roof structure, windows, kitchens, heating, lifts, communal areas.

Each element is assigned a standard life, based on a consensus view by building professionals as to the age at which the component typically fails, and average national element replacement costs are applied to each component for each archetype. Costs include allowances for additional costs, such as scaffolding and administrative fees directly associated with the works. Elemental lives and replacement costs were calculated by the Valuation Office Agency (VOA) in consultation with various building professionals and were subject to consultation.

The data is then used to calculate an equated annual allowance for each archetype sufficient over a 30 year period to meet the cost of all the elements that will fall due for replacement in that period. Using these allowances central government then calculates the MRA payable to each housing authority according to the number of each archetype in its housing stock, using English House Condition Survey information. Sub-regional cost differentials are applied based on data from the Building Cost Index Price Indices for Public Sector Housing.

The expenditure profile is annuitised over 30 years to give a constant cash figure which, paid annually over the period, provides the same present value as that of the initial expenditure profile. This smoothes out the profile which might otherwise vary significantly from year to year, thereby better reflecting the long term nature of the MRA rather than short term price fluctuations. For the same reason, annual uprating of costs is done by the GDP deflator rather than annual changes in building prices, since this tends to be a better match for general inflation over the longer term.