

## Cloch Housing Association Capital works Programme 2019/20 – 2023/24

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### ***New Build Activity***

The plan models building 58 new homes at the Kings Glen site, which has a projected completion date of December 2020.

Below is a breakdown of the averages per unit re: build costs, Housing Association Grant (HAG) and loan funding:

- Build costs of £148.2k.
- HAG of £78.4k.
- Loan funding of £69.8k. As a comparator, the average loan funding per unit within the sector for new builds has been quoted as £70k, (*source: Scottish Social Housing Finance Conference, October 2017*).
- The project has a payback period of 28 years, e.g. it takes 28 years for the project to start generating cash surplus, (*once the bank loan has been paid off*).
- At its peak, the project utilises up to £1.77M of cash, peaking at this value in year 23.
- By year 30 the project is profitable and has generated £462k in cash surpluses.

### ***Planned & Cyclical Maintenance***

The planned maintenance costs have been based on an extract from the housing management system, (*SDM*), and this reflects:

- The stock condition survey information, undertaken in 2016/17
- Recent tender results, e.g. bathroom tender, painting tender, etc.
- Outcome of survey work, e.g. electrical testing
- Increase in average component costs based on benchmarking unit costs with other Associations / Iflair procurement framework
- A general review of the programme of work.

The table below provides a summary of the proposed planned and cyclical investment over the next 5 years:

Period: 01 April 2019- 31 March 2024					
	2019/20	2020/21	2021/22	2022/23	2023/24
	£000's	£000's	£000's	£000's	£000's
Cyclical Maintenance	- 242	- 245	- 149	- 129	- 180
Planned Maintenance – Non-Component	- 224	- 176	- 158	- 217	- 388
Planned Maintenance - Component	- 714	- 448	- 2,009	- 1,466	- 1,377
Planned Maintenance - Other Works	- 765	- 21	- 22	- 22	- 23
<b>TOTAL</b>	<b>- 1,944</b>	<b>- 889</b>	<b>- 2,338</b>	<b>- 1,834</b>	<b>- 1,969</b>

- *Cyclical maintenance* costs cover activities such as gutter cleaning, painting, electrical and asbestos testing. The higher costs within the period 2019-2021 relate to higher investment in painter works, e.g. £101k on average annually versus £37k on average over the following three years.

## Planned & Cyclical Maintenance cont'd

- Planned maintenance non-component costs include investment in fire alarm renewals, replacing fencing and gates, door entry systems, close lighting, car parking and bin store repairs. These costs will vary depending on the timing of life cycle for replacement.
- The other planned works include:
  - A general contingency of £20k in 2019/20 and then £10k per annum thereafter.
  - Annual provision for décor and disturbance allowance of £10k per annum.
  - £30k investment re: EESSH (Energy Efficiency Standard for Social Housing) compliance for 2019/20 only.
  - A new cost associated with changes in legislation re: smoke alarm standards with investment of £705k in 2019/20 and re-occurring costs every ten years based on £500 per property. Please note: we are still reviewing product options, however for prudence the budget and financial plan includes the high-end product specification.

The most significant area of expenditure is on planned maintenance components, (*capitalised to the Statement of Financial Position*), and the table below provides details of the programme of works over the next 5 years:

Period: 01 April 2019 – 31 March 2024	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
<b>Planned Maint. - Components</b>					
Kitchens	- 314	- 132	- 267	- 135	- 165
Utility Room Kitchen	- 34				
Roughcasting	- 73				- 48
Lifts	- 68	- 30	- 103		
Components via Reactive Repairs	- 60	- 62	- 32	- 34	- 35
Gas Boiler Combi	- 54	- 68	- 313	- 241	- 171
Roof Coverings	- 45				
Bathrooms	- 36	- 85	- 135	- 349	- 323
Bathrooms Contingency	- 10	- 11			
Close Windows	- 11		- 6		- 79
Fascia & Soffit	- 2	- 6			
Level Access Shower	- 0	- 24	- 9	- 105	- 75
Radiators / Pipework	- 2	- 13	- 295	- 159	- 44
Roughcasting Garage	- 4				
Shower	- 0	- 6	- 0	- 5	- 4
Windows		- 13	- 430	- 180	- 362
Wiring			- 420	- 258	- 70
<b>TOTAL</b>	<b>- 714</b>	<b>- 448</b>	<b>- 2,009</b>	<b>- 1,466</b>	<b>- 1,377</b>

The table above highlights that the expenditure over the next two financial years is lower in comparison to the following three years, with higher investment in rewiring, windows, heating systems, boilers and bathroom replacements from April 2021 to March 2024.

### **Reactive, Void, Annual Gas Servicing & Garden Maintenance**

- The reactive repairs budget has been modelled as £590k for 2019/20 and this has been increased by 4% against the 2018/19 budget. The budget for 2019/20 can also be compared to the actual average annual spend of £501k on reactive repairs from 2015/16 to 2017/18, (18% increase in budget provision for 2019/20 in comparison 3 years' actual trend – this provides a buffer re: the unknown outcome of the current tender exercise).
- Void costs have been modelled as £287k for 2019/20 and this has been increased by 5% against the 2018/19 budget. The budget for 2019/20 can be compared to the actual average annual spend of £195k on voids from 2015/16 to 2017/18, (47% increase). Please note: the number of voids increased significantly in 2017/18, when annual expenditure on voids was £297k, (a high number of deaths was a contributing factor), however the assumption is that this was an unusual year.
- The annual gas servicing budget has been modelled as £208k and this includes provision for the annual gas safety check and reactive repairs.
- Garden maintenance has been budgeted as £103k for 2019/20, plus £16k for the discretionary garden scheme, based on tender information and £10k annual provision for out of contract work, e.g. jet washing, drainage repairs, tree felling, etc.
- All future repairs and maintenance costs have been uplifted by inflation plus 0.5%, to reflect the potential of above inflation increases.

### **Other Capital Expenditure**

- £10k per annum general contingency for office furniture /equipment.
- The budget provision for IT equipment has been set as £22k for 2019/20, with life cycle costing now applied to the asset register to provide a 30 spend plan.
- £27k for investment in the Bogle Street Office for 2019/20 – this includes £12k provision from 2018/19 being carried forward into 2019/20, with £15k per annum general investment thereafter.

### **Inflation**

The financial plan has modelled RPI inflation based on the latest forecast information, which projects an increase to 3.2% on average in 2019/20, (sources: AFTS – previously known as Murja & The Office for Budget Responsibility).

Future years' inflation assumptions modelled within the plan are noted below:

Year	Final 2019/20 Plan
2019/20	3.2%
2020/21	3.1%
2021/22	3.3%
2022/23	3.3%
2023/24	2.5%

### **Updates**

This information is an estimate of future spend and accounting for a forecasted inflation rate. The budgeted information is updated twice a year, once at annual budget setting (January/February) and then again at the mid-year point (September/October). The most up to date, finalised, information will be given when a request for freedom of information is received.