



Cloch Housing Association

Asset Management Strategy

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Interim Asset Management Strategy 2024-26

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APPENDIX 1 – Inverclyde Acquisition Programme (2023-2028): Update

APPENDIX 2 – Cash Flow Statement 2024-26

Link to Scottish Government Energy Efficiency Strategy (section 1.6)

[Energy Efficiency Standard for Social Housing post-2020 -](#)

1. Introduction

The Cloch Housing Association Asset Management Strategy focusses on the physical assets of our housing stock and links back to the objectives in the Business Plan. The Strategy takes into account legal requirements relating to repairs and maintenance and recommended practice from the Scottish Housing Regulator (SHR) and Scottish Federation of Housing Associations (SFHA).

1.1 Background

Cloch Housing Association is a registered social landlord operating in Inverclyde, Scotland. In 2023, the Association celebrated its 55th year in operation having been originally formed on the 16th of January 1968 as a charitable non-profit making organisation under the name of Christian Action (Greenock) Housing Association Ltd.

The focus of the Association back then was –

“To provide suitable and affordable housing for rent to stem the flow of young families leaving the area.”

More than 55 years on, we are still a social housing landlord but have widened our activity and the scope of who we house and where we operate. We currently own and manage 1441 self-contained properties (as reported to the 2023-24 ARC submission). Our properties are located in Greenock, Port Glasgow, and Inverkip, Cloch HA also provides factoring services to owners in the area. With a focus on communities and people, Cloch HA prides itself on achieving high customer standards alongside a range of housing and community services.

In 2021, we moved from being a subsidiary of Oak Tree Housing Association, to being independent again. This move has meant we have created a new Vision and Values.

Factoring

Another arm of the business is Factoring. We factor and offer landscape maintenance services to over 400 properties, mainly in closes where we already own flats. This service includes a responsive repairs service for common repairs and a common Building Insurance Policy offering huge discounts to owners.

Vision & Values

Vision

" Homes and services which exceed customer expectations delivered by a strong and resilient organisation".

Values

- **Be Positive** in attitude.
- **Be Better** and always look to improve everything you do.
- **Be Kind** to yourself, to others, and in your approach to our services.
- **Be Responsible** for yourself, your customers, and your community.

1.2 Current Position

Our commitment in this area has been recognised by the Customer Excellence Service Accreditation. We are also committed to developing young people in the workplace, with various Trainee and Graduate roles within the organisations, and our work in this area has been recognised by the Investors in Young People Award.

Our last new build development site, Kings Glen in Greenock, was completed in 2021, increasing our property numbers by 57. As part of this project, we offered furnished lets. Unlike the private sector, social housing does not normally put furniture into general needs properties, however, with the start of our Cloch Plus project, designed to tackle furniture poverty, this is a test to see how successful these properties can be.

Due to the economic crisis, which has impacted the cost of building new homes, Cloch has changed tack to focus on providing more homes by buying suitable properties from the local housing market. This project has been supported by the Scottish Government, which provided £300k of funding towards this project in 2023/24.

In 2023, our Cloch Plus project was also expanded further, facilitated by circa £325k of Scottish Government funding, which allowed us to set up a new staff team, our Community Support Team, to focus on supporting mental health and well-being, ensuring this is prioritised at a community and local level. We are also delighted that this project financially supports Starter Packs, who provide essential items for setting up a new home. This project also funds a handyman service to help people turn their houses into homes.

Our community activities were also expanded during 2023 due to the establishment of our Customer Involvement Team and several successful funding applications. Throughout 2022/23 we secured £100k of funding to provide additional welfare benefits advice and support, and issue energy and food vouchers and warm packs to many of our customers. We also worked in partnership with Financial Fitness, who are Inverclyde's independent welfare benefit and money advice charity, setting up a new appointment service from our offices.

During 2023, we have also been heavily focused on improving our reactive repairs service and from August 2023 we have been delivering the service through a combination of separate contractors for the core trades such as joiners, plumbers, and electricians, rather than using one large, multi-trade contractor. Many of our smaller contractors are local to Greenock and the impact of the new contracts has also led to new apprenticeship opportunities being created.

During 2023 we also carried out a tenant satisfaction survey, with over 800 responses, which highlighted improved satisfaction levels across the board, however we will continue to focus on improving services and will use the feedback received to set out our priorities for 2024/25. This will also be supported by our investment in new survey software to help gather feedback and views on our services. We are already realising the benefits of this with circa 35% responses to our 2024/25 rent consultation, which is an increase from 12% last year.

Cloch HA's capacity to deliver good services for customers and provide a solid platform for improvement depends on our ability to maximise the outturns of our property assets. Income streams for social landlords are dominated by rental income and the expenditure required to maintain them to the required standard. Strategic asset management should be an evolving process which focuses on the most important asset management issues during the period of the strategy aligned with the business plan.

This revised Asset Management Strategy has been aligned with our current business plan which considers the most up to date information to allow Cloch to make informed decisions on future investment and is delivered by our dedicated staff and supported by our Board.

Cloch HA completed our last Stock Condition survey in 2021 which encompasses an approximate 20% of our stock on a 5-year rolling in-house stock condition inspection programme. Other factors which have influenced our short-term strategy has been the recent economic factors which has seen a dramatic increase in costs relating to materials, labour, and energy. Part of our strategy is to also provide affordable homes for rent. In working towards this aim aligned with the financial climate, we have had to adjust our short term 5-year investment programme accordingly. Future business plans and asset management strategies address these issues and at the same time consider the development of our strategy to incorporate our approach to meeting the soon to be published Social Housing Net Zero Standards.

This strategy will also provide an accurate picture of the housing need and demand across our housing portfolio in Inverclyde ensuring our allocation process meets current and future housing needs.

1.3 Guiding Principles

Guidance published by the Scottish Housing Regulator stated that it is important that this strategy takes into consideration the recommended practice document - **“Integrated**

Asset Management – Recommended Practice” which was published in February 2023. This recommended five practical principles which this strategy will adhere to;

- **Principle 1:** Governing bodies and committees lead the strategic response to asset management and should be assured that assets are managed effectively.
- **Principle 2:** Social landlords should have a comprehensive understanding of their assets.
- **Principle 3:** Social landlords should develop an approach to understanding the value of their assets.
- **Principle 4:** Integrated asset management outcomes should be understood and used as evidence to inform future investment decisions.
- **Principle 5:** Social landlords should use the integrated asset management outcomes to inform their asset management strategies.

1.4 Compliance with Standards

The Scottish Housing Quality Standard (SHQS) was introduced in February 2004. It is the main way housing quality is measured in Scotland.

The SHQS means social landlords must make sure their tenants' homes:

- are energy efficient, safe and secure.
- not seriously damaged.
- have kitchens and bathrooms that are in good condition.

The Scottish Government introduced a minimum housing standard in Scotland to try to make sure that no property ever falls below this level. The Scottish Government set a target for local authority landlords and registered social landlords to bring their housing stock up to SHQS standard by April 2015. Since 2012, this target has been incorporated in the Scottish Social Housing Charter.

As reported to the 2024 ARC submission, Cloch HA` s compliance across the stock was reported at 94.38%.

- 5.4% of the stock (78 units) were “exempt” with regards to their Energy Efficiency Rating against the ESSHH 2020 standard.
- 0.2% (3 units) reported as failing due to not having a compliant EICR carried out within 5 years, (now resolved).

1.5 The Scottish Social Housing Charter

The Scottish Social Housing Charter came into force in April 2012. It sets out the standards and outcomes that all social landlords should be aiming to achieve for their customers.

The Charter also covers what tenants and other customers can expect in terms of the:

- quality and value for money of the services they receive.
- standard of their homes.
- opportunities for communication about, and participation in, the decisions that affect them.

Management of housing assets is undertaken to ensure the association lets its housing stock in a condition which meets the legal obligations under the relevant legislation such as the Housing (Scotland) Act 2001 and Health & Safety legislation.

This strategy takes account of current good practice and the Scottish Government Social Housing Charter outcomes 4, 5 and 13 which state that: -

- Outcome 4: Quality of housing: Social landlords manage their business so that: *tenants' homes, as a minimum, when they are allocated are always clean, tidy and in a good state of repair, meet the Scottish Housing Quality Standard (SHQS), and any other building quality standard in place throughout the tenancy; and also meet the relevant Energy Efficiency and Zero Emission Heat Standard.*
- Outcome 5: Social landlords manage their businesses so that: *tenants' homes are well maintained, with repairs and improvements carried out when required, and tenants are given reasonable choices about when work is done.*
- Outcome 13: – Value for money: Social landlords manage all aspects of their business so that: *“tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay”.*

1.6 Energy Efficiency in Social Housing

The Social Housing Net Zero Standard will set out the regulations for how local authorities and housing associations heat residential properties, as well as how energy efficient the buildings need to be. This new regulatory standard will replace the current standards and provide the timescales for social housing providers to meet the new requirements.

It is expected that these standards will be finalised and published by the Scottish Government in 2025. This strategy will aim to combine the development of an energy efficiency strategy alongside our procurement strategy which will incorporate budget setting, funding opportunities, as well as collaborative working with agencies such as Changeworks and the Inverclyde Local Heat and Energy Efficiency Strategy working group (LHEES).

1.7 Financial Planning

Cloch HA`s financial plan supports the delivery of its strategic objectives and business plan activities and has the financial capacity to deliver the long-term commitments. The plan demonstrates sound financial planning and management including financial resilience testing, (stress testing), against financial ratios and sensitivity analysis

associated with key risks and external factors, such as future projections for inflation and interest rates.

Our cash expenditure profile is influenced by the investment in planned and cyclical maintenance, which links with the life cycles of replacing our major components such as roofs, kitchens, and bathrooms. The financial peaks and troughs of expenditure are known and planned for and supported by having a £6M revolving credit facility in place with one of our lenders.

The investment programme is based on our most recent stock condition survey, current component replacement costs, as well as any current or short-term constraints including managing the backlog of delayed component replacement works, increases in contractor and material costs, as well as the availability of resilient contractors who can meet contract and schedule demands.

The future expenditure required for energy efficiency targets is not yet known, however the Association has the capacity to raise additional loan funding, based on:

- Having low gearing – the properties used as security for loan funding are valued at £38M versus the £10.5M loan funding outstanding, which provides an asset cover ratio of 3.62 compared to the bank's minimum covenant of 1.10. This highlights additional loan funding could be taken out with our existing lenders without having to secure more properties.
- Cloch HA has unencumbered stock of circa 650 properties, which could be used as security for additional loan funding from a new lender.
- Net debt per unit is circa £5k per property and debt per unit is £7k, which is low compared to the SHR median.
- 88% of our loan funding is currently fixed, providing protection against future increases in interest rates – additional loan funding at a variable rate would balance the fixed rate interest arrangements in place.

Note: loan funding information above is based on the Q1 Treasury Management Report.

1.8 Stock Profile

As reported in the 23-24 ARC submission, Cloch HA currently owns and manages 1479 self-contained units which also fall under the scope of requiring to comply with SHQS. Our stock is situated in Greenock, Port Glasgow, and Inverkip. With a focus on communities and people, the Association prides itself on achieving high customer standards alongside a range of housing and community services. Cloch HA housing stock sits within the wider context of Inverclyde which includes: depopulation, an increase in ageing households, increased demand for smaller homes and higher than average levels of long term illness or disability which reduces the number of working age households.

The demanding recent financial climate since the last development came off site in 2021 has meant that Cloch and the Board have taken the decision not to commit to any new development opportunities. Instead, the Association introduced an Acquisitions and Disposal Strategy which since 2021 Cloch have acquired 22 properties totaling

£1,290,000 whilst also drawing down Scottish Government funding of £588,000. We also disposed of 5 flats with a cumulative sale price of £282,000.

AREAS	1Apt	2Apt	3Apt	4Apt	5Apt+	Grand Total
A1 - WEST	4	29	2			35
A2 - DEMPSTER STREET		1	27	1		29
B - WELLPARK		171	156	19		346
C - GREENOCK EAST	2	109	83	32		226
D - LARKFIELD			23			23
E - INVERKIP		2	5	3		10
F1 - WHINHILL		38	87	35	7	167
F2 - AUCHMOUNTAIN			17	5		22
G1 - BRIDGEND GROSVENOR			21	1		22
G2 - CLYNDER CARDROSS			17	10		27
G3 - SOUTH MAUKINHILL			38			38
G4 - ABERFOYLE KILLEARN			24	16		40
H - GIBSHILL		4	50	41	2	97
J - MACGILLIVARY ESTATE		10	44	18	2	74
K - KINGS GLEN		8	28	19	2	57
M - MAUKINHILL		10	105	67	8	190
P - PORT GLASGOW		2	33	3		38
Grand Total	6	384	760	270	21	1441

1.9 Risk Assessment

The Cloch HA Risk Management Strategy regards risk as a quantifiable level of exposure to the threat of an event or action that will adversely affect the associations' ability to achieve their business objectives. The task of management is to identify and respond effectively to these risks, to maximise the likelihood of the association achieving its purpose and ensuring the best use of resources.

Strategic risks associated with asset management are assessed as part of our Business Planning process and risks are monitored to ensure we have a good understanding of actual and potential risks which could impact on our asset management strategy.

There will, of course, always be unforeseeable and unavoidable events which we cannot predict. These may include financial factors such as higher than expected inflation of costs; health and safety incidents; environmental events; or other economic conditions which have an impact on the management of our assets. We carry out regular risk assessment and monitoring to minimise the impact of such risks.

1.10 The Planning Approach

During 2019/20 Cloch HA participated in research commissioned by Inverclyde Council to assess the impact of potential new build affordable housing developments in Inverclyde on the existing stock of each of the main RSLs operating in the area. The research provided a good understanding of the localised housing markets so that the Association can ensure that developments are sustainable in the long term; make best use of assets; and provide an appropriate offer for the local communities to thrive.

Cloch HA has built upon this approach to include an assessment of asset management combined with the demand analysis and new build impact assessment. Cloch HA therefore has a modelling tool which considers the following demand, new build impact and asset management indicators:

- Property Size demand
- Property Type demand
- Stock to Applicant ratios
- Relets as a percentage of stock
- Applicants per let
- Refusal rates
- Length of Tenancy
- Proximity to new build developments
- Percentage of properties in a block owned by Cloch HA
- Average Day to Day Repairs
- Average Void Repairs
- Heating Type
- EESSH Compliance
- EPC Rating
- Cyclical and Planned Maintenance Costs over 5 years
- Cyclical and Planned Maintenance Costs over 30 years

This approach to the asset management strategy which was previously undertaken by a consultant will form the approach of our more in-depth approach which will take account of this information for our strategy from 2026 onwards.

2. Asset Management Priorities For 2024 to 2026

To ensure effective asset management of our housing stock we have identified the following priorities for 2024 to 2026:

2.1 Financial Plan 2024 to 2026, *(based on the May 2024 approved financial plan – 2-year extract).*

At a top level:

- Cloch HA`s cash position will remain steady at circa £2.85M on average over the period.

- Investment in property acquisitions is budgeted at £420k in 2024/25, with the programme of activity reducing thereafter, based on the £1M previously approved by Board being invested in this area over the past years.
- Investment in capitalised planned maintenance is £2,017,200 in 2024/25 and £1,736,600 in 2025/26
- Expenditure on reactive, void, gas servicing and garden maintenance is £1.9M on average per annum.
- Cyclical and non-capitalised planned maintenance costs are projected as £1.23M in 2024/25 and £1.85M in 2025/26.
- A heating system upgrade and roofing works are planned for the main office with investment of £250k budgeted for this over the 2-year period.
- To fund the planned maintenance programme, the revolving credit facility will be used, with £2.55M of the £6M available funds being drawn down by March 2026.
- RPI inflation is modelled as 3% and CPI is modelled as 2% over the period, with 0.5% added to this for major repairs inflation.
- To fund the above, rents are projected to increase by 1% above inflation in each of the years, however where performance out-performs the business plan assumptions, e.g. void loss, bad debts and positive variances against budget accounts, the above inflation rent increase will be reduced.

2.2 Planned Maintenance 2024 to 2026

Since 2021 due to a variety of external factors including COVID, a dramatic rise in material and labour costs, as well as a requirement to ensure rent increases are kept below inflation this has meant that we have been unable to complete the previous year's major component replacements. We have now identified a 2-year catch up programme for the replacement of major components as detailed below which have also been agreed as part of our budget setting.

Component	24-25 (£)	25-26 (£)	Total (£)
Bathrooms (including showers & level access renewals)	382,300	541,600	923,900
Windows	480,000	316,900	797,700
Boilers	428,300	273,000	701,300
Elec upgrades	350,000	141,000	491,100
Kitchens	178,400	200,900	379,300
Close Doors and Door Entry System	0	300,900	300,900
Lift upgrades	106,000	49,700	155,700

Close lighting	0	132,800	132,800
Flat entrance doors	0	106,000	106,000
Close windows	0	105,600	105,600
Close flooring	0	65,900	65,900
External house doors	28,300	6,800	35,100
	1,953,300	2,241,100	4,194,400

Cloch HA will also replace essential items in our homes out with their standard life cycle where they are deemed to be beyond economical repair or in serious disrepair such as kitchens, boilers, bathrooms, windows, doors, roofs etc.

We will always ensure that tenants are communicated with for both planned and unplanned works to notify them of the impending works and to consult with them (for example, to choose a kitchen) before we start the work.

Understanding tenant satisfaction with these works is also important to allow for consideration for future improvements. Tenants will be asked to complete a satisfaction survey at the end of the works.

2.3 Cyclical Maintenance / Safety Compliance 2024 to 2026

As well as providing a reactive repairs service, we also have a cyclical programme which includes the following;

- Gutter Cleaning & Roof Anchor Testing.
- Gas Boiler Safety Inspections.
- Safety Inspection to Electrical Systems.
- Portable Appliance Testing.
- External & Communal Painting.
- Communal Grass Cutting and Landscape Maintenance.
- Lifts.
- Water Hygiene.

We also ensure that these as well as other Health and Safety compliance areas such as Fire Safety, Play Park inspections and Asbestos Management is monitored and managed in accordance with all relevant legislation, codes of practice and best guidance.

Element	24-25 (£)	25-26 (£)	TOTAL (£)
Landscape maintenance	223,500	212,600*	436,100
Gas safety inspections	159,000	163,800	322,800
Electrical installation inspections	2,400	27,400	29,400
Painterwork	118,900	69,800	188,700

Fire system testing and inspections	19,100	19,700	38,800
Water hygiene inspections	5,000	5,150	10,150
Thermostatic mixer valve testing	14,100	14,500	28,600
Lift inspections	6,300	6,500	12,800
Gutter cleaning & roof anchor testing	87,000	89,600	176,600
Asbestos surveys / testing	11,700	12,100	23,800
Play equipment inspections	4,700	4,800	9,500
Gas and Electrical audits	10,000	11,500	21,500
EPC surveys	2,300	2,400	4,700
	664,000	639,850	1,303,850

2.4 Day to Day Reactive Repairs

Externally we will carry out repairs to components such as the roof, main entrance door, windows, external walls, gutters, and downpipes. In a close, we will also maintain the close entrance doors, close lighting and the back-court area.

Internally we will maintain the installations/fittings that were provided by the Association. Generally, these are; kitchens, bathrooms, heating systems, pipework, electrical system (wiring, sockets, switches, pendants, smoke alarms and consumer unit), windows and doors. Internal Common Areas. We will maintain common areas, stairwells, lifts, communal TV aerials, windows and other communal areas to ensure they are safe and in a good condition, including paintwork.

Environmental Repairs, we will repair and maintain the areas around our properties and communal areas where we have responsibility. These include boundary walls, bin stores, paths, fences, lighting, parking areas, play areas and hard and soft landscaped areas.

Pre-Works Inspections - on some occasions it may be necessary to carry out an inspection to a tenant's home to ensure that we are instructing the correct repair, or where the works may not be straightforward.

The budget for the next two years are:

- **2024 - £922,900**
- **2025 - £954,400**

2.5 Void Repairs

The association has identified the following general aims and objectives in relation to the management of empty properties: -

- To minimise the loss of rental income by re-letting properties quickly and efficiently.

- To maximise the opportunity to meet housing needs by allocating properties to suitable applicants.
- To minimise the repair expenditure whilst not deterring acceptances.
- To maximise the empty house period to undertake planned improvements.
- To minimise the number of offers made before a property is let.
- To ensure accommodation offered is to the standard specified in the lettable standard and complies with all Health & Safety requirements.

The budget for the next two years are:

- **2024 - £580,400**
- **2025 - £597,800**

2.6 Medical Adaptations

Cloch aims to deliver the prescribed installations or adaptations to our homes through instruction to a suitable competent contractor who is able to demonstrate competence is working in this specialist environment.

The Scottish Government makes provisions for Housing Associations to claim grant monies for requested adaptations. Where possible, it is CHA's intention to pursue this route of finance for all adaptations. Where any grant approved by the Scottish Government has been exhausted or the cost of a required adaptation will exceed the remaining budget, and the Scottish Government are unable to provide further funding then they may be held in abeyance until such time as new funds become available.

Where possible, CHA will look to maximise opportunity for adaptations when carrying out other programme commitments. For example, adaptation works might be facilitated through the Associations Planned Maintenance and Development programme.

Subject to available funding adaptations will be categorised in accordance with the Occupational Therapists recommendations and prioritised using the date of the CL1 received or unless otherwise advised by Occupational Therapists or competent medical practitioner.

Final confirmation on funding will be finalised by the Scottish Government around July 2024. Expenditure will be governed by demand. Based on comparison from recent previous years it is anticipated that we will spend around **£115,000**.

2.7 Stock Condition Surveys

Cloch HA will undertake regular stock condition surveys within 5-year intervals of its' housing stock. A sample 20% of the stock will be assessed to ensure there is a clear understanding of stock condition and investment priorities. Cloch will engage with a verified consultant to assist in this exercise. The next Stock Condition Survey is scheduled to be carried out in 2026.

2.8 Procurement Strategy

Our Procurement Policy outlines how we will comply with the relevant legislation, regulations and guidance which regulate our procurement activities. This also provides opportunity to achieve value for money for the Association and customers, that we achieve quality standards and openness, transparency and propriety is observed in selecting contractors and suppliers and in awarding tenders.

An annual Procurement Strategy is provided to the Board detailing the planned activities of the association for the forthcoming financial year (April to March). This report also provides a review of the procurement activities carried out during the previous year.

2.9 Acquisitions and Disposals

In 2021 the Board provided approval to secure £1M of loan funding to purchase properties in conjunction with our acquisition project. Since then, through discussion with other providers and Inverclyde Council an Acquisition Strategy was developed which attracted grant funding from Scottish Government.

Cloch HA will seek to consolidate ownership within blocks where it owns a majority share. When properties in blocks which Cloch owns 75% or more of all properties become available for purchase on the open market Cloch HA will consider the acquisition of these properties. Cloch HA may also approach owners in the block on a speculative basis to determine their interest in selling their property. In buy back cases Cloch HA will pay no more than current market value.

The leadership team would consider 'opportunities' on a case-by-case basis, taking into account supply and demand issues, property type, future maintenance and investment requirements including compliance with future energy efficiency targets. In flatted accommodation the target 'break even' date would be twenty years and twenty-five years for properties with front and back doors.

Since 2021 Cloch have acquired **22** properties totaling **£1,290,000** whilst also drawing down Scottish Government funding of **£588,000**.

Following discussions with Inverclyde Council and Scottish Government we have agreed that Cloch will make two separate acquisition funding applications based on the following:

- The acquisition of up to 4 smaller properties (typically 2-bedroom flats) at the maximum grant level of £50,000 per flat of the agreed purchase or valuation, whichever is less = £200,000.
- The acquisition of up to 4 larger homes (typically 3- or 4-bedroom properties) at the maximum grant level of £83,584, or 50% of the agreed purchase or valuation, whichever is less = £334,192.

Cloch HA will also consider where asset disposal may be required. This could be where we have been unable to reach agreement with other owners to carry out repairs and maintenance. Asset disposal will be considered where properties become vacant and Cloch HA owns 25% or less of the properties in a block.

2.10 Missing Share Scheme

A majority of owners in a tenement can make a binding decision to carry out maintenance and repairs. Local authorities can pay a 'missing share' on behalf of owners who are unable or unwilling to comply with the majority decision. The local authority can recover its costs and use a repayment charge, a kind of security against the property.

Scottish Ministers can also regulate to allow registered social landlords a similar discretionary power to pay and recover 'missing shares'. Before Ministers can make regulations, they must consult bodies representing local authorities and registered social landlords, among others.

Cloch HA will use 'missing shares' powers where possible to ensure its' housing stock is maintained and repaired to meet regulatory standards.

2.11 Analysis of Demand/Sustainment Issues

Cloch HA will analyse reasons for refusals of property allocations to determine which areas are most likely to be refused and the main reasons for the applicant refusing the property. The Association's current refusal rate (20.25% ARC completion figure 2023/23) is below the national average. Given the time and effort that goes into any offer, refusals are a significant waste of staff resources. As such, we will endeavor to minimise this figure where possible. Through demand analysis we will identify the areas with the greatest proportion of refusals, explore the reasons for these refusals and put in place measures to reduce refusal rates.

The Scottish Social Housing Charter sets the standard that all social landlords should aim to achieve in terms of tenancy sustainment by pledging:

“tenants get the information they need on how to obtain support to remain in their home; and ensure suitable support is available, including services provided directly by the landlord and by other organisations”

Cloch HA's overall tenancy sustainment figure within year 2023/24 was 95.21%, which is above the most recent Scottish average figure of 91.23%. While our performance is strong in this area, we understand our tenants will face challenges in the future as the world around us continues to change. Tenancy terminations have a cost attached to them in terms of rent lose, repairs and resources. This is particularly evident when a tenancy has 'failed' due to tenancy breaches, eviction or abandonment. We will therefore thoroughly analyse all tenancy termination reasons, identifying the specifics or any emerging trend in terms of terminations. By doing this – and working partner agencies – we aim to build thriving communities where tenants remain with us for long periods of time, reducing tenancies ending prematurely and allowing resources to be re-directed to other priority areas.

2.12 Links to Inverclyde Council

Cloch HA has successfully worked in partnership with Inverclyde Council over many years. The Association will continue to work in partnership with the Council and will seek to make best use of Council delivered and administered initiatives which will complement the key priorities within this strategy. This will include:

- Working with the Council to ensure owners and private landlords in mixed tenure blocks are aware of and able to access Schemes of Assistance to carry out home improvements.
- Compulsory purchase powers which are important in helping to deliver housing, development and regeneration that create high quality places where people want to live, work and invest. Such projects will deliver social, economic and environmental improvement for the public benefit and used properly, these powers can aid effective and efficient regeneration, the revitalisation of communities, and the promotion of inclusive economic growth.
- Exploration of other initiatives which could deliver projects in lower demand stock. This may include homelessness initiatives or housing for specific needs groups.

Inverclyde Acquisition Programme: 2023 Update

Background

In cognisance of the substantial effort made by our Registered Social Landlord (RSL) partners to develop new build social housing over previous years, it was determined that the Housing Need and Demand Assessment (HNDA) did not support the requirement for large scale house building within the social rented sector. This provoked an appetite from both Inverclyde Council and RSL partners for a more nuanced approach to regeneration in Inverclyde which considered demolition, new build and renovation of existing housing stock to improve housing condition and quality rather than adding a significant net gain to the supply.

Inverclyde council and our housing and health partners agreed that an Acquisition Programme was an essential method of addressing recent and historic housing issues across Inverclyde. It was decided that a commitment to funding an Acquisition Programme through the Scottish Government's Affordable Housing Supply Programme (AHSP) would enable Inverclyde Council and partners to tackle these needs.

1. Strategic approach to the acquisition of second-hand properties in Inverclyde

In 2021, Inverclyde Council's proposal to the Scottish Government for the acquisition of second-hand properties in Inverclyde determined the three fundamental purposes of the programme which are:

1. Consolidate stock for management and improvement purposes.
2. Secure stock where there is limited supply and limited development opportunities.
3. Secure stock for households with particular requirements.

Inverclyde Council determined that any acquisition must address identified housing need within Inverclyde and provide value for money; the purchase must not exceed market value and must be agreed by the Council. On completion of purchase and any necessary refurbishments, RSLs are expected to update Inverclyde Council to assist with monitoring of the Programme. Acquisitions are reviewed annually as part of the Strategic Housing Investment Plan (SHIP) process. Inverclyde Council stipulate that the projects which will be agreed for funding are those which achieve the best balance between the 3 criteria used in the SHIP methodology for prioritising new build proposals:

- Reflect LHS outcomes
- Address Housing Need and Demand
- Deliverability

Inverclyde Local Housing Strategy 2023-2028

The strategic approach outlined above remains the shared strategic objectives of Inverclyde Council and its partners for the acquisition programme. Inverclyde Council's approach towards the acquisition of second-hand properties has been reiterated within the draft Inverclyde Local Housing Strategy 2023-2028.

*'To address these issues and to improve the sustainability of communities and places, Inverclyde Council and local RSLs have recognised the importance of investing in existing poor-quality housing through a Housing Acquisition Programme negotiated with the Scottish Government in 2021. The Acquisition Programme was designed to complement the Affordable Housing Investment Programme providing additional affordable housing in areas of poor-quality private sector housing. Buying properties from the market allows social landlords to repair, renovate and regenerate; whilst continuing to address the need for additional specialist provision and homeless accommodation in areas where new homes cannot be built.'*¹

The LHS recognises the potential transformational effect the acquisition programme could have on Inverclyde's housing supply, stock condition and how it can positively contribute towards regenerating existing communities. Therefore, the draft LHS proposes over the duration of the next strategy the acquisition programme will be further extended and includes the following action:

Action 2.3 'Extend the RSL Acquisition Scheme by enhancing the budget and reshaping the criteria.'

Inverclyde Strategic Housing Investment Plan

Twenty-one properties were purchased in the first financial year of the acquisition programme and all 3 of the fundamental aims of the programme were met. All acquisitions added to the existing stock of affordable, quality housing provided by our RSLs across Inverclyde and are regulated by the Scottish Housing Regulator.

The programme was further extended within the Inverclyde SHIP 2023 – 2028, allocating funding for 40 units per annum towards the acquisition of second-hand properties over the five-year period.

2. Scottish Government Policy

More Homes Division Guidance Note 2023/02 - Affordable Housing Supply Programme: Process and procedures

Scottish Government guidance states that where it can be demonstrated that the purchase of individual 'second-hand' residential dwellings meets a clear strategic purpose and can be clearly seen to support the achievement of the priorities and objectives set

¹ Arneil Johnston, Inverclyde Local Housing Strategy 2023-2028

out in the relevant local authority's Local Housing Strategy, the Affordable Housing Supply Programme can support this under the following scenarios:

1. The dwelling is for sale on the open market and will be purchased with vacant possession (unless otherwise agreed with the Scottish Ministers).
2. The dwelling is not for sale on the open market but will be purchased with vacant possession – securing stock where there is a limited supply and limited development opportunities, and/ or securing stock for households with specialist requirements, are examples of the type of situation where this might be deemed appropriate, and
3. The dwelling is not for sale on the open market and the owner occupier (a) cannot afford the required maintenance or refurbishment of their home (particularly where this is in a mixed tenure block) and (b) would therefore wish to sell their home and remain in it as a tenant in the social rented sector. Under this scenario, the value of the property must be in line with the terms of the Mortgage to Rent scheme, and the amount of money that the household can retain post sale must mirror the terms of the Mortgage to Rent scheme (with any capital and equity in excess of the limits set for this scheme requiring to be forwarded to the Scottish Government and used to support the Affordable Housing Supply Programme). It would also need to be clearly demonstrated that:
 - the purchase facilitates the consolidation of stock ownership for managing specific planned stock improvement/ refurbishment works
 - the local authority is unable to facilitate the planned works from local resources under discretionary power to assist
 - the owner occupier has received (a) advice about their financial situation from an FCA authorised independent financial adviser and (b) independent legal advice on the terms of the proposed sale and subsequent tenancy agreement
 - the owner occupier will employ a solicitor to act on their behalf with respect to the sale of their home, and
 - the owner occupier is not eligible for support under the Homeowners' Support Fund.

Projects comprising the purchase of 'second-hand' residential properties with vacant possession should meet the requirements of the Scottish Housing Quality Standard technical guidance for social landlords prior to the first let.

Inverclyde Council will support funding for the acquisition of second-hand properties as part of the Inverclyde Acquisition Programme under the parameters of the More Homes Division Guidance Note 2023/01. Acquisitions must also meet the strategic objectives as set out in section 1 of this paper in line with the Inverclyde Local Housing Strategy 2023-2028.

[Funding Benchmarks and Repairs](#)

Scottish Government guidance specifies that due to the varied strategies being adopted by individual local authorities across Scotland with respect to the purchase of individual 'second hand' residential dwellings, alongside the varied market conditions, the benchmark system does not apply to these cases. Instead, decisions should be agreed locally with relevant grant providers on whether individual applications for grant funding

to facilitate such purchases follow a streamlined application and appraisal process or are subject to a more detailed value for money assessment.

The approach previously taken by Council and our RSL partners to successfully negotiate a realistic number of purchases and address a variety of different urgent requirements across Inverclyde was a benchmark grant proposal of 50% of purchase price (up to a maximum of £50,000 grant assistance per unit) from the AHSP to purchase up to 20 units in the first year. The expectation was that the purchase price of many units would be under £100,000. However, this level of grant also allowed for the higher price of bungalows, larger accommodation, and to ensure that needs can be met across all 3 housing submarket areas of Inverclyde.

As reported within the SHIP, the average cost for repairs and to bring properties up to the required standard is £15k and this is regarded as a barrier to future purchases as it often greatly increases the overall price RSLs pay to secure the purchase and let the property. Currently the AHSP grant funding is available for 50% of the purchase price only and does not contribute to repair costs. The condition of properties, and homes selling above home report valuation, are regarded as significant barriers to higher acquisition numbers. The use of the council's Affordable Housing Fund to assist purchases where market value exceeds £100k continues to be supported by the RSLs. However, there has yet to be a purchase utilising the AHF. This was the result of high demand for appropriate properties, resulting in them often selling above home report valuations.

Inverclyde Council have determined the programme will retain the same funding assumptions previously introduced in the formation of the Inverclyde Acquisition Programme e.g. 50% of purchase price (up to a maximum of £50,000 grant assistance per unit)

The use of the council's Affordable Housing Fund will be used to assist purchases where market value exceeds £100k

[Acquisition Process](#)

An Acquisition Programme Delivery Group was established in 2021 with membership from Housing Strategy, RSLs, Health & Social Care Partnership (HSCP) and Homelessness, to ensure that all 3 strategic objectives are considered, and to provide a swift response to suitable opportunities on the market. The programme continued on the same terms into its second year in 2022/23 and contributing RSLs have all expressed a desire to continue with the programme under the same parameters.

Whilst partner RSLs have used the programme to acquire second hand properties there has been limited success at acquiring properties suitable for specialist requirements such as bungalows and level floor access housing. The feedback from this process suggests that these properties are not as widely available on the open market and are popular when they become available for sale meaning the bureaucratic processes of the programme (which requires approvals/agreement from all partners involved (HSCP, Council and RSLs) inhibits the collective ability to enable these transactions to take place in a timely manner.

Previous practice has been for Occupational Therapists (OT) to regularly review available properties for sale in Inverclyde using popular online property/estate agent websites such as 'Right Move.' If the OT discovers a suitable property for a specific client group then it is communicated to Housing Strategy who are contacted to assess whether it is appropriate for inclusion within the programme. The potential acquisition is then shared with RSL partners by Housing Strategy to enquire if they would be interested in pursuing the acquisition of the property.

Feedback from this process has noted that the necessary lines of communication required to assess whether a property is suitable has led to partners missing out on acquiring properties with them being purchased on the open market before everyone is mobilised. Furthermore, OT's have noted that the process is particularly time consuming in an environment where resources and time are scarce, meaning they do not have capacity to continue their role in identifying properties for the programme.

Based on feedback, a review of this process is required with consideration towards acquiring second properties for specialist housing to ensure the programme can be useful to this end. A suggestion would be for RSL partners to support the HSCP by pre-emptively acquiring properties such as bungalows or with level access and then presenting these potential opportunities to the OTs and Housing Strategy should this become available. Given the nature of the private sector market and the pace it moves at, if a high demand house type becomes available, acquiring properties for specialist requirements is likely to present significant challenges in the future.

Summary

The following points outline the key principles of the Inverclyde Acquisition Programme:

1. Action 2.3 of the Inverclyde Local Housing Strategy 2023-2028 instructs Inverclyde Council and partners to 'Extend the RSL Acquisition Scheme by enhancing the budget and reshaping the criteria.'
2. Inverclyde SHIP 2023 – 2028 currently allocates funding for 40 units per annum towards the acquisition of second-hand properties over the five-year period.
3. Inverclyde Council will support funding for the acquisition of second-hand properties as part of the Inverclyde Acquisition Programme under the parameters of the More Homes Division Guidance Note 2023/01. Acquisitions must also meet the strategic objectives as set out in section 1 of this paper in line with the Inverclyde Local Housing Strategy 2023-2028.
4. Inverclyde Council have determined the programme will retain the same funding assumptions previously introduced in the formation of the Inverclyde Acquisition Programme e.g. 50% of purchase price (up to a maximum of £50,000 grant assistance per unit)
5. The use of the council's Affordable Housing Fund will be used to assist purchases where market value exceeds £100k.
6. Based on feedback, a review of the acquisition process is required with consideration towards acquiring second properties for specialist housing to ensure the programme can be useful to this end.

APPENDIX 2 Consolidated Statement of Cash Flow |
 FBP 24-25 Revised May 2024 - Draft V7 (Board) 24 May 2024 | Plan

Period: 01 April 2024 - 31 March 2025	2025	2026
	£000's	£000's
Total Receipts	8,777.60	8,946.40
Total Payments		
Reactive & void repairs, gas servicing & garden maintenance		
SH: General Needs	-1,795.60	-1,831.90
Supported Housing	-88.4	-91
Property Letting Total	-1,883.90	-1,922.90
Cyclical & Major Repairs, (non capital)	-1,232.00	-1,854.30
Other Activities		
Other Costs	-228	-208.5
CHR	-4.7	-4.8
Other Activities Total	-232.7	-213.3
Overheads & Salaries		
Cloch Overheads	-749.9	-559.4
Acquisitions	-1.9	-5.8
Debtor & Creditor Growth	39.1	40.1
Total Payments Total	-4,061.20	-4,515.60
Cash Paid To Employees	-1,803.80	-1,888.00
Cash flow from Operating Activities	2,912.70	2,542.80
Cash flow from investing activities		
Purchase of tangible fixed assets		
Capitalised Planned Maintenance	-2,017.20	-1,736.60
Acquisitions	-419.9	-22.5
Other Fixed Assets		
Other Fixed Assets - Furniture & Fitting	-10.2	-10.5
Other Fixed Assets - IT Contingency	-5	-5.2
Other Fixed Assets - Additions IT	-1	-5.7
Other Fixed Assets - Boogle Street Office	-163	-88.6
New IT System Provision for future years	-80	-123.6
Other Fixed Assets Total	-259.2	-233.5
Purchase of tangible fixed assets Total	-2,696.30	-1,992.60
Interest Received (cash)	14.9	18.1
Total Cash flow from investing activities	-2,681.30	-1,974.60
Cash flow from financing activities		
Interest paid	-524.6	-496
New secured loans	1,250.00	1,300.00
Capital Repayments	-1,316.10	-1,223.00
Total Cash flow from financing activities	-590.7	-419
Cash & cash equivalents at the beginning of year	3,131.80	2,772.40
Net Change in Cash & cash equivalents	-359.4	149.2
Cash & cash equivalents at the end of year	2,772.40	2,921.70

Total Investment in Assets - Reactive, Planned & Cyclical & Office repairs -5,717.90 -5,630.70