

Cloch Housing Association Capital works Programme 2020/21 – 2024/25

New Build Activity

The plan models building 57 new homes at the Kings Glen site, which has a projected completion date of March 2021.

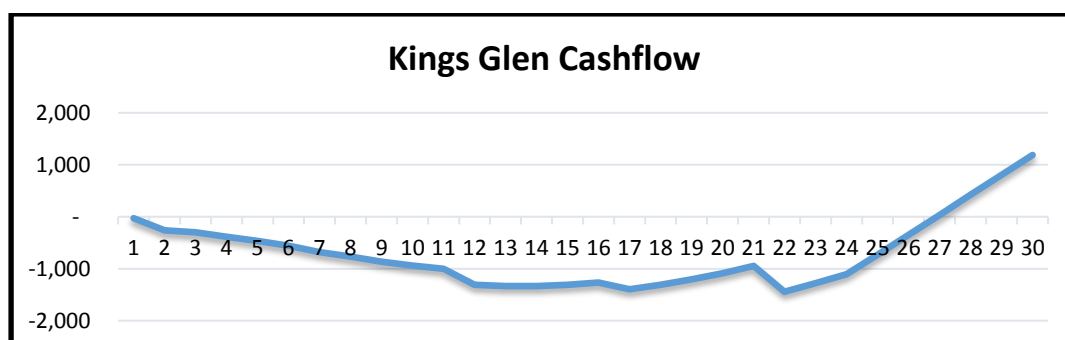
The total build costs and funding assumptions are noted in the table below, in contrast to the 2019/20 financial plan. This highlights a change in properties to 57, higher costs and higher rental income:

	2019/20 Plan – Previously modelled	First Draft 2020/21 Plan
No Units	58	57
Average Rents	£88 per week	£98 per week
Build Costs	£8.597M	£8.738M, (includes refund of £420k re: land abnormalities)
HAG	£4.548M	£4.502M
Loan Funding	£4.049M	£4.236M – RBS loan facility of £4.2M is in place

Below is a breakdown of the averages per unit re: build costs, HAG and loan funding:

- Build costs of £153.3k v £148.2k in the 2019/20 Plan.
- HAG of £79k v £78.4k in the 2019/20 Plan.
- Loan funding of £74.3k v £69.8k in the 2019/20 Plan.

The impact on cashflow for the Kings Glen project is shown below:



The graph highlights:

- The project has a payback period of 27 years, e.g. it takes 27 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 £1.45M of cash, peaking at this value in year 22.
- By year 30 the project is profitable and has generated £1.19M 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. doors and door entry systems.
- Outcome of survey work, e.g. electrical testing.
- Review of average component costs based on benchmarking unit costs with the 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 2020- 31 March 2025					
	2020/21	2021/22	2022/23	2023/24	2024/25
Planned & Cyclical Maintenance	£000's	£000's	£000's	£000's	£000's
Cyclical Maintenance	242	148	131	182	257
Planned Maintenance Non-Component	179	151	207	373	96
Planned Maintenance - Other Works	479	21	21	22	23
Planned Maintenance – Components & other capital costs	567	1,876	1,427	1,271	1,954
TOTAL	1,467	2,196	1,787	1,849	2,330

- *Cyclical maintenance* costs cover activities such as gutter cleaning, painting, electrical and asbestos testing. The higher costs within the period 2020/2021 and 2024/25 relate to higher investment in painter works, e.g. £124k on average annually in these years versus £40k on average per annum between 2021/22 and 2023/24.
- *Planned maintenance non-component* costs include investment in, replacing fencing and gates, doors and door entry systems, close lighting, car parking and bin store repairs. These costs will vary depending on the timing of the life cycle for replacement.
- *The other planned works* include:
 - A general contingency of £20k per annum.
 - Annual provision for décor and disturbance allowance of £6k for 2020/21 to reflect the programme of work, increasing to a general provision of £10k per annum thereafter.
 - £100k investment re: ESSH compliance for 2020/21 only – this is an additional provision in the financial plan and has been based on the survey work undertaken.

Planned & Cyclical Maintenance cont'd

- Costs associated with changes in legislation re: smoke alarm standards with investment of £353k in 2020/21, (*based on 50% of the total cost to comply being incurred in 2019/20*). This budget has re-occurring costs every ten years based on £500 per property.
- Capitalised planned maintenance costs are the most significant area of expenditure, (*capitalised to the Statement of Financial Position and then depreciated in value over the life of the component*), and the table below provides details of the programme of works over the next 5 years:

Period: 01 April 2020 - 31 March 2025	2020/21	2021/22	2022/23	2023/24	2024/25
Planned Maintenance Components	£000's	£000's	£000's	£000's	£000's
Bathrooms	120	89	318	296	142
Bathroom - Shower			5	4	14
Bathroom - Level Access Shower		8	97	70	55
Close Windows		5		74	
Fascia & Soffit	5				44
Gas Boiler Combi	63	282	217	160	404
Kitchens	132	245	119	154	619
Lifts	37	96			29
Radiators / Pipework	12	275	148	41	106
Roughcasting			44		
Windows	12	400	168	338	66
Wiring		391	240	66	132
Capitalised Maintenance Works Total	382	1,792	1,355	1,202	1,864
Professional Fees - 3% of work costs	12	54	41	36	56
TOTAL	394	1,845	1,395	1,238	1,920

- Other capitalised planned maintenance costs, in addition to the above, is noted in the table below. This category of expenditure provides budget provision for:
 - Components replaced via a reactive repair visit or whilst a property is void.
 - An additional budget provision has been provided for 2020/21 only to reflect component costs may increase due to supply and demand issues impacting the maintenance and new build sector – this effectively adds a 3% provision / buffer to the component costs for 2020/21, (£12k).
 - A new budget for 2020/21 of £100k has been added for an Asset Management Strategy opportunity fund, to facilitate buying off the shelf properties. Moving forward this category of expenditure will be funded from income from disposing of properties and a review of surplus saved against the annual budget at the end of each year.

Planned & Cyclical Maintenance cont'd

Period: 01 April 2020 - 31 March 2025	2020/2021	2021/22	2022/23	2023/24	2024/25
Other Capital Works	£000's	£000's	£000's	£000's	£000's
Components via Reactive Repairs /					
Voids	61	31	32	33	34
Planned Maint. Contingency - 3%	12				
Asset Mgt - Opportunity Fund	100				
Other Capital Works Total	173	31	32	33	34

Reactive, Void, Annual Gas Servicing & Garden Maintenance

- The reactive repairs budget has been modelled as £593k for 2020/21 and this has been increased by 2.4% against the 2019/20 budget – this is based on the contract inflationary uplift, which is an average of CPI and RPI. The budget for 2020/21 can also be compared to the actual 3-year average annual spend of £528k on reactive repairs from 2016/17 to 2018/19.
- Void costs have been modelled as £324k for 2020/21 and this has also been increased by 2.4% against the 2019/20 budget. The budget for 2020/21 can be compared to the 3-year actual average annual spend of £295k on voids from 2016/17 to 2018/19.
- The annual gas servicing budget has been modelled as £181k based on the contract terms and number of properties.
- Garden maintenance has been budgeted as £98k for 2020/21, plus £16k for the discretionary garden scheme, based on tender information.
- All future repairs and maintenance costs have been uplifted by inflation plus 0.5%, to reflect the potential of future increases being above inflation and an increase in activity, e.g. higher voids / higher number of reactive repairs.

Other Capital Expenditure

The budget provision for IT equipment throughout the life of the plan has been modelled using the expected life of the equipment. The move from purchasing PCs to using terminal servers has resulted in £300k savings over the 30 year plan, in comparison to the 2019/20 plan. The budget for IT equipment and other capital expenditure over the next five years is noted in the table below:

Period: 01 April 2020 - 31 March 2025	2020/21	2021/22	2022/23	2023/24	2024/25
Other Fixed Assets					
IT Contingency	5	5	5	6	6
IT replacement equipment plan	5	10	8	7	0
Office Equipment – general budget	10	10	11	11	11
Bogle Street Office	45	16	16	16	17
Other Fixed Assets Total	65	41	40	39	34

Inflation

RPI inflation has reduced from the August 2019 figure of 2.6% to 2.4% in September 2019, with CPI at 1.7%, (*CPI excludes costs associated with Housing, e.g. mortgage costs, council tax, housing depreciation and building insurance*). The financial plan has modelled RPI inflation based on the latest forecast information, which projects 2.8% for 2020/21, (*sources: ATFS & Statista*). Future year's inflation modelled in the plan are noted below, in comparison to the previous financial plan, (2019/20), which highlights lower inflation is being forecast over the next three years:

Year	2019/20 Plan – Previously modelled	1st Draft 2020/21 Plan
2020/21	3.2%	2.8%
2021/22	3.3%	3.0%
2022/23	3.3%	3.1%
2023/24	2.5%	3.0%
Thereafter	2.5%	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.