New Build Activity

The financial plan now models building 209 new homes, which is an increase from 194 in the first draft plan. The table below highlights the changes in unit numbers and projects:

Projects	1st Draft 2019/20	Final 2019/20
Auchmead Road	36	36
Ravenscraig	71	71
Bow Farm	62	86
Killochend	9	0
Strone Farm	16	16
Total	**194**	**209**

The total build costs and funding assumptions used within the financial plan are noted in the table below, in comparison to the first draft plan:

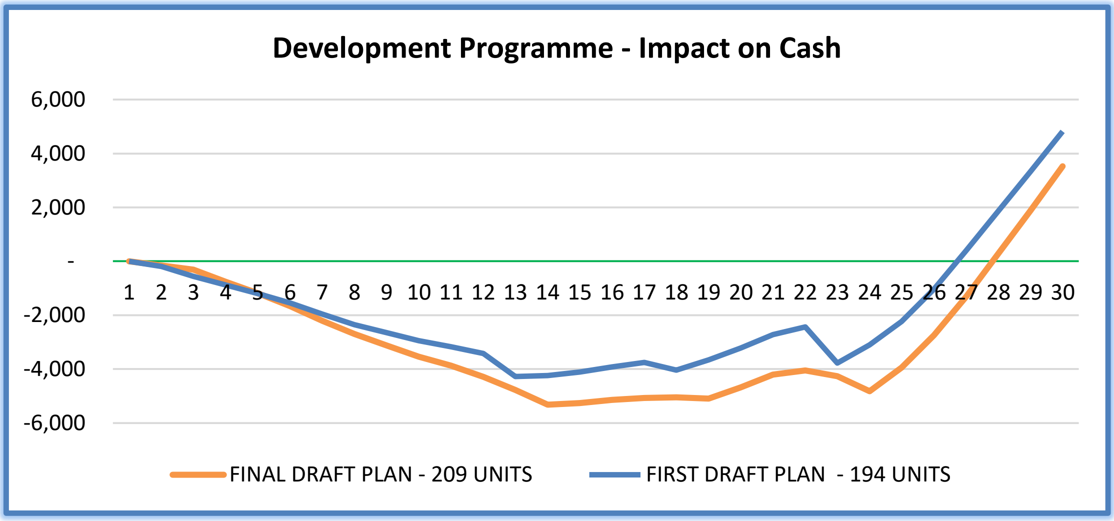
	First Draft 2019/20	Final Draft 2019/20
Build Costs	£30.58M	£34.75M
HAG	£16.38M	£18.5M
Loan Funding	£14.2M – £4.5M additional funding would be required	£16.25M – £6.5M additional funding would be required

The table below breaks the above information down into an average value per property:

	First Draft 2019/20 Plan	Final Draft 2019/20 Plan
Build Costs	£157.6k	£166k
HAG	£84.4k	£88.5k
Loan Funding	£73.2k	£77.5k *v comparator of £70k – see below*
As a comparator, the average loan funding per unit in the sector for new builds has been quoted as £70k*, (source: Scottish Social Housing Finance Conference, October 2017).*		

The graph below compares the impact on cashflow of the development programme in the final plan versus the development programme modelled in the first draft plan. The increase in units e.g. 15 more homes and higher average build cost, utilises a further £1.04M cash surplus at the peak of cash required in 2032, compared to the development plan approved in December 2018.

New Build Activity cont'd



The graph highlights:

- On average the projects have a payback period of 28 years, e.g. it takes 28 years for the project to start generating cash surplus, *(once the associated bank loans have been paid off).*
- At the peak period, the projects utilise up to £5.32M of cash surplus, peaking at this value in year 14, *(2032, when life cycle costs start to be incurred).*
- By year 30 the projects are profitable and have generated £3.5M 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 2014
- Recent tender results
- Component costs based on benchmarking unit costs with other Associations / Iflair procurement framework
- The impact of recent survey works, e.g. surveys undertaken for the kitchen programme highlighted some costs could be deferred, due to the condition of the kitchens.

The table below provides a summary of our proposed investment in planned and cyclical maintenance 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	- 96	- 240	- 233	- 513	- 342
Cyclical – Gas Servicing & Repairs	- 223	- 229	- 248	- 274	- 298
Planned Maintenance – Non-Component	- 515	- 527	-	-	-
Planned Maintenance – Component	- 1,173	- 2,045	- 3,362	- 2,707	- 1,052
TOTAL	**- 2,007**	**- 3,042**	**- 3,843**	**- 3,494**	**- 1,691**

Planned & Cyclical Maintenance cont'd

- *Cyclical maintenance* covers activities such as gutter cleaning, painting, electrical work, drainage, lift maintenance, roof anchors and close carpeting. The higher costs in 2022/23 relate to higher investment in painting, e.g. £326k budgeted for this activity and in 2023/24 the budget includes £138k for lifts.

- *Planned maintenance non-component* costs include provision for:

➢ Complying with the new smoke alarm standards, *(£425k in 2019/20 and 2020/21 = £950k in total and modelled every 10 years thereafter based on the planned life cycle).*
➢ Contingency to support the Asset Management Strategy, *(£80k in 2019/20 and 2020/21).*
➢ Provision for fencing for the development programme at the construction stage, *(£10k in 2019/20 and £5k in 2020/21 to comply with insurance conditions).*

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 proposed programme of works over the next 5 years, *(please note: text in blue signifies a change from the first draft plan):*

Period: 01 April 2019 – 31 March 2024	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Planned Maint. - Components					
Ad Hoc Components	-100	-31	-32	-34	-35
Maple Road Contingency	-100				
Bathroom	-175	-99	-215	-191	-211
Boiler	-154	-143	-417	-377	-70
Door Entry System	-87	-102	-127	-106	-73
Doors	-100	-340	-551	-180	-88
External Render	-217	-241		-334	-142
Gutter & Downpipes		-1			
Kitchen	-64	-278	-1544	-780	-284
Play Area				-176	
Parking Areas		-2		-4	
Radiators & Pipework	-123	-60	-262	-314	-131
Roofs		-63			
Rewires		-461	-214	-186	
Windows	-53	-224		-26	-18
TOTAL – Final Plan	**-1,173**	**-2,045**	**-3,362**	**-2,707**	**-1,052**
TOTAL – 1st Draft for Comparison	**- 2,210**	**-2,047**	**- 3,347**	**- 2,690**	**- 1,113**

The table highlights that the expenditure over the five-year period is circa £2.1M on average, with the expenditure peaking in 2021/22 at £3.35M.

Reactive, Void, Annual Gas Servicing & Service Charge costs

- The reactive repairs budget has been modelled as £613.5k for 2019/20 and this has been increased by 9% against the 2018/19 budget, to provide a buffer against the unknown outcome of the tender exercise.
- Other reactive budgets have been set for asbestos and additional works at £82.4k per annum based on contract values and analysis of historical spend, *(additional works covers costs associated with legionella, fire alarms, lift servicing and smoke vents).*
- Void costs have been modelled as £325k for 2019/20 and this has been increased by 13% against the 2018/19 budget, to take account of the tender and also an increase in the number of voids.
- The decoration allowance budget has been set as £20k.
- The annual gas servicing budget has been modelled as £259k and this includes provision for the annual gas safety check and repairs.
- Service charge costs have been budgeted as £295k for 2019/20 and this covers common electricity, garden maintenance and close cleaning, however £74k of this has been budgeted to be recharged to owners.
- All future repairs and maintenance costs have been uplifted by inflation plus 0.5%, to reflect the potential of above inflation increases.

Capital Expenditure

The table below summarises the capital expenditure budgets over the next 5 years, including 2018/19 for reference as this reflects the purchase of West Stewart Street and initial refurb work:

Fixed Asset Investments	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
West Stewart Street, (purchase price £600k)	-814.1	-100	-10.3	-10.7	-11	-11.3
Office Equipment / furniture	-7.5	-7.5	-7.7	-7.9	-8.2	-8.4
IT Additions	-53.2	-28.8	-13.7	-4.2	-16.1	-2.3
Other Office contingency	-3	-3	-3.1	-3.2	-3.3	-3.4
Opening Balances Total	**-877.8**	**-139.3**	**-34.8**	**-26**	**-38.6**	**-25.4**

The key points of note from the information is detailed below:

- The initial projected investment in West Stewart Street is £914k, *(including the purchase price of £600k).* Future upgrade investment is assumed to be funded from the sale of the High Street office or rental income, however a general provision of £10k is included annually for maintenance.
- Investment in IT has been modelled based on life cycle costing against the asset register to provide the 30 year projected expenditure.
- A general provision for office equipment/furniture has been set at £7.5k per annum.
- A general provision of £3k has been budgeted for the other office premises held for rent.

Inflation

RPI inflation has reduced from November's 2018 figure of 3.2% to 2.7% in December 2018, with CPI at 2.1%, *(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 an increase to 3.2% on average in 2019/20, *(sources: The Office for Budget Responsibility & AFTS – previously known as Murja).*

Future years' inflation assumptions modelled within the plan are noted below compared to the 1st draft financial plan:

Year	1st Draft 2019/20 Plan	Final 2019/20 Plan
2019/20	3.0%	3.2%
2020/21	2.9%	3.1%
2021/22	2.9%	3.3%
2022/23	3.0%	3.3%
Thereafter	2.5%	2.5%