

Oak Tree Housing Association (OTHA) Capital Works Programme 2020/21 – 2024/25

New Build Activity

The plan models building 191 new homes at the following sites:

Auchmead Road:	36 properties
Ravenscraig:	71 properties
Bow Farm:	69 properties
Strone Farm:	15 properties – this was 16 in the 1 st draft plan.

The total build costs and funding assumptions used within the financial plan are noted in the table below, in comparison to last year's development assumptions:

	2019/20 Plan – Previously modelled	Final Draft 2020/21 Plan
No Units	209	191
Build Costs	£34.75M	£31.47M
HAG	£18.5M	£16.90M
Loan Funding	£16.25M – £6.5M additional funding was required	£14.57M – circa £5M additional funding is now required & RBS have agree to extend the existing facility based on the same terms

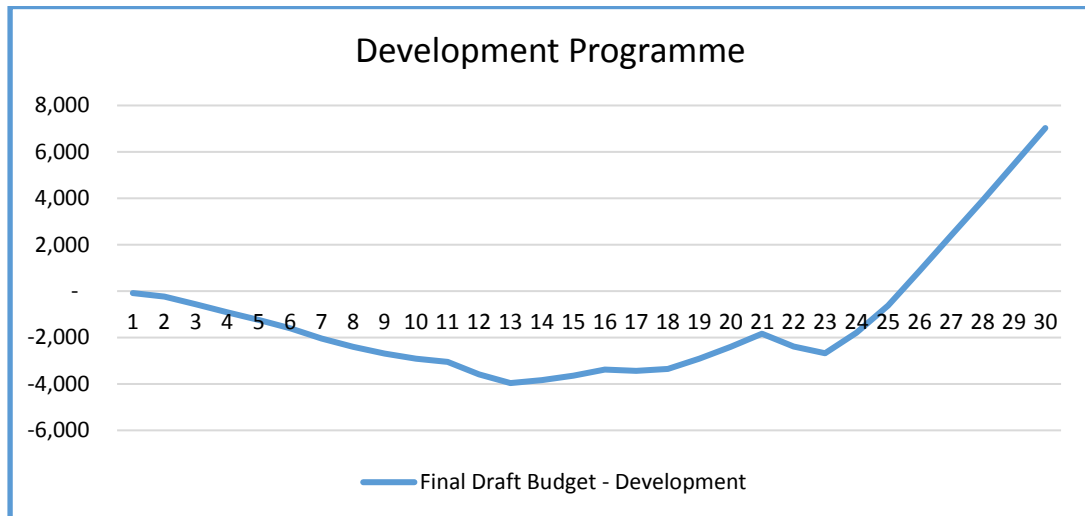
The table below breaks the above information down into an average value per property:

	2019/20 Plan – Previously modelled	Final Draft 2020/21 Plan
Build Costs	£166k	£164.6k
HAG	£88.5k	£88.5k
Loan Funding	£77.5k	£76.1k
<p>As a comparator, the average loan funding per unit within the sector for new builds has been quoted as £72k, (<i>source: Scottish Social Housing Finance Conference, October 2018</i>). However, costs have increased due to supply & demand within the market. Adding inflation to the 2018/19 costs would increase 2020/21 benchmark costs to £75.6k, which is close to our loan funding per unit cost.</p>		

The table highlights:

- Build costs of £164.6k v £166k in the 2019/20 Plan.
- HAG of £88.5k v £88.5k in the 2019/20 Plan.
- Loan funding of £76.1k v £77.5k in the 2019/20 Plan.

The impact on cashflow for the development programme is shown in the graph below.



The graph highlights:

- On average the projects have a payback period of 26 years, e.g. it takes 26 years for the projects to start generating cash surpluses, (*once the associated bank loans have been paid off*).
- At the peak period, the projects utilise up to £3.96M of cash surplus, peaking at this value in year 13, (*when life cycle costs start to be incurred*).
- By year 30 the projects are profitable and have generated £7M in additional 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, (*a further survey is due and £50k has been budgeted in the final budget*).
- Recent tender results, e.g. smoke detector replacement.
- Component costs based on benchmarking unit costs with other Associations / Iflair procurement framework.
- Future year costs have been uplifted by inflation, plus 0.5%, however an additional 3% per annum has been applied to planned and cyclical maintenance costs over the next 3 years to reflect potential increases in costs, following discussions with quantity surveyors.
- The impact of recent survey work, e.g. the surveys undertaken for the kitchen programme highlighted some work that could be deferred, due to the condition of the kitchens. This is also being considered for tenant consultation / change in component life cycle.
- Following recent survey work, £166k of costs were also deferred for 5 years, in the main relating to roofing work. This change has been applied to the final draft budget.

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

Period: 01 April 2020- 31 March 2025	2020/21	2021/22	2022/23	2023/24	2024/25
	£000's	£000's	£000's	£000's	£000's
Cyclical Maintenance	233	231	504	328	203
Annual Gas Safety Check	219	235	257	266	274
Planned Maintenance – Non-Component	457	5	-	-	-
Planned Maintenance - Component	1,740	3,294	2,700	982	3,776
TOTAL	2,649	3,765	3,460	1,575	4,253

- 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. £345k budgeted for this activity and in 2023/24 the budget includes £142k for lifts.
- Planned maintenance non-component costs include provision for:
 - Complying with the new smoke alarm standards, (£425k is included in the 2019/20 budget and £347k within the 2020/21 budget, with £860k modelled in total every 10 years thereafter based on the planned life cycle).
 - Contingency to support the Asset Management Strategy, (£50k in 2020/21 only).
 - Provision for undertaking a stock condition survey in 2020/21, (£50k).
 - Provision for fencing for the development programmes at the construction stage, (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:

Period: 01 April 2019 - 31 March 2049	2020	2021	2022	2023	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000
Garvald Str Liability - Provision	252					
Mears Lot 4, ((5,6 & 9) - K,, B, H & RW	147					
Mears Lot 4 - K, B, Heating systems	117					
Windows	1					
External Walls At Maple Rd	110					
Play Area - Bow Farm	62					
Windows & Doors Contract - Lot 3	287	222		26	17	132
Lot 4, (5,6 & 9 2019/20	472					
Ad Hoc Components - Reactive Repairs	100	100	62	64	67	69
Contingency - EESH		20				
Maple Road) Contingency						
Bathroom		113	210	188	203	114
Boiler		54	412	372	68	819
Door Entry Systems		68	126	104	70	20
Doors		189	474	177	85	686
External Render		238		329	137	12
Gutter & Downpipes						32
Kitchen		235	1,521	768	268	1,494
Play Area			19	174		
Parking Areas		2		5		
Radiators & Pipework		43	259	309	68	
Roofs						
Rewiring		456	210	183		400
Planned Maintenance Total	1,548	1,740	3,294	2,700	982	3,776

The table highlights that the expenditure over the five-year period is circa £2.5M on average, with the expenditure peaking in 2024/25 at £3.776M.

Reactive, Void, Annual Gas Servicing & Service Charge costs

- The reactive repairs budget has been modelled as £591k for 2020/21 and this is the same budget level as 2019/20, as the contract is based on no inflationary uplift. This can be compared to the average 3-year spend between 2018/19 and 2016/17 of £504k.
- There is a £30k reactive contingency budget for 2020/21 only, associated with a general contingency, (£20k) and contingency for door entry repairs, (£10k).
- Other reactive budgets have been set for asbestos and additional works at £81k per annum based on contract values and analysis of historical spend, (*additional works cover costs associated with legionella, fire alarms, lift servicing and smoke vents*).
- Void costs have been modelled as £377k for 2020/21 and this has been increased by 6% against the 2019/20 budget, following a review of Q2 2019/20 expenditure.
- The decoration allowance budget has been set as £25k.
- The annual gas servicing budget has been modelled as £219k and this includes provision for the new properties at Auchmead Road.
- A £32k per annum budget has been set for gas audits, (5% of properties are audited - £12k annual budget), and for repairs identified during gas safety checks, (£20k per annum budget).
- Service charge costs have been budgeted as £344k for 2020/21 and this covers common electricity, garden maintenance and close cleaning, however £85k 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 2019/20 for reference as this reflects budget associated with West Stewart Street for refurbishment work. Please note a new budget has been added to the final draft budget in the year 2022/23 as a general provision towards investment in an Information Management System, (£200k):

Fixed Asset Investments	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
West Stewart Street (£643k purchase price / spend in 2018/19)	570	565	21	21	22	22
Office Equipment	8	8	8	8	8	8
IT Additions	18	11	9	9	11	1
Other Office contingency	3	2	2	2	2	2
Provision for Information Management System				219		
Fixed Asset Total	599	585	39	262	43	34

Inflation

RPI inflation has reduced from 2.4% in September to 2.2% in December 2019, with CPI at 1.3%, (*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 years' inflation modelled in the plan are noted in the table below, in comparison to the previous financial plan, (2019/20), which highlights lower inflation is being forecast over the next three years. *Please note: there was no change to inflation assumptions against the first draft plan.*

Year	2019/20 Plan – Previously modelled	Final Draft 2020/21 Plan – no change from 1 st Draft 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%