

Draft

Standard Delivery Plan

**WEST DUNBARTONSHIRE COUNCIL
DRAFT STANDARD DELIVERY PLAN 2007-08**

DRAFT REPORT

MAY 2008

1. INTRODUCTION	4
1.1 Background	4
1.2 Asset Management Plan	4
1.3 Standard Delivery Plan Aims	5
1.4 Structure of Plan	5
2. STRATEGIC CONTEXT	6
2.2 Housing Needs and Supply Study	9
2.3 Tenant Consultation	9
3. MEETING THE SCOTTISH HOUSING QUALITY STANDARD	10
3.1 West Dunbartonshire Council Housing Stock	10
3.2 Summary of Performance against the SHQS	11
3.3 Costs of Meeting the SHQS	12
3.4 INVESTMENT REQUIRED TO MEET THE SHQS	13
3.5 SHQS Costs and the Business Plan Model	13
4. CAPITAL INVESTMENT ASSUMPTIONS	15
4.1 Stock Condition Survey	15
4.2 Structural Survey	18
4.3 Other Capital Expenditure	19
5. FINANCIAL APPRAISAL	20
5.1 Baseline Business Plan Key Assumptions	20
6. BASELINE BUSINESS PLAN MODEL OUTPUTS	24
6.1 West Dunbartonshire Council Base Assumptions	24
6.2 Base Model Scenario Testing	26
6.3 Inflation	28
6.4 Conclusions	28
7. INTEGRATION WITH THE ASSET MANAGEMENT PLAN	30
7.1 Linking the SDP with the Asset Management Plan	30
7.2 Development of the Asset Management Plan	30
8. INTEGRATING AMP WITH SDP FINANCIAL BUSINESS PLAN	37
8.1 Modelling asset management plan assumptions	37
8.2 Business Plan Modelling Assumptions	39
9. TESTING DELIVERY OPTIONS	42
9.1 Option 1	43
9.2 Option 2	44
9.3 Option 3	45
9.4 Option 4	46
9.5 Option 5	47
9.6 Option 6	48
9.7 Option comparison	49
10. TOWARDS VIABILITY	50
10.1 Developing the Final Standard Delivery Plan Model	50
10.2 Standard Delivery Plan Key Assumptions	50
10.3 Funding the Standard Delivery Plan	53
10.4 Modelling in Money Terms (Including RPI @2.5%)	54
10.5 Risk Assessment & Sensitivity Analysis	54

10.6	Identifying Risk	54
10.7	Option 5 Key Risks	54
10.8	Key Financial Risk Factors	55
10.9	Non Financial Risk Assessment	57
10.10	Standard Delivery Plan Issues	59
10.11	Way Forward: Developing the Delivery Plan	59

**Appendix A – HRA Stock condition Survey Elemental report
and SHQS failure tables**

Appendix B – Business Plan Model Assumptions

Appendix C – HRA – 30-Year Projections (Real Terms)

Appendix D – Asset Management Plan

1. INTRODUCTION

This document is the Standard Delivery Plan for West Dunbartonshire Council (the Council). It will provide a detailed account of how the Council will ensure that all of the Council's housing stock is brought up to and maintained at the Scottish Housing Quality Standard (SHQS).

1.1 Background

In February 2004 the Minister for Communities announced the introduction of a Scottish Housing Quality Standard (SHQS) for social rented housing. The standard is based on a number of broad criteria set by the Scottish Executive.

Social landlords are required to continuously assess their housing stock against the defined elements of the standard, and to submit a plan to ensure all housing meets the standard within a 10 year period (2005-2015). Thereafter, social landlords should monitor and review the plan to ensure the delivery of its objectives.

During 2005 and 2006, West Dunbartonshire Council prepared and submitted its Standard Delivery Plan to Communities Scotland.

The Council is now required to review its Standard Delivery Plan and associated Business Plan based on Communities Scotland's response to the previous plan and re-submit these updated plans to the Scottish Government.

The revised Standard Delivery Plan is informed by the recently completed Housing Needs and Supply Study, which considered the future role of the existing stock, and the Asset Management Plan, which considered the most effective use of resources. It is underpinned by a Business Plan, which was developed to model the sustainability of the proposed strategy.

1.2 Asset Management Plan

Arneil Johnston was commissioned by West Dunbartonshire Council in October 2007 to produce an Asset Management Plan in respect of the Council's housing stock. The key aim was to provide West Dunbartonshire Council with an Asset Management Plan which identifies a SMART route map to the delivery of the best portfolio of homes and services.

The Standard Delivery Plan (SDP) is built on the outputs from the Asset Management Plan and the Housing Needs and Supply Study. These outputs informed the options being considered for the stock and assist in the development of the comprehensive and sustainable strategy for the stock.

Given the announcements within the Scottish Government's *"Firm Foundations: The Future of Housing in Scotland"*, the strategy developed is supported by the direction of national policy. A series of focused discussions took place with appropriate officers of the Scottish Government to ensure that the strategy, as it develops, is aligned to Government financial thinking. Key areas for consideration were as follows:

- the development of an intermediate housing market;
- sale of surplus stock into the private market;
- the development of an ALMO;

- strategies for reducing the HRA debt burden; and
- delivering mixed communities.

The outcomes result in an informed strategy that utilises the latent resources available within the current stock to maximise housing quality and affordability.

1.3 Standard Delivery Plan Aims

This draft plan has the following primary aims:

- establish a robust SDP framework based on Communities Scotland's response to previous plan;
- build an effective delivery structure based on the outputs from the Asset Management Plan; and
- agree the most effective option for the delivery of the SHQS.

The final plan will also include:

- the Business Plan for the option to be recommended;
- the programme of works and investment;
- the action plan and timescales for entire stock; and
- the final Standard Delivery Plan and supporting documents.

1.4 Structure of Plan

The structure of this plan is as follows:

- Strategic Context;
- West Dunbartonshire Stock Profile;
- Financial Appraisal;
- Integration with the Asset Management Plan;
- Delivery Options;
- Towards Viability;
- Achieving Viability.

2. STRATEGIC CONTEXT

West Dunbartonshire is a relatively compact local authority area with an area of around 18,000 hectares. In 2001 the population was just under 93,400¹, having decreased since 1991, and is projected to decrease further by 2024². However, at the same time the number of households is increasing, particularly single person, single parent and all adult households. The proportion of older person households is also increasing, while the proportion of younger person households decreases³. The main centres of population are in Clydebank (29,171), Dumbarton (21,797) and Alexandria (14,150).

West Dunbartonshire is home to a number of recreational and heritage pursuits, such as Loch Lomond and the Trossachs National Park and the Forth and Clyde Canal. However, the area also suffers from significant and persistent levels of inequality and poverty, ranking as the third most deprived local authority area in Scotland.

2.1.1 The Local Housing Strategy

The West Dunbartonshire Local Housing Strategy⁴ sets out ten strategic themes which act as priorities for action and reflect the main challenges for housing in West Dunbartonshire:

- **Ensuring an Adequate Supply of Housing;**
- **Influencing Decisions;**
- **Investment Strategy;**
- **Demand for Housing;**
- **Private Sector Housing;**
- **Homelessness;**
- **Particular Housing Needs;**
- **Anti-Social Behaviour;**
- **Stakeholder Engagement; and**
- **Regeneration.**

These themes provide the framework for 45 strategic objectives which provide the focus of the strategy. These objectives are:

Ensuring an Adequate Supply of Housing

- Consider designation of pressured area status
- Consider introduction of planning requirements for affordable social rented housing and affordable housing for sale
- Consider options for the future of West Dunbartonshire Council's housing stock
- Meet the Scottish Housing Quality Standard by 2015

¹ Census, 2001

² Scottish Executive Population Projections (2004)

³ GRO 2004 – 2024 Projections

⁴ West Dunbartonshire Local Housing Strategy 2004-2009 (as updated 2007)

- Ensure that the construction industry can deliver what is needed to meet Local Housing Strategy objectives
- Funding for housing should be distributed according to need
- Develop realistic 'SMART' planning for housing
- Develop Local Housing Strategy and Local Plan to ensure that planning systems complement and support each other

Influencing Decisions

- Promote a common approach to community development
- Develop local input to planning and development processes
- Consider direct involvement of community representatives on committees

Investment Strategy

- West Dunbartonshire Council will prepare an evidence-based Local Housing Strategy for 2009-2014
- The Council will take a strategic approach to asset management to assist with capital expenditure planning and ensure best use is being made of assets
- The Council will invest in its housing stock to ensure that it meets the Scottish Housing Quality Standard (SHQS) by 2015
- West Dunbartonshire Council will consider if making an application to the Community Ownership Programme is the best option for the council stock in West Dunbartonshire
- The Council will work with Communities Scotland and local partners to implement the Strategic Housing Investment Framework Guidance and maximise resources for housing investment in West Dunbartonshire
- The Council will prepare its first Strategic Housing Investment Plan in 2007
- The Council will carry out a Strategic Environmental Assessment for the Local Housing Strategy 2009-2014
- The Council will reduce fuel poverty in West Dunbartonshire

Demand for Housing

- The Council will make sure that it has a good understanding of housing needs and supply in West Dunbartonshire
- The Council will carry out an investigation into empty homes in West Dunbartonshire
- Improve Allocations and Void Functions
- Provide a pro-active approach to managing our estates services to enable residents to enjoy their homes and the area in which they live
- Housing Regeneration & Environmental Services will develop a programme for seeking Charter Mark status for its housing services

Private Sector Housing

- The Council will help to improve the standard of private sector housing in West Dunbartonshire
- The Council will assist residents in the private sector with housing issues

Homelessness

- The Council will build on the range of services and joint systems which prevent homelessness in West Dunbartonshire
- The Council will develop an integrated and effective service to alleviate homelessness when it occurs
- The Council will develop services in a way which promotes tenancy sustainability and reduces the need for repeat homelessness

Particular Housing Needs

- The Council will support people to live independently in their own home
- The Council will review services for Gypsy Travellers
- The Council will have a good understanding of the housing needs of different client groups

Anti-Social Behaviour

- The Council will prevent and enforce anti-social behaviour across all tenures

Stakeholder Engagement

- The Council will consult with Tenants and Residents on a range of issues
- The views of stakeholders will be obtained by consultants undertaking studies/research
- The Council will hold regular meetings with Strategic Housing Forum
- The Council will meet with neighbouring local authorities to discuss cross boundary issues

Regeneration

- Priority Area – Haldane
- Priority Area – Renton
- Priority Area – Alexandria Town Centre
- Priority Regeneration Area – Riverside, Clydebank
- Priority Regeneration Area – Dalmuir, Clydebank
- Priority Regeneration Area – Bellsmyre
- Ensure regeneration takes place in a planned and co-ordinated manner

West Dunbartonshire Councils Standard Delivery Plan addresses the Local Housing Strategy's objective to invest in the housing stock to ensure that it meets the Scottish Housing Quality Standard by 2015 and supports the objective to prepare an evidence-based Local Housing Strategy for 2009-2014, whilst also indirectly supporting a number of the other local housing strategy objectives.

The main aim is to achieve a thirty-year investment strategy, which takes into account the aspirations of tenants while improving the quality of tenants' homes to meet the Scottish Housing Quality Standard.

2.2 Housing Needs and Supply Study

The initial aggregated results of the Housing Needs and Demand Study indicated a significant surplus of affordable housing being generated. The more detailed disaggregated analysis clearly identified the changing need for affordable housing in the area and reinforced the evidence that some types and sizes of the existing stock would have little or no role to play in the future housing market.

The detailed outputs from the Needs and Supply Study were integrated into the Asset Management Plan analysis to identify the high risk areas and, when considered in conjunction with a wide range of other factors, informed the options under consideration within this plan.

2.3 Tenant Consultation

It is recognised that it is an essential aspect of the Standard Delivery Plan that tenants are engaged with the process. Therefore, following agreement on the strategic direction of the plan it is proposed that detailed consultation will take place with tenants and residents organisations and other non-registered groups to agree the most effective route to achieving a sustainable Standard Delivery Plan for the entire stock.

Consultation will be concentrated on the principles of the Standard Delivery Plan. This will involve gaining tenant opinion of various options to meet the Scottish Housing Quality Standard, such as remaining with the status quo in the base business plan model or the way forward with another model.

3. MEETING THE SCOTTISH HOUSING QUALITY STANDARD

In November 2004 West Dunbartonshire Council commissioned Savills Commercial (Savills) to complete a 15% Stock Condition Survey of 12,458 owned properties in order to evaluate the investment requirements of its housing stock. Savills surveyors inspected the properties in January and February 2005. In August 2007 the Council commissioned Savills to update the survey for the purposes of the Asset Management Planning exercise and the 2007-08 SDP.

The primary purpose of the Stock Condition Survey was to assess the cost of the work required to bring all properties up to the Scottish Housing Quality Standard (SHQS) by 2015 and then to maintain them for the duration of the business plan.

3.1 West Dunbartonshire Council Housing Stock

At 1st April 2007 the Council housing stock totalled 11,670 dwellings. The final stock figure was agreed through discussions with the Council.

The stock comprises a wide range of traditional, non-traditional and multi-storey house types, of bungalows, houses, four-in-a-blocks, maisonettes and flats dating from pre-1944 to post 1971 construction.

Property Type/Size	2	3	4	5	5+	All Sizes
Tenement Flat	352	939	406	12	1	1,710
Four-in-a-block	1205	963	894	54	1	3,117
Maisonette Flat	15	575	328	24	0	942
Multi-Storey Flat	455	1149	74	0	0	1,678
Other Flat	259	610	35	27	0	931
Semi-Detached House	45	153	635	127	6	966
Terraced House	168	1062	647	121	0	1,998
Other House Type	100	0	5	0	0	105
Sheltered	171	51	1	0	0	223
Total	2,770	5,502	3,025	365	8	11,670

Table 3.1: Stock profile by size and type

3.2 Summary of Performance against the SHQS

The Scottish Housing Quality Standard has 40 elements within five housing quality criteria. The standard requires all dwellings to:

- meet the tolerable standard;
- be free from serious disrepair;
- be energy efficient;
- be equipped with modern facilities and services;
- be healthy, safe and secure.

Against these five quality standards the following information was found.

3.2.1 Tolerable Standard

In the 2007 survey only 3 of the Council's dwellings were below the tolerable standard.

3.2.2 Serious Disrepair

Whilst the stock has generally been well maintained on a day-to-day basis it has suffered from a lack of sustained planned maintenance investment. As a result, there are a significant number of major components that have reached/are reaching the end of their useful life and will require replacement in the short term.

The majority of properties have pitched **roofs** which are covered in a mixture of concrete tiles, natural slates and clay tiles. Whilst the pitch roof coverings are generally in satisfactory condition at the present time, a significant re-roofing programme will be required during the next 20 years. The Council has had a significant programme of installing PVCu **double glazed windows** and virtually all properties have benefited from this work. Whilst there has been a recent programme of renewing **front and back doors** many are still original and, whilst serviceable, would benefit from replacement with modern secure doors. Most **wall finishes** are either pointed or rendered brick work and although currently in reasonable condition a significant programme of re-pointing/re-rendering will be required during the next 15 years. Environmental issues such as paths, fences and boundary walls have not been a priority and some areas are in need of attention.

3.2.3 Energy Efficiency

Most properties have some form of **central heating** and whilst the Council has had a significant programme of renewing the older systems, there remain a large number that will require renewal in the next 10 years. Additionally, there are a number of properties which have partial heating systems that would benefit from being upgraded to full.

3.2.4 Facilities and Services

Internally, many of the **kitchens and bathrooms** are original and need modernisation.

3.2.5 Healthy, Safe and Secure

Although serviceable the **wiring** is generally in poor condition and over a third of the stock needs re-wiring/upgrading over the next 10 years.

3.2.6 Overall Failure Rate

Table 3.2 below illustrates the number of failures per criteria. The number exceeds the stock total as houses can fail on more than one criterion:

Quality Criteria	No. Failure	% of Failures
1. Tolerable Standard	3	0.02%
2. Serious Disrepair	576	3.1%
3. Energy Efficiency	5,690	30.8%
4. Facilities & Services	5,674	30.6%
5. Health/ Safety and Security	6,563	35.5%
Total Failures	18,506	100%

Table 3.2: Failure Rate by SHQS Criteria (Source: Savills Stock Condition Survey Report (September 2005, updated February 2008))

Overall, 1,394 properties (11.9%) currently comply with the standard. In accordance with a strict interpretation of the Scottish Housing Quality Standard, the remaining 10,276 properties (88.1%) of the stock currently fail the standard and the majority of the remainder will fail between now and 2015 without sufficient investment. The Savills stock condition survey report which will be provided for the final version of the standard delivery plan, this will comment on the number of properties which fail on only one criterion, and the number that fail on two or more criteria.

The investment programme Savills has identified will ensure that **all properties** are brought up to the Standard by 2015/16 and are maintained at the standard for the next 30 years.

3.3 Costs of Meeting the SHQS

Based on the patterns and types of failures identified by Savills the costs to achieve the SHQS are estimated at £19.324m. These costs can be broken down across the Housing Quality criteria as follows:

Quality Criteria	Total Cost	% of Total Cost
1. Tolerable Standard	£8,200	0.04%
2. Serious Disrepair	£2,446,575	12.7%
3. Energy Efficiency	£4,183,093	21.6%
4. Facilities/Services	£7,903,345	40.9%
5. Health/Safety/Security	£4,783,124	24.8%

TOTAL	£19,324,337	100%
--------------	-------------	------

Table 3.3: Costs of Meeting the SHQS (Source: Savills Survey, updated February 2008)

In addition to the costs to achieve the SHQS, costs will also be incurred to prevent property deterioration below the standard in the period up to 2015/16. Savills has estimated these costs to be an additional £32.218m. The breakdown of this expenditure is given in table 3.4 below:

Quality Criteria	Total Cost	% of Total Cost
1. Tolerable Standard	~	~
2. Serious Disrepair	£12,484,792	38.8%
3. Energy Efficiency	£5,911,810	18.3%
4. Facilities/Services	£13,821,892	42.9%
5. Health/Safety/Security	~	~
TOTAL	£32,218,494	100%

Table 3.4: Costs to Prevent Deterioration below SHQS up to 2015/16 (Source: Savills Survey, updated February 2008)

Therefore, the total cost of achieving the SHQS and maintaining that standard until 2015/16 is £51.582m. This is made up of the £19.324m to achieve compliance and £32.218m to retain compliance. Details of these costs are contained in Appendix A.

3.4 INVESTMENT REQUIRED TO MEET THE SHQS

3.5 SHQS Costs and the Business Plan Model

The works that Savills identified by 2015 will bring the currently non-compliant properties up to the standard and prevent further properties failing the standard. The works identified for the rest of the duration of the business plan will ensure the properties will not fall below the standard during this period

The Savills Stock Condition Survey Final Report of will include a summary of all costs, a detailed elemental cost break down and full details of the Scottish Housing Quality Standard.

The costs of meeting and maintaining the stock to the SHQS until 2015 are less than the **programmed renewals and improvements** elements contained within the business plan model capital investment costs in Section 11 below.

The comparison of the Savills SHQS costs and the Business Plan assumptions in table 3.5 below (based on Savills full costs) is as follows:

Description	SHQS	BP Model
Meeting the SHQS	£19,324,337	
Maintaining the SHQS	£32,218,494	
Programmed Renewals	~	£83,391,974
Improvements	~	£5,494,162
TOTAL	£51,542,831	£88,884,136

*Table 3.5: SHQS and Business Plan Model Costs to 2015/16
(Source: Savills Survey, updated February 2008)*

The difference illustrates that the SHQS is limited in the items and extent of work compared with that which a prudent landlord such as West Dunbartonshire Council would require to undertake to keep its stock in good tenable condition.

4. CAPITAL INVESTMENT ASSUMPTIONS

This section of the plan details the total capital investment requirement of the West Dunbartonshire council stock.

The capital investment comprises of the following:

- **programmed renewals** – Savills Stock Condition Survey;
- **improvement costs** – Savills Stock Condition Survey;
- **major repairs contingency** – 5% of programmed renewals and improvement costs;
- **demolitions** – no demolitions modelled under the base scenario;
- **structural and environmental** – comprise the following:
 - **non-traditional expenditure** – non-traditional properties;
 - **high rise capital expenditure** – high rise properties;
 - **environmental improvements** - Savills Stock Condition Survey;
 - **environmental risk (asbestos)** - Savills Stock Condition Survey;
- **other capital expenditure** – capital expenditure items within the Council's 2007/08 Capital Programme, but not included within the Savills Stock Condition Survey.

4.1 Stock Condition Survey

As described in section 3 above, the Council commissioned Savills to update the survey for the purposes of the Asset Management Planning exercise and the 2007-08 SDP.

The primary purpose of the Stock Condition Survey was to assess the cost of the work required to bring all properties up to the Scottish Housing Quality Standard (SHQS) by 2015 and then to maintain them for the duration of the Business Plan.

Table 4.1 below presents the results of the total capital investment indicated as part of the stock condition survey:

Expenditure Assumptions	Assumption	Details : Savills Stock Condition Survey Assumptions
Programmed Renewals over 30 years	£264,591,192 (30 years)	<p>These are defined as "the provision, which should be adequate to cover the periodic overhaul/refurbishment/renewal of the building components and landlords' fixtures and fittings, to keep the property in lettable condition".</p> <p>All building elements have a natural life expectancy, at the end of which they have to be replaced. The life expectancies used in generating costs were based on the following:</p> <ul style="list-style-type: none"> • industry standards. • RICS and BRE publications: "Life Expectancies of Building Components". • the Council's experience. • Savills experience. <p>Savills surveyors used their professional judgement to establish when a building component requires replacement and inserted the appropriate year on the survey form. For older building components or those which are believed to have a limited remaining life, the assessment was based on the condition as found on site during the survey.</p> <p>Savills have only recorded those items that will require renewal within the next 30 years and those items falling outside that period have not been subject to a replacement cost within the report.</p>
Improvements	£9,085,664 (30 years)	<p>Improvement work generally involves the installation of components that do not currently exist in a property but would enhance the property. Below is a list of the improvements that Savills have assessed as part of the survey:</p> <ul style="list-style-type: none"> • upgrade partial heating • install full heating • cavity wall insulation • solid wall insulation • mechanical extract fan kitchen • mechanical extract fan bathroom • wired smoke detectors • entry-phone

Expenditure Assumptions	Assumption	Details : Savills Stock Condition Survey Assumptions
Contingency @ 5%	£13,683,843 (30 years)	Contingency major repairs are defined as repairs of a kind which cannot be specifically foreseen and may arise from latent defects in construction. Savills have allowed a provision of 5% on catch-up repairs, improvements and programmed renewals over the 30-year period. This allowance is specifically in respect of unforeseen work that has not been identified elsewhere in the survey but, from both Savills' experience and that of West Dunbartonshire Council, can be predicted as likely to occur. Examples include but are not limited to, cavity wall tie failure, uninsured subsidence/settlement, general structural defects, drainage failure and latent defects in construction.
Environmental Improvements	£11,670,000 (10 years)	Following discussions with West Dunbartonshire Council, Savills have made an allowance of £1,000 per property over the first 10 years in respect of general Environmental Improvement works. This will cover work not identified in the stock survey such as additional fencing, landscaping, lighting, enhanced security measures etc. There is almost limitless work that could be undertaken in this regard but the provision we have made is to cover the areas in most need of this type of work.
Environmental Risk	£11,670,000 (30 years)	The Savills survey included an assessment of potentially present asbestos within all the properties inspected. Based on Savills experience and the incidences of asbestos found during the survey Savills have allowed a total provision of £11million over the next 30 years. This cost is purely for the over and above costs associated with the removal of the asbestos and does not take into account the potential costs relating to the management of the asbestos and any decanting.
Total	£310.700m	£26,624 PER UNIT (Excluding Structural Costs)

Table 4.1: Stock Condition Survey Outputs

4.2 Structural Survey

Curtains Consulting Engineers plc (Curtains) was commissioned on 29th September 2004 to undertake a Stage 1 Preliminary Structural Risk Assessment of both the non-traditional and high-rise housing retained by West Dunbartonshire Council. The appraisal included consideration of the structural form, history and structural condition to enable an opinion to be offered regarding the likelihood of the stock achieving a further thirty year life. The investigations comprised an initial appraisal based on information held by the Council, meetings with Council Housing Officers and visual inspections of selected properties

This survey was updated in February 2008 to reflect compounded inflation. The assumption was also made that no work had been done since the last report in 2004/5.

Curtains structural surveyors have indicated that the Council stock **MUST** have a Stage 2 Structural Survey. All the costs and recommendations are at 'high' level and should not be used as costs for individual blocks but simply the overall value adopted as a reasonable level of expected expenditure

4.2.1 Non-traditional Costs

West Dunbartonshire Council HRA stock comprises more than 40 construction types. The structural survey indicates that the required level of expenditure on different structural types ranges from £0 per unit to £27,000 per unit.

The total level of expenditure over the next 30 years indicated by the Curtains structural survey is **£42 million** (excluding prelims and fees).

Furthermore, approximately 6% of the stock is of a defective construction type, these types are as follows:

- **Ayrshire County Council;**
- **Blackburn Orlit;**
- **Orlit No fines;**
- **Orlit with structural frame; and**
- **Whitson Fairhurst.**

The profile of expenditure as indicated by Curtains has been adjusted to reflect the works on the Clydebank flats and defective construction types in the first 5 years and a more even spread of expenditure over the next 15 years.

4.2.2 High Rise Expenditure

The Council has 26 multi-storey blocks, which consist of approximately 1,750 units of stock.

The Curtains structural survey indicated that **£27.803 million** (excluding fees and prelims) requires to be spent on multi-storey blocks over the next 30 years. The profile of expenditure from Curtains models £20million of expenditure in the first 5 years.

4.3 Other Capital Expenditure

Other capital expenditure projects undertaken by the Council, which have not been included as part of the stock condition and structural survey have also been included within the business plan model, the total expenditure included within the model is **£1.104m** for the 2 years and **£824k** thereafter. This allowance relates to expenditure on special needs, CCTV, digital TV systems and other miscellaneous projects.

5. FINANCIAL APPRAISAL

This section of the plan describes the financial appraisal conducted on the viability and sustainability of the Councils baseline 30-year HRA business plan model (the model).

This baseline model reflects the assumption that the West Dunbartonshire stock profile does not change over time and that the only reductions to the stock profile are reflected through RTB Sales.

This Business Plan aims to demonstrate **how** the Council can bring its housing stock up to the SHQS, maintain it thereafter, whilst keeping a positive balance on the Housing Revenue Account (HRA).

The following section provides a brief overview of the key assumptions which underpin the model, while Appendix B presents a detailed overview of the business plan model and its assumptions.

5.1 Baseline Business Plan Key Assumptions

The baseline business plan model assumptions are reflective of the Councils stock profile at 1st April 2007, 2007/08 HRA income and expenditure assumptions, investment requirements to meet the SHQS.

Stock and Rental Assumptions

The business plan model reflects the HRA stock profile of **11,670** units at June 2007 and West Dunbartonshire Council rents (excluding service charges) as at the 1st April 2007. The average rent per unit is **£2,413 per annum**. On a 47 week basis, this represents an average charge of £51.34 which is approximately 4% below the Scottish average of £53.31.⁵

The baseline model assumes an annual rent increase of **RPI + 1%** over the 30-year modelling period.

The model adjusts rental income for an assumed void rent loss and bad debts. The assumed void rent loss is 5.73%, which is significantly higher than the Scottish average of approx 2.3% to 2.4%. The assumed bad debt rate is **1.42%** (as a percentage of gross rental income).

The baseline business plan model assumptions are reflective of the Councils stock profile at 1st April 2007, 2007/08 HRA income and expenditure assumptions, investment requirements to meet the SHQS.

Garages and Other Related Assets Rental Assumptions

The HRA holds 1,161 garages and 215 garage sites at the 1st of April 2007. The garages contribute rental income of £282 per garage per annum and £7,287 per garage site per annum to the HRA. However, currently 58% of garages and 25% of garage sites are void. These assumptions are reflected through the life of the business plan model.

⁵ Scottish average rents from the July 2007 Scottish Executive's statistical bulletin 2007/08 estimate average Scottish rental value

Demolitions

No demolitions have been modelled within the base business plan model.

Inflation and Fees

The model is based on real cash flows. It does not include the effect of inflation, however real inflationary assumptions have been modelled on some of the key business plan assumptions.

Capital investment and revenue repairs and maintenance costs are assumed to increase at a rate of 1% above RPI for years 3 to 4, 0.5% above RPI for years 5 to 6 of the Business Plan and at a rate of RPI thereafter.⁶

Supervision and management inflationary increase is discussed below. All other costs and income are modelled to increase at RPI only over the life of the business plan model.

The model assumes a professional fee rate of 9.24%, which is reflective of professional fees and support costs associated with the West Dunbartonshire Council's investment programme. This is slightly above the Communities Scotland professional fee benchmark figure of 8%.

Other Income

Other income of **£1.791m per annum** is modelled throughout the business plan model. This is reflective of 2007/08 income and projected out-turns.

Supervision and Management costs

Supervision and management costs are reflective of the HRA budget and have been adjusted to reflect projected changes in staffing costs. The cost per unit in year 1 is £422 per unit and £438 per unit from year 2 onwards.

It is assumed that management costs will **increase at RPI** throughout the life of the model. It is worth noting that the management cost per unit of **£422** is lower (around **33%**) than the Scottish average (*Scottish Government Housing Statistical Bulletin July 2007*).

Other Revenue Expenditure

Other expenditure of **£432,000 per annum** is modelled throughout the business plan model, which is reflective of analysis conducted on revenue expenditure within the 2007/08 HRA expenditure projections. The model also assumes a cost per unit of £70 for property insurance.

Open Space Maintenance and Related Assets

Open space maintenance and related asset expenditure is assumed at £747,000 per annum. This includes an allowance of £583,000 for required investment on the Council's related assets as identified as part of the stock condition survey.

Response and Voids

The model reflects the current level of response and void expenditure at a cost per unit of **£682**. It is assumed that the level of response repairs would decrease as a

⁶ Stock condition survey costs reflective of prices in 2008, therefore no increase in 2008/09 of the model.

result of the high levels of capital investment associated with the SHQS. Therefore, response and void costs are reduced by 10% from 2015 to **£610** per unit.

Cyclical Maintenance

For cyclical property maintenance the model assumes a provision of **£170** per property per annum for the 30 year profile. This figure is within benchmark figures for cyclical maintenance.

Future Investment: Whole Stock Programmed Renewals & Improvements

The baseline model is reflective of the level of investment required to meet and maintain the SHQS over the next 30 years, as described in section 4 above. The baseline model includes investment on programmed renewals and improvements (including contingencies) of **£287.36 million**.

Structural Investment Assumptions – Non-Traditional & Multi-Storey Stock

Section 4 above details the required investment in non-traditional and multi-storey stock over the next 30 years. Approximately **£77 million** (including prelims) requires to be invested over the next 30 years.

Other Capital Expenditure

Other capital expenditure of **£1.104m** in year 1 and 2 and **£824k** thereafter has been modelled throughout the 30 year Business Plan period.

RTB Sales Assumptions

The model reflects assumptions surrounding future RTB sales. These assumptions were informed by analysis which was conducted on the level of sales over the past 5 years.

The model assumes the same sales level as 2007/08 sales projection of **175 sales** over the first 5 years of the model with sales reducing to around **80 per year** by year 30 of the model as a result of falling stock numbers, the impact of increasing property prices and the reduction to the RTB discount through modernised RTB legislation.

These assumptions result in **3,570** sales over the life of the business plan model - a **30%** reduction in the stock over the next 30 years.

The property market value within the model is based on the average market value of sales throughout the period 1st April 2007 to date. As sales projections are an uncontrollable factor within the model, a prudent assumption of an annual property market value increase of **RPI +2% for years 2-5 and RPI thereafter** has been modelled over the 30 year modelling period.

Fixed Cost Assumptions

The model reflects an element of fixed costs against various expenditure lines, for example supervision and management costs are assumed as 100% fixed costs in years 1 to 5, with a stepped reduction of 5% every 5 years.

Programmed renewals and improvements, structural investment and revenue repair and maintenance are modelled as 95%, 75% and 90% variable costs respectively.

Residual Debt/ Capital Receipt and Reserves

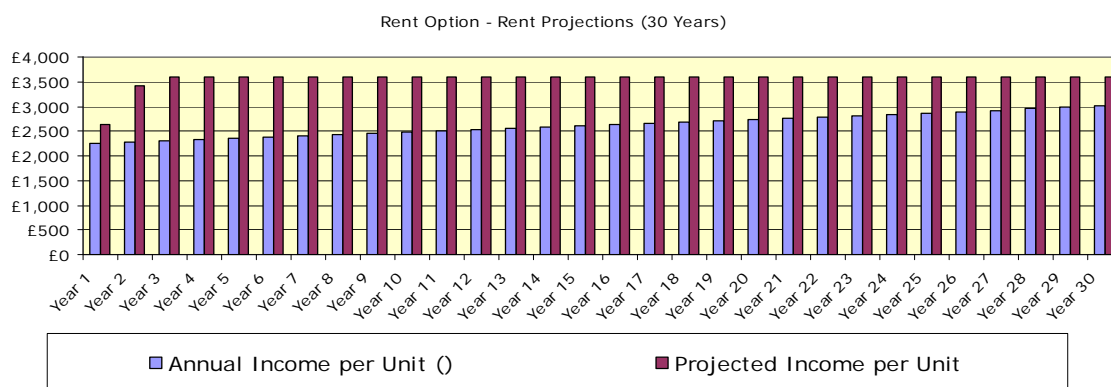
The HRA has debt outstanding at 1st April 2007 of approximately £81 million; a debt per unit of approx **£7,000** per unit which is around 23% above the Scottish average of £5,710. The future payment profile of this debt has been modelled throughout the business plan. Current loan charges are around 45% of net rental income (affordability rate).

The Business Plan model is framed in the context of future prudential borrowing over 25 years, with an interest rate of **6.56%** (including expenses). The business plan model sets an affordability limit of 50% (loan charges as a % of net rental income). When the model reaches the affordability limit it assumes that any additional expenditure/borrowing would require to be funded through annual rental increases or future cost savings.

6. BASELINE BUSINESS PLAN MODEL OUTPUTS

6.1 West Dunbartonshire Council Base Assumptions

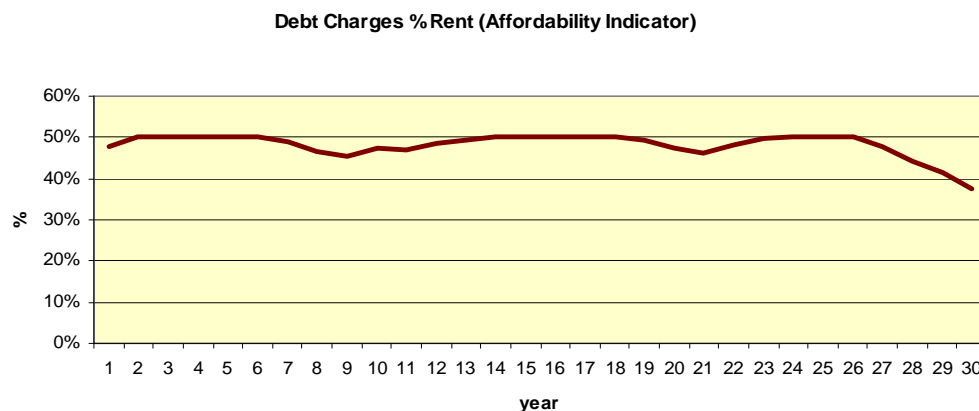
Initially the model was constructed to assess the viability of meeting the SHQS with a rent increase of RPI+1%. It was found that, with this level of increase, the Scottish Housing Quality Standard could not be met by Year 10 and that this level of funding became unsustainable from Year 1 onward. This is illustrated in the graph below:



Graph 6.1: Baseline model (RPI +1% Years 1-30)

As graph 6.1 above illustrates, income requirements from Year 1+ exceed that which can be generated by RPI+1% increases. This is because the Housing Revenue Account is unable to fund the additional debt charges associated with the prudential borrowing requirements. Therefore, across the 30-year life of the plan, RPI+1% is not sufficient to meet the SHQS, particularly in years 2 to 6.

As graph 6.2 below illustrates, in year 2, debt charges as a % of net rental income reach an affordability limit of 50%, therefore limiting the level of borrowing from year 1. This is where the Housing Revenue Account can no longer fund additional debt charges associated with prudential borrowing.

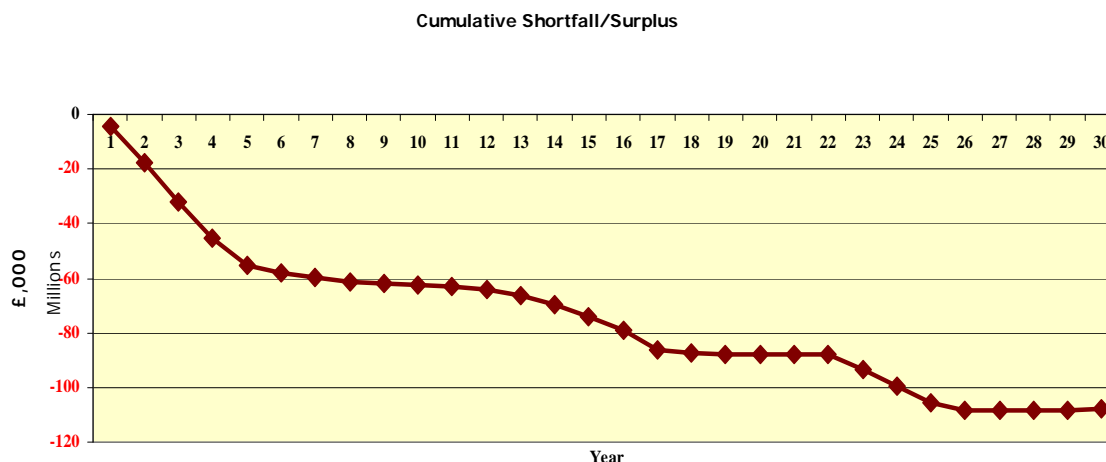


Graph 6.2: Baseline Model (Affordability Limit)

At rent increases of RPI+1% throughout the life of the business plan, prudential borrowing is £148 Million, with £74 million between Years 1 and 8. This results in capital debt outstanding of £102 Million at 31st March 2015. The increase in debt per unit between years 1 and 10 is:

- debt per unit at year 1 - £7,000; and
- debt per unit at year 10 - £10,500.

The cumulative shortfall position over the life of the business plan, at rent increases of RPI+1% is illustrated in the graph below.



Graph 6.3: Baseline Model (Cumulative Shortfall)

Assuming rent increases remain at RPI+1% and in addition to prudential borrowing of £87 Million between years 1 and 10, there is a cumulative shortfall of £62 million at Year 10 of the business plan. Therefore, in order to achieve sustainability and deliver the SHQS there is an additional funding requirement of £107 million, over and above £148 million of prudential borrowing, as illustrated in graph 6.3 above.

Appendix C models the 30 year HRA projections under the baseline model.

6.1.1 Rent Levels

Under the base business plan the minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is:

- **Approximately RPI+7.5% for years 2 to 5, RPI+1% Years 6-15, followed by RPI thereafter.**

Table 6.1 below shows that an increase of RPI+7.5% would result in a difference of £13.30 per week (real terms) in year 6 when compared with the Scottish average. (*Increasing at RPI +1%*).

Rental Increase	YEAR 1	YEAR 6
Scottish Average RPI + 1% (SG Statistical Bulletin July 2007 48.19 52wk)	£53.31	£56.08
West Dunbartonshire rents as per required rent increase	£51.35	£69.33
Difference	-£1.96	£13.30

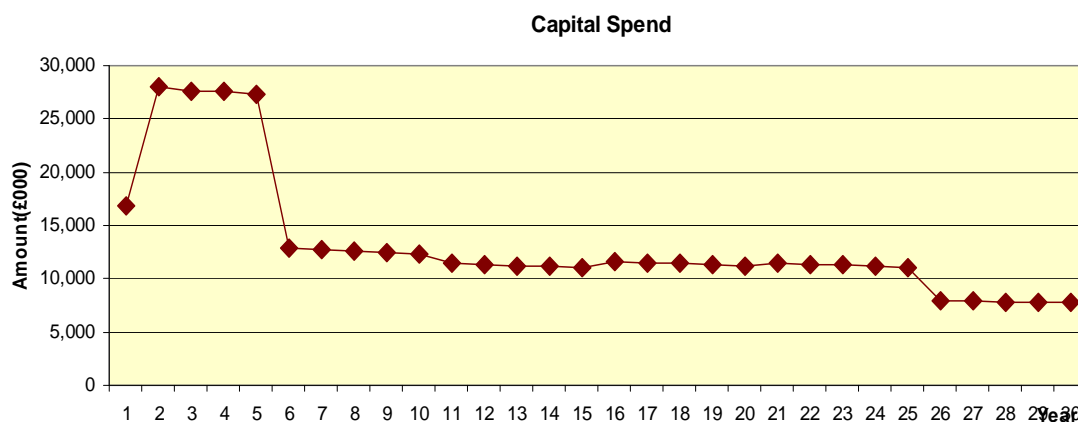
Table 6.1: (Rental increase RPI + 7.5%)

6.2 Base Model Scenario Testing

The key financial drivers underpinning the plan are identified as:

- Debt Levels (% of debt charges to net rental income is approximately 45%);
- Programmed Renewals (£264 million over 30 years);
- Non-Traditional and High Rise costs (£76 million over 30 years);
- Related Assets (£17 Million over 30 Years);
- High Response and Void levels (approx 46% above benchmark levels)
- High Void Rates; and
- Profiling of Spend (high level of capital spend within years 1 to 5 as a result of the high levels of SHQS investment required before 2015).

The graph below demonstrates the current profile of capital expenditure. This graph illustrates the significant levels of capital expenditure required over the first 5 years.



Graph 6.4: Baseline Model Capital Spend Profile

Following discussion with Council officers and Communities Scotland, it has been agreed that the impact on the base business plan resulting from specific key amendments should be tested. These amendments were as follows:

- **Test 1:** extension of the SHQS target year from 2014/15 to 2018/19 and an even spread of capital expenditure between year 1 and 2018/19.
- **Test 2:** response and void spend reduced by 20%.
- **Test 3:** management costs – fixed cost % stepped down by 10% each year.
- **Test 4:** reducing related asset spend by £100,000 per annum, which relates to spend associated with the 58% void garages.

A scenario was then modelled where the combination of the above amendments to the base year assumptions resulted in the 30 year cumulative shortfall position reducing from £107million to £77million.

6.2.1 Rent Levels

Under this scenario, the minimum required rent increase to achieve and maintain the SHQS throughout the life of the plan is:

- **Approximately RPI+4.5% for years 2 to 5, RPI+1% Years 6-15, followed by RPI+0.5% thereafter.**

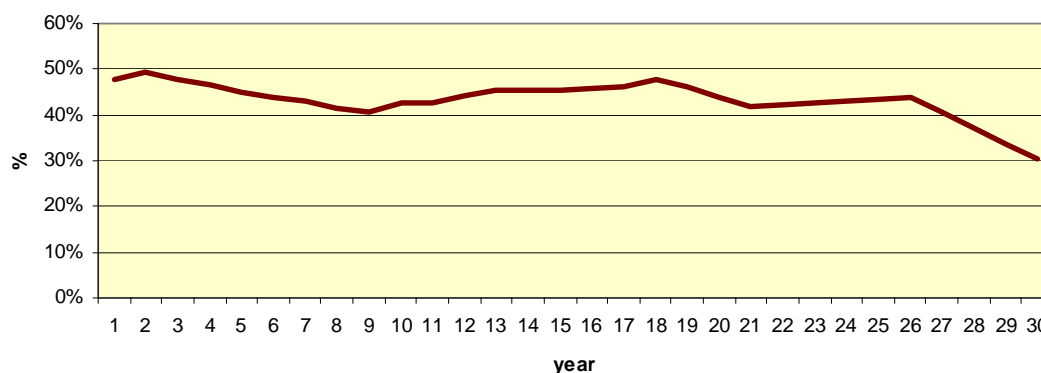
Table 6.2 below illustrates that an increase of RPI+4.5% would result in a difference of £5.88 per week (real terms) in year 6, when compared with the Scottish average. (*Increasing at RPI +1%*)

Rental Increase	YEAR 1	YEAR 6
Scottish Average RPI + 1% SG Statistical Bulletin July 2007 48.19 52wk	£53.31	£56.08
West Dunbartonshire rents as per required rent increase	£51.35	£61.91
Difference	-£1.96	£5.88

Table 6.2: Scenario (Rental increase RPI +4.5%)

The graph below demonstrates that under the scenario test with rental increases at RPI+4.5% between years 2 to 5, that the average affordability rate is 43% over the life of the business plan.

Debt Charges % Rent (Affordability Indicator)

**Graph 6.5: Scenario Test (Affordability %)**

The model also calculates that £145million (real terms) of additional prudential borrowing is required over the life of the plan. This results in a debt per unit of £10,000 at year 10 of the business plan model.

6.3 Inflation

The model is based on real cash flows. Therefore, the following results do not include the effect of inflation. As part of the risk analysis an inflationary assumption of 2.5% has been built into the model. However, this option will be subject to key sensitivities such as increases in interest rates and has been tested accordingly.

6.4 Conclusions

On examination of the West Dunbartonshire Council baseline Business Plan outputs, a number of conclusions can be drawn:

- under the baseline business plan model West Dunbartonshire Council **cannot meet** and maintain the SHQS without significant levels of prudential borrowing and rental increases;
- a scenario test was run, which tested the impact of amending a number of the key model assumptions. This resulted in a reduction to the rental increases being required. However, it should be noted that:
 - this assumes that the SHQS period will be increased beyond 2015 and that capital expenditure will be evenly spread throughout this period;
 - a significant drop in response and void expenditure is assumed;
 - currently management costs are below benchmark levels and this scenario test assumes that these costs will reduce further;
 - rents still require to increase at significant levels (10% above the Scottish average at year 6); and
 - the affordability rate sits at 43% on average over the 30 year period.

A further complication results from the outputs of the Asset Management Plan which showed that significant levels of stock (17%) are likely to have little or no future demand and that other stock requires very high proportions of spend before it can meet the standard.

Therefore while the above scenario can be used to inform the Standard delivery plan, it is not possible to cost-effectively deliver the SHQS within West Dunbartonshire Council based on the current costs and stock structure and it is essential that the impact of the Asset Management Plan be used to inform the strategy for delivering the SHQS.

7. INTEGRATION WITH THE ASSET MANAGEMENT PLAN

7.1 Linking the SDP with the Asset Management Plan

In October 2007 Arneil Johnston was commissioned by West Dunbartonshire Council to produce an Asset Management Plan in respect of the Council's housing stock. The key aim was to provide the Council with an Asset Management Plan which identifies a SMART route map to the delivery of the best portfolio of homes and services.

The stimulus for development of the Asset Management Plan was recognition that:

- a local authority cannot manage its assets effectively without the knowledge of what it has, where it is, what is the condition and what is the demand for that asset; and
- identifying the extent to which the assets meet current and future needs, recognizing shortfalls and examining financial implications will facilitate strategic decision making.

A key consideration in developing the Asset Management Plan was consideration of how it might inform the Council's Standard Delivery Plan. In particular, findings relating to the long term viability of parts of the stock and appropriate strategic interventions would influence the requirement for investment and the resources available to invest.

This section provides an overview of how the Asset Management Plan was developed and the key outputs which impact upon development of the Standard Delivery Plan. Appendix D is the Asset Management Plan report, which provides detailed information on the asset management plan methodology and outputs.

The following section integrates these key outputs into the business plan model in the form of a number of future delivery options in order to show how these outputs could influence future investment decisions.

7.2 Development of the Asset Management Plan

As the diagram below shows, the Asset Management Plan (AMP) was developed in three key stages:

- 1. Defining the Asset Profile;**
- 2. Building the Performance Comparison; and**
- 3. Developing the Strategic Response.**

Stages 1 and 2, which provide detailed analysis of the assets, form the substance of the Asset Management Plan. Stage 3, which translates this analysis into appropriate action, is taken forward within the Standard Delivery Plan.

Each of these stages is considered in more detail below.

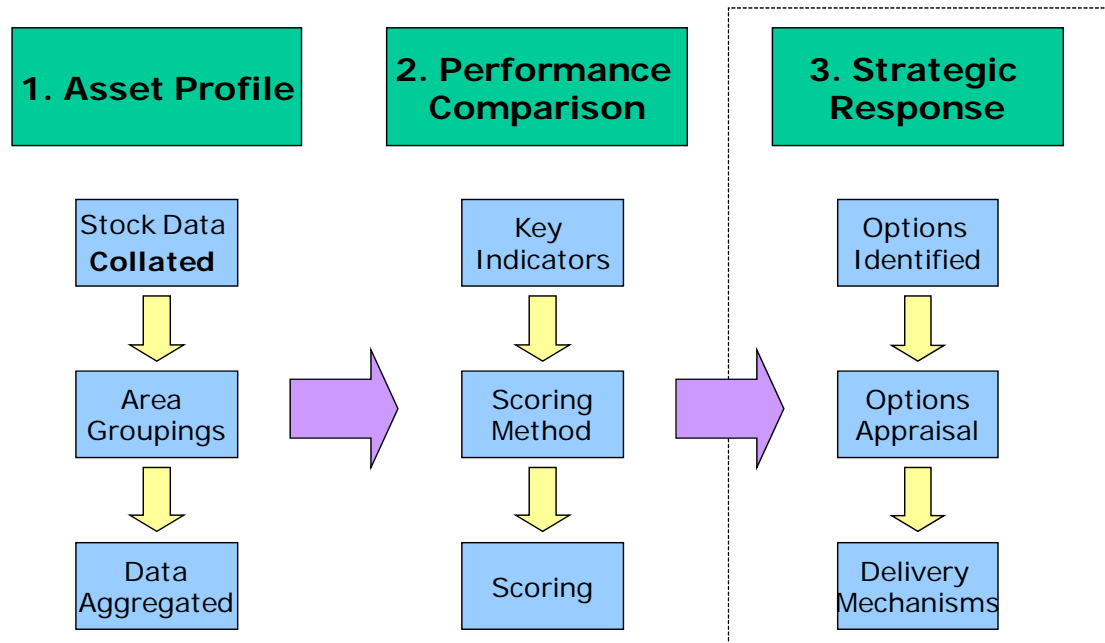


Diagram 7.1: Asset Management Plan Methodology Overview

7.2.1 Creating the Asset Profile

The first key stage of the AMP was the process of understanding the nature and extent of the overall HRA asset profile.

A range of property-specific data was collated at individual property level, including data relating to:

- Voids (£);
- Arrears (£);
- Turnover;
- Level of repairs;
- Evictions/abandonments;
- Levels of refusals; and
- Socio-economic data was also collated at a postcode level.

This data was used to create **39 asset indicators**.

The housing stock was then split into Area Groupings, based on **construction type** and analysis of **geographical areas**. The Council housing stock features **40 different construction types**. Construction type was selected as the key driver as different construction types require varying degrees of investment e.g. £0 per unit to £27,000 per unit. Therefore, this was selected as the most appropriate method of separating stock in order to compare investment requirement and stock performance at a small area level.

The total stock of **11,670** properties, along with the data collated, was grouped into **240** Area Groupings.

7.2.2 Comparing Asset Performance

From the 39 indicators identified above, 12 indicators were selected as the key bases for comparison. These were:

1. Current Cost Key Indicators

- **Level of Arrears**

Current arrears, based on a snapshot in October 2007, were assessed as a percentage of the annual net rent due per Area Grouping (gross rent minus housing benefit due and void rent loss).

- **Level of Void Rent Loss**

Void rent loss during 2006/07 was considered as a percentage of annual gross rent due for that year.

- **Management Cost per Unit**

Management costs for the financial year 2007/08 were apportioned to each Area Grouping on various bases of apportionment. *(This is described in further detail below)*

- **Average Response Repairs Spend**

Average response repairs costs over the period 2004/05 to 2006/07 were calculated per property from repairs centre reports and aggregated to calculated average spend per Area Grouping.

- **Financial Indicator: +ve/-ve impact on HRA**

The net financial resource of each area grouping was established, through analysis of the direct and indirect costs within the HRA.

2. Future Cost/Investment Key Indicators

- **Level of SHQS Investment Required**

The average spend required to meet and maintain the Scottish Housing Quality Standard based on the results of the stock condition survey.

- **Level of Structural Investment Required**

The average structural costs per construction type as identified through the structural survey.

3. Demand Key Indicators

- **Turnover/Re-let Levels**

Average number of re-lets per polygon during the period 2004/05 to 2006/07 as a percentage of the total stock in each Area Grouping.

- **Levels of Refusals**

The number of properties refused 3 times or more during the period 2005/06 to 2006/07 as a percentage of the total stock in each Area Grouping.

- **Demand Score: Integration to Housing Need Study**

The housing stock profile for each area by size and type of properties were compared with the 10 year cumulative outputs of the disaggregated Housing Needs Assessment (housing need by area, property type and size). This compared the existing profile of the stock with a target profile that would meet

the future affordable housing requirements for the three Housing Need Study areas. Each Area Grouping was then scored between 1 and 5 based on the basis of how well they will meet the future demand for affordable housing in the area. Therefore, each of the 240 area groupings that were used as the basis for the Asset Management Plan that were ranked as 5 would not meet the future demand profile while those ranked 1 fully met future requirements.

Long Term Void Key Indicators

- **Voids > 6 months**

The percentage of stock per Area Grouping which had been void for 6 months or more in July 2007.

- **Voids > 12 months**

The percentage of stock per Area Grouping which had been void for 12 months or more in July 2007.

7.2.3 Scoring System

A five-point scoring system was then devised in order to score the assets in each Area Grouping against each of these 12 key indicators. In the scoring system, a score of 1 indicated that the housing stock in the Area Grouping was among those best performing against the indicator, and 5 indicated that the housing stock was among the worst performing.

Scoring bands were established for each of the key indicators, informed by the range of results, the average, and various industry benchmarks.

A **red-amber-green** colour coding system was applied to each indicator score, where red indicated a poor score, amber indicated an average score, and green indicated a good score.

This scoring system was then applied to each Area Grouping.

An excerpt of the Asset Management Plan database is illustrated below:

Microsoft Excel - Polygon Tables JAD

File Edit View Insert Format Tools Data Window Help

Type a question for help

Reply with Changes... End Review...

Arial 8 B I U

N12 fx =Scoring master!P12

	A	D	M	N	O	P	Q	R
11	Area Grouping	Stock Count	Arrears Oct 07 as % of net rent due	% void rent loss	Void 6 mths+	Void 12 mths+	Average past 3 years relets/Stock	Avg. Response 2004/05
12	1	66	13.8%	11.3%	9.1%	7.6%	18.2%	£325
13	2	5	0.0%	0.0%	40.0%	40.0%	0.0%	£275
14	3	20	25.3%	0.7%	0.0%	0.0%	10.0%	£295
15	4	158	12.8%	4.2%	0.0%	0.0%	17.1%	£295
16	5	31	11.6%	0.2%	0.0%	0.0%	4.8%	£350
17	6	29	5.8%	0.8%	0.0%	0.0%	10.3%	£301
18	7	30	9.1%	74.8%	83.3%	70.0%	3.3%	£164
19	8	5	15.3%	0.0%	0.0%	0.0%	30.0%	£485
20	9	247	13.1%	52.9%	51.8%	42.5%	12.3%	£222
21	10	29	16.6%	46.5%	41.4%	41.4%	13.8%	£215
22	11	36	20.4%	1.6%	0.0%	0.0%	16.7%	£452
254	1	4	Performance : Current Costs	Performance : Current Costs	Individual Flag (Key) : Void Stock	Individual Flag (Key) : Void Stock	Demand	Performance : Current Costs
255	Area Grouping	Stock Count	Arrears Oct 07 as % of net rent due	% void rent loss	Void 6 mths+	Void 12 mths+	Average past 3 years relets/Stock	Avg. Response 2004/05
256	1	66	4	3	2	2	3	2
257	2	5	1	1	2	2	1	1
258	3	20	2	1	1	1	2	1
259	4	158	3	1	1	1	4	1
260	5	31	3	1	1	1	2	3
261	6	29	1	1	1	1	1	1

Details Score details Scoring master Comparison with pre JAD Key Indicators Financial Flag NPV Financial Flag 0703 Levels Financial Flag Financial :

Ready

start

Drafts - Microsoft Ou... WDC SDP Draft 20-0... Document2 - Microsof... Final Scoring Worksh... Microsoft Excel - Poly...

NUM

EN 18:46 Tuesday 25/03/2008

Having applied the scoring methodology, the Area Groupings were then categorised in one of eight categories, according to the results against the key indicators. Categorisation was based on:

- level of demand;
- current costs; and
- future investment required.

Table 7.1 illustrates the eight categories. As the table shows, a red-amber-green colour coding system was applied again, where red indicated **key risk stock**, amber indicated stock **requiring further investigation** and green indicated **best stock**.

GROUP NUMBER	ASSET CATEGORISATION	FUTURE COSTS/INVESTMENT	DEMAND	PERFORMANCE: CURRENT COSTS/ FINANCIAL FLAG
1	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and drain on HRA resources	HIGH	LOW	HIGH
2	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and drain on HRA resources	HIGH	HIGH	HIGH
3	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and provides HRA resources	HIGH	HIGH	LOW
4	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and a provides HRA resources	HIGH	LOW	LOW
5	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and provides HRA resources	LOW	HIGH	LOW
6	Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and provides HRA resources	LOW	LOW	LOW
7	Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and a drain on HRA resources	LOW	LOW	HIGH
8	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and a drain on HRA resources	LOW	HIGH	HIGH

Table 7.1: Asset Categorisation

Overall, **9%** of the stock was found to be key risk stock, **59%** was found to be requiring further investigation and **32%** was found to be best stock.

Further analysis was then conducted on the basis of the long-term voids indicators. This analysis showed that some of the stock found to be requiring further investigation required to be redesigned as **key risk stock** based on the level of long-term voids and overall score of the areas within the amber categories, this analysis indicated that a further **8%** of stock fell into the **key risk category**.

The following section integrates these key outputs into the business plan model in the form of a number of options in order to illustrate how these outputs could influence future investment decisions and be reflected within the West Dunbartonshire Council Standard Delivery Plan.

8. INTEGRATING AMP WITH SDP FINANCIAL BUSINESS PLAN

8.1 Modelling asset management plan assumptions

As described in section 6 above, West Dunbartonshire Council cannot meet and maintain the SHQs under the current HRA cost and stock structure, with rents remaining at affordable levels.

The asset management plan outputs have been utilised to develop and test the viability and sustainability of a range of SHQS delivery models, which are detailed in the following section.

The future delivery models focus around the impact of demolition and transfer of the key risk and high cost stock. Therefore, the business plan model assumptions(as described in section 5) were analysed at the 240 area grouping level and grouped and input into the business plan model based on the asset categorisation as described in table 7.1 above.

This table below illustrates the number and percentage of stock falling into each of the asset categories as input into the business plan model. The key risk stock under category 1, 4 and 7 have been collated and input together within the business plan model along with the number of stock found to be requiring further investigation which was redesigned as key risk stock based on the level of long-term voids and overall score of the areas, has also been grouped together and input separately as key risk stock.

Category Number	ASSET CATEGORISATION	Stock Numbers	% of Stock
1	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and drain on HRA resources	See Key Risk Stock	
2	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and drain on HRA resources	1,395	12%
3	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and provides HRA resources	2,239	19%
4	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and a provides HRA resources	See Key Risk Stock	
5	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and provides HRA resources	3,702	32%
6	Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and provides HRA resources	57	0%
7(Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and a drain on HRA resources	See Key Risk Stock	
8	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and a drain on HRA resources	2,207	19%
KEY RISK STOCK	This includes stock within group 1,4,7	1,096	9%
TOP SCORE STOCK (INCLUDING VOID)	This includes stock within the amber categories, which have been identified as high risk stock based on the level of long term voids and the overall score of the area grouping	974	8%
Total		11,670	

Table 8.1 Business Plan Model Data Input

8.2 Business Plan Modelling Assumptions

In order to input the data within the business plan based on the asset categorisations, as part of the asset management plan process, where possible, data was analysed to a detailed property level, which was then aggregated to an area grouping level.

Table 8.2 below shows each of the business plan assumptions as referred to in the above chapters and the method used to apportion the data to an area grouping level.

Assumptions	Report Refn.	Method of Apportionment
Rental Income	Section 4.1	Rental Income : Property Level
Voids	Section 4.1	Void Rent Loss : Property Level
Bad Debts	Section 4.1	Arrears : Property Level
Relets	Section 4.1	Number of Relets: Property Level
Garages	Section 4.2	Determined level of garages at Area Grouping Level
Garage Sites	Section 4.2	Fixed Income
Professional Fee rate	Section 5.2	Applied to all areas
Income from Shops	Section 6	Fixed Income
Income : Factoring Income / Rechargeable repairs/Net Insurance recoveries	Section 6	Per stock Numbers
Service Charges	Section 6	Multi Story Stock
Supervision and Management	Section 7	See section 8.2.1 below
Other Services : General Expenditure	Section 8	Stock
Disabled Adaptations	Section 8	Fixed Cost
Property Insurance	Section 8	Cost per unit
Garden Tidy	Section 9	Stock
Related Assets	Section 9	Stock
Response and Voids	Section 10	Average Response and void Spend at a property level
Cyclical	Section 10	Stock, Multis, direct allocation
Stock Condition Survey : Programme Renewals and Improvements	Section 11	Cost per property
Stock Condition Survey :Contingency, Asbestos and Environmental Improvements	Section 11	Stock
Non-Traditional	Section 11	Cost per construction type
Other Capital Expenditure (with exception of special needs)	Section 11	Stock
Special Needs	Section 11	Fixed Costs
Multi	Section 11	Cost per multi
Sales	Section 12	Council wide
Debt	Section 13	Stock : Note costs only reduce under transfer scenario

Table 8.2: Apportionment Methods

As illustrated in table 8.2 above, a small number of assumptions have been input as fixed costs or income; these are costs/incomes which have been assumed to not reduce if an area is no longer included within the model.

8.2.1 Supervision and Management costs: Apportionment Methods

As part of the Asset Management Plan, significant levels of analysis have been conducted on the Councils Supervision and Management Budget. As the costs associated with stock management is a key variable at stock type and area level, the supervision and management budget was broken down to an area level based on various apportionment methods as illustrated in table 8.3 below.

HRA Costs	Apportionment Method
Salaries Budget	
General Finance/Cash Collection /Strategy/Housing Advice	Stock Numbers
Arrears	80% Level of Arrears/20% Stock Numbers
Void Inspectors	Number of relets
Allocations team	Number of Relets
Estate Management and tenancy services management	Decants, Refusals, Abandonments, Evictions & Asbo's - equal weighting
Repairs (Excl. Estate Auditors)	Number of Repairs
Manual workers	Caretakers apportioned via number of Multis Mobile Caretakers apportioned by Flatted & Tenemental stock Emergency Caretakers: Multi, Flatted and tenemental
Supporting People	Number of Estate Auditors
Other Supervision and Management Costs	
Property costs	Stock Numbers
Property Costs: Office	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Property Costs: Sheltered Housing	Number of Sheltered Housing units
Transport costs	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Supplies and Serv./Central Support	As above
Fixed Costs	20% of Indirect costs (Costs allocated on Stock Numbers)

Table 8.3: Details Supervision and Management Costs Apportionment Methods

The apportionment exercise illustrated that supervision and management costs vary significantly at area grouping level, with management costs per unit ranging from £246 to £1,108. The average cost was £449 per unit.

Table 8.3 above also details that 20% of indirect costs (costs allocated on stock numbers) are modelled as fixed costs which are the percentage will not reduce if an area is transferred or demolished.

The impact on the baseline business plan model of the integration of the asset management plan results and associated delivery models is discussed detail in section 9 below.

9. TESTING DELIVERY OPTIONS

Through discussion with Council Officers it was agreed that the impact of a number of SHQS delivery models associated with the outcomes of the Asset Management Plan should be tested on the base Business Plan model. Six options were agreed, as shown in the table below:

Option	Description
1	Demolition of key risk stock
2	Demolition of key risk and top score stock
3	Transfer of key risk and top score stock
4	Transfer of key risk, top score and low demand stock
5	Option 4 and transfer of stock with high current costs and high future investment costs
6	Option 4 and transfer of stock with high future investments costs

Table 9.1: Future Delivery Models

These options relate to the ability of the Council to deliver the SHQS, therefore the option of **full stock transfer** is not presented as a delivery option for West Dunbartonshire Council. In the event of a full stock transfer being considered it would be necessary to establish if the receiving organisation for the houses could deliver the SHQS as a separate exercise.

A scenario test was conducted for each option. In addition, the impact of extending the deadline for meeting the SHQS to 2018/19 on required rent increases was tested for each option too (spreading capital expenditure on programmed renewals and structural works evenly in this period). The assumptions supporting each scenario test and the results of each test are detailed in sections 9.1 to 9.6 below.

The impact of each option was compared on the basis of the overall cumulative shortfall in year 30, the cumulative shortfall per unit in year 30, and the rental increases that would be required to support delivery of the option.

For the purposes of comparison, the base model (based on the 2015/16 SHQS deadline) produced the following results:

- a cumulative shortfall of **£107 million** in year 30;
- a cumulative shortfall of **£13,292** per unit in year 30 (based on a projected stock of 8,111 units by year 30);
- rental increase of **RPI + 7.5% in years 2-5, RPI + 1% in years 6-15, and RPI in years 15-30.**

9.1 Option 1

Demolition of Key Risk Stock (No Transfer)

The aim of option 1 is to reduce loss of resources through stock which cannot be let, is a significant drain on the HRA and requires significant capital investment. The asset management plan identified that 9% of the stock (1,096 units) falls into this definition of key risk stock.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- no stock is transferred;
- phased demolition of key risk stock takes place between 2010/11 and 2014/15 (approximately 220 demolitions per annum);
- demolition costs of £4.9m are borne by WDC (£2,500 per unit for demolition and £2,000 for homelessness and disturbance);
- potential receipts from sale of land may be used for re-provisioning; and
- **NO DEBT WRITE-OFF.**

Option 1 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £95m**, with the cumulative shortfall per unit in year 30 reducing slightly to £13,000 (based on a reduced stock of 7,291 units)

Rent increases would **rise to RPI+8% in years 3-6**, but would return to **RPI+1% in years 7-10** and **RPI from year 10** onwards.

Not investing in this stock prior to demolition would have minimal impact on the rental increase required.

Option1 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would change the required rental increase to **RPI+8% in years 3-4**, **RPI+6% in years 5-6**, returning to **RPI+1% in years 7-10** and **RPI from year 10** onwards.

9.2 Option 2

Demolition of Key Risk and Top Score Stock (No Transfer)

The aim of option 2 is also to reduce the loss of resources through stock which cannot be let, is a significant drain on the HRA and requires significant capital investment. It also includes stock in area groupings which were not originally classified as key risk stock but were re-designated as key risk stock after further investigation of the overall scores and the level of long term voids.

In addition to the 1,096 units identified as key risk stock, a further 974 units (8% of the stock) were identified to score very high and/or have significant levels of long term void stock.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- no stock is transferred;
- phased demolition of key risk and top score stock takes place between 2010/11 and 2014/15 (approximately 415 demolitions per annum);
- demolition costs of £9.2m are borne by WDC (£2,500 per unit for demolition and £2,000 for homelessness and disturbance);
- potential receipts from sale of land may be used for re-provisioning; and
- **NO DEBT WRITE-OFF.**

Option 2 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £81m**, with the cumulative shortfall per unit reduce to £12,200 (based on a reduced stock of 6,595 units).

Rent increases would **rise to RPI +8% in years 3-6**, before reducing to **RPI +1% in years 7-10** and **RPI from year 10** onwards.

Not investing in this stock prior to demolition would have minimal impact on the rental increase required.

Option2 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would change the required rental increase to **RPI +8% in years 3-4**, **RPI +6% in years 5-6**, returning to **RPI +1% in years 7-10** and **RPI from year 10** onwards.

9.3 Option 3

Transfer of Key Risk and Top Score Stock

The aim of option 3 is also to reduce the impact of the loss of resources through stock which cannot be let, is a significant drain on the HRA and requires significant capital investment.

Option 3 aims to explore mechanisms through which resources can be maximised. This option assesses the potential impact of a delivery model which assumes that key risk stock is transferred and its associated debt is written off and examines the potential impact of self financing strategies e.g. the impact of key risk stock being demolished and its land being sold to release resources to fund the transfer, demolition and/or re-provisioning of stock.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- all key risk and top score stock is transferred to an RSL in 2010/11;
- no resources are made available by the Scottish Government to support the transfers;
- transfer costs of £416 per unit in years 2 and 3 of the model (£430k per annum);
- opportunities for landlords to sell vacant sites for development/demolition; and
- **DEBT WRITE-OFF.**

Option 3 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £68m**, with a cumulative shortfall of £10,300 per unit (based on a reduced stock of 6,595).

Rent increases would reduce to **RPI +4% in years 3-6** and **RPI +1% from year 7** onwards.

Not investing in this stock prior to transfer would not change the rental increases required.

Option 3 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would reduce the required rental increase to **RPI +4% in years 3-4**, but would return to **RPI +3% in years 5-6** and **RPI +1% from year 7** onwards.

9.4 Option 4

Transfer of key risk, top score and low demand stock

The aim of option 4 is also to reduce the impact of the loss of resources through stock which cannot be let, is a significant drain on the HRA and requires significant capital investment.

Option 4 builds on option 3, testing the impact of also transferring stock which has low current management and future investment costs but is 'low demand'. This results in an additional 57 units being transferred.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- key risk, top score and low demand stock are transferred in 2010/11;
- no resources are made available by the Scottish Government to support the transfers;
- transfer costs of £416 per unit in years 2 and 3 of the model (£430k per annum);
- opportunities for landlords to sell vacant sites for development/demolition; and
- **DEBT WRITE-OFF.**

Option 4 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £68m**, with a cumulative shortfall of £10,400 per unit (based on a stock of 6,546 units).

Rent increases would reduce to **RPI +4% in years 3-6** and **RPI +1% from year 7** onwards.

Not investing in this stock prior to transfer would not change the rental increases required.

Option 4 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would reduce the required rental increase to **RPI +4% in years 3-4**, but would return to **RPI +3% in years 5-6** and **RPI +1% from year 7** onwards.

9.5 Option 5

Transfer of key risk, top score and low demand stock and transfer of stock with high future investment costs

The aim of option 5 is to reduce the impact of the loss of resources through stock which requires significant capital investment.

Option 5 aims to explore the impact of transferring high future investment cost stock and its associated debt. It is assumed that this stock will transfer to a Registered Social Landlord debt free, therefore freeing up more resources to bring the stock up to and maintain it at the SHQS.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- all stock (3,522 units) is transferred in 2010/11;
- no resources are made available by the Scottish Government to support the transfers;
- transfer costs of £1.465m are borne by the Council; and
- **DEBT WRITE-OFF.**

Option 5 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £41m**, with a cumulative shortfall per unit of £7,400 (based on a stock of 5,517 units).

Rent increases would reduce slightly to **RPI+3% in years 3-6** and to **RPI+1% from year 7** onwards.

Not investing in this stock prior to transfer would not change the rental increases required.

Option 5 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would not change the required rental increase.

9.6 Option 6

Transfer of key risk, top score and low demand stock and transfer of stock with high future investment costs and high current costs

The aim of option 6 is to reduce the impact of the loss of resources through stock which requires significant capital investment and is currently a significant drain on the HRA.

Option 6 aims to explore the impact of transferring high current cost and high future investment cost stock and its associated debt. It is assumed that this stock will transfer to a Registered Social Landlord debt free therefore freeing up more resources to bring the stock up to and maintain it at the SHQS.

In running a scenario to test the impact of implementing this option, the following modelling assumptions were made:

- all stock (4,366 units) is transferred in 2010/11;
- no resources are made available by the Scottish Government to support the transfers;
- transfer costs of £1.816m are borne by the Council; and
- **DEBT WRITE-OFF.**

Option 6 Impact:

The results of this scenario test showed that the **cumulative shortfall in year 30 would reduce to £26m**, with a cumulative shortfall of £5,112 per unit (based on a stock of 5,086 units).

Rent increases would reduce to **RPI+4% in years 3-4, RPI+3% in year 5 and RPI+1% from year 6 onwards.**

Not investing in this stock prior to transfer would not change the rental increases required.

Option 6 Impact: Extension to the SHQS period.

Extending the SHQS deadline to 2018/19 would change the required rental increase to **RPI+4% in year 3, RPI+3% in year 4-5 and RPI+1% from year 6 onwards.**

9.7 Option comparison

Table 9.2 below presents the rental increases which would be required to ensure that West Dunbartonshire Council can bring the stock up to maintain it at the SHQS over the life of the Business Plan.

Option	Stock Transferred/ Demolished	Rent Increase	Rent Increase RPI @ 2.5%	Difference to Scottish Average (£56.03) at year 5 @ RPI +1% INCREASES (Rent in real terms)
Base	0%	RPI + 7.5% Yrs 3-6 RPI + 1% Yrs 6-15 RPI Yrs 15	10% Years 3-6 3.5% Years 6-15 2.5% thereafter	£64.43 Difference (£8.96)
Option 1	9% Demolished (1,096 units)	RPI +8% Yrs 3-6 RPI + 1% Yrs 7-10 RPI Yrs 10+	10.5% Years 3-6 3.5% Years 7-10 2.5% thereafter	£65.33 Difference (£9.86)
Option 2	17% Demolished (2,070 units)	RPI +8% Yrs 3-6 RPI + 1% Yrs 7-10 RPI Yrs 10	10.5% Years 3-6 3.5% Years 7-10 2.5% thereafter	£65.33 Difference (£9.86)
Option 3	17% transferred (2,070 units)	RPI +4% Yrs 3-6 RPI + 1% thereafter	6.5% Years 3-6 3.5% thereafter	£58.34 Difference (£2.86)
Option 4	18% transferred (2,127 units)	As above	6.5% Years 3-6 3.5% thereafter	£58.34 Difference (£2.86)
Option 5	30% transferred (3,522 units)	RPI +3% Yrs 3-6 RPI +1% thereafter	5.5% Years 3-6 3.5% thereafter	£56.67 Difference (£1.20)
Option 6	37% transferred (4,366 units)	RPI +4% Yrs 3-4 RPI +3% Yrs 5 RPI +1% thereafter	6.5% Years 3-4 5.5% Years 5 3.5% thereafter	£57.78 Difference (£2.30)

Table 9.2: Rental Increases required

As demonstrated in table 9.2 above, Option 5 represents the option which requires the lowest rental increase in respect of the percentage of stock which would be transferred or demolished.

Section 10 below discusses the most viable route towards delivery and maintenance of the SHQS.

10. TOWARDS VIABILITY

10.1 Developing the Final Standard Delivery Plan Model

This section of the document focuses on the development of a standard delivery plan which builds upon the delivery model (**Option 5**) which offers the most appropriate route towards viability in respect of:

- developing a strategy where low demand housing will be restructured/disposed to better meet the expressed needs and aspirations of local communities;
- stock will be in the right areas and of the right type to promote sustainable communities;
- rents will be kept at affordable levels;
- stock will be kept in good repair and modernised; and
- stock will meet and be maintained at the Scottish Housing Quality Standard.

This section of the plan presents the key assumptions surrounding the standard delivery plan model and tests the key risks and sensitivities (financial and non-financial) surrounding the plan model.

This section also documents the key stages involved in the implementation of the plan and potential future programming issues.

10.2 Standard Delivery Plan Key Assumptions

Section 5 of this plan describes the key business plan model assumptions which underpin the baseline model (current HRA stock and cost structure).

As described in section 8 above, the business plan model was built to reflect the outputs of the asset management plan whereby various models associated with the delivery of the SHQS could be tested in accordance with the outputs of the asset management plan.

This section of the plan describes how the key assumptions are affected under option 5:

Stock and Rental Assumptions

Option 5 is based on the assumption that 30% of the stock is transferred in year 2010/11, therefore stock is reduced from 11,670 in year 1 of the plan to 7,800 units (after RTB sales) in year 4 (2010/11).

The average rental value of the retained stock at year 1 of the model is £2,445 per annum (£52 per week, 47 weeks). The rental value of the retained stock is 2% above the Scottish average of £53.31 at year 1 of the model.

Transfer Costs

The model assumes that no resources are made available by the Scottish Government to support the transfers and that the transfer costs of £416 per unit will be borne by the Council in year 2 and 3 of the model. This equates to transfer costs of £1.465 million.

Voids

The transfer of stock results in the void rent loss figure being reduced from 5.73% to 2% in year 4 of the plan. This figure is below the Scottish average of approx 2.3% to 2.4%.

The model reflects a bad debt figure of **1.42%** as a percentage of gross rental income.

Garages and Other Related Assets Rental Assumptions

Garages are reduced from 1,161 to 851 garages. The average rental income per garage per annum is £282 and this is reflective of the assumptions in the baseline business plan model. Transferring the garages that are associated with the transfer stock results in only a very small reduction to the void rate, the rate is reduced from 58% to 50%.

It is recommended that the Council investigate the future life and demand for the garages against any potential capital receipts which could be generated from the sale of associated land. The Asset Management Plan discusses the valuation of the garages based on the current void rates and future investment requirements.

Inflation and Fees

The inflationary assumptions are reflective of the base business plan model.

Other Income

Under option 5, other income is reduced from the baseline figure by the proportion of stock transferring from **£1.7m to £1.1 million per annum**.

Supervision and Management costs

The model assumes that approximately 14% of the overall supervision and management costs are fixed costs. Therefore, as 30% of the stock is transferring under option 5, the average supervision and management cost per unit increases to £450 per unit.

The cost per unit is still 28% below the Scottish average.

Other Revenue Expenditure

Other expenditure reduces from £432,000 per annum to **£380,000** per annum.

Open Space Maintenance and Related Assets

The open space maintenance and related asset expenditure of £747,000 per annum reduces to approximately **£540,000** in 2010/11.

Response and Voids

Response and void expenditure reduces from £680 per unit to **£635** per unit under option 5. The average response and void spend does not reduce dramatically under option 5 as this option still includes a proportion of stock which has been identified as relatively high current cost stock (high level of response repairs spend) through the outputs of the asset management plan study.

Cyclical Maintenance

The Cyclical costs per unit decreases slightly from £170 per unit to **£160 per unit** under option 5.

Future Investment: Programmed Renewals & Improvements - Whole Stock

The total investment in the retained stock under option 5 totals £200million over the life of the business plan and £68 million of this expenditure is required between 2008/09 and 2015/16.

The option 5 model also assumes that investment in the transfer stock will continue until the point of transfer. This investment equates to **£10 million**.

Structural Investment Assumptions: Non-traditional & Multi storey stock

The total structural investment is £40million over the life of the business plan. Of this, £25million is projected within the period 2008/09 to 2015/16.

The option 5 model also assumes that investment in the transfer stock will continue until the point of transfer. This investment equates to just under **£2 million**.

Other Capital Expenditure

It is recommended in the stock condition survey that the model contains an allowance of £1,000 per unit for both environmental improvements and asbestos, this allowance is reflected under option 5.

Other capital expenditure has been reduced pro-rata to transferring stock from **£824k in year 3 to £673k** thereafter

RTB Sales assumptions

The sales assumptions are reflective of the baseline model and reduce pro-rata to the fall in stock. The model assumes that 2,300 units of stock are sold from the point of transfer (year 4 of plan) to year 30 of the business plan. This results in a 30% reduction in stock at year 30 of the plan.

In real terms, the model calculates that £107million of capital receipts are generated from RTB sales. These assumptions are reflective of the market discount and sales value associated with the baseline business plan model.

The RTB sales assumptions are considered as a key area of risk and will form a large part of the risk and sensitivity analysis which will be performed on the final delivery model.

Fixed Cost Assumptions

These assumptions are reflective of the base business plan model.

Residual Debt/ Capital Receipt and Reserves

The model assumes 100% debt write off for the transferring stock.

Under option 5, the loan rate is assumed at 6.56% as per the base model and is framed around the context of prudential borrowing over the next 25 years. Section 10.3 below presents the debt and prudential borrowing assumptions associated with option 5 under the rental increases which are required to ensure that the delivery and maintenance of the SHQS for the retained stock.

10.3 Funding the Standard Delivery Plan

As described in section 9.7 above, the rental increases under option 5 which would be required to ensure that West Dunbartonshire Council can bring the stock up to and ensure that it is maintained at the SHQS over the life of the Business Plan are as follows:

- **RPI +3% Yrs 3-6 and RPI +1% thereafter**

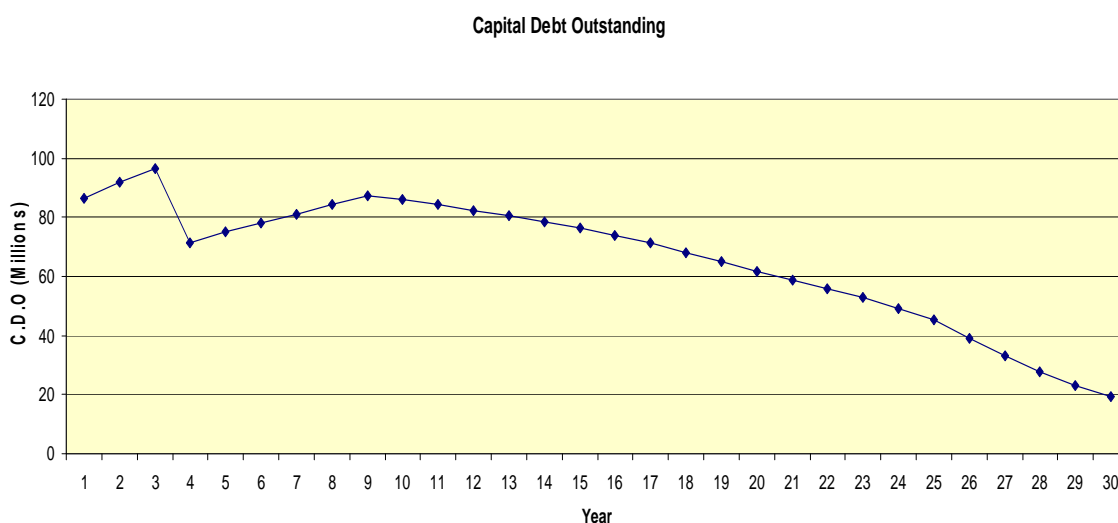
These rental increases result in rents being 2% (£1.20 per week in real terms) above the Scottish average (on the assumption that the Scottish average increases at a rate of RPI+1%).

10.3.1 Prudential Borrowing

Under option 5, the model assumes the same base year debt as the baseline model of **£81million**. Prior to stock transfer, the model calculates that **£36million** (real terms) of additional prudential borrowing is required. After the stock transfer (year 4) debt is reduced from £96million to **£70million** as a result of 100% debt write off associated with the transferring stock.

In addition to the required rental increase and the £36million of prudential borrowing between years 1 and 3 of the model, the model calculates that **£82million** of prudential borrowing is required in real terms over the 30 year life of the plan.

This prudential borrowing results in debt per unit increasing from £7,000 per unit in year 1 to **£9,500** per unit in year 5, and from **£12,000** per unit in year 15 decreasing to **£3,500** in year 30. The debt profile is illustrated in the graph below:



Graph 10.1: Rental Increases required

This additional borrowing results in an average affordability rate of 46% (debt charges as a % of net rental income) over the life of the plan. This affordability rate sits at 33% at year 30 of the plan.

10.3.2 Capital Receipts

In addition to rental increases and prudential borrowing, income from capital receipts is a primary source of funding the plan. Over the 30 year business plan period, the model calculates that £121 million of capital receipts (100% usable capital receipts) are generated from house sales.

10.4 Modelling in Money Terms (Including RPI @2.5%)

The model is based on real cash flows. Therefore, the following results do not include the effect of inflation. As part of the risk analysis an inflationary assumption of 2.5% has been built into the model. However, this option will be subject to key sensitivities such as increases in interest rates and has been tested accordingly.

The 2.5% is based on the UK Treasury's **long term** fiscal projections rate.

10.5 Risk Assessment & Sensitivity Analysis

An integral part of the development of a Business Plan for the West Dunbartonshire Council Housing Service and the associated production of the Standard Delivery Plan is the identification, and mitigation, of risk in the Business Plan framework. Effective organisations are aware of the risks that exist for their business and take action to deal with them appropriately. West Dunbartonshire Council has adopted a positive approach to risk management that involves:

- identifying the current risks to the Council associated with the provision of housing services;
- identifying any additional risks arising or likely to arise in the lifetime of this plan;
- quantifying and understanding the significance of these risks in terms of likelihood and impact, and therefore enabling prioritisation;
- considering existing arrangements for avoiding risk where possible and managing risks otherwise; and
- developing action plans to assist in mitigating/controlling these risks.

Risk management is an ongoing process. Over time some risks reduce in importance or disappear whilst other risks become more important or appear for the first time. As part of the strategy for managing risk the Council should ensure that the appropriate steps are taken to identify and address risks in all aspects of their operations.

10.6 Identifying Risk

Section 10.7 illustrates the number of risk associated with the assumptions surrounding option 5. Section 10.8 presents a number of financial risks which may have an impact on whether the plan is fundable. These risks will be tested on the business plan which forms the final Standard Delivery Plan. Section 10.9 presents a range and the likelihood of potential non-financial operational and strategic risks.

10.7 Option 5 Key Risks

The key risks surrounding the assumptions which underpin option 5 are as follows:

- currently no resources available from the Scottish Government to support transfers and administration of transfers. Transfer cost will have to be borne by the Council.
- will landlords be interested in taking over the stock when limited funds available?
 - ability for receiving organisations to attract funding
 - interest in the funding market
 - re-provisioning will be a significant challenge
- the retained stock rent increases are driven by the stock which transfers;
- it is essential that there is debt write off for demolished stock; and
- the Council is severely limited in the amount it can borrow.

10.8 Key Financial Risk Factors

The following have been identified as key financial risk factors associated with the business plan model financial assumptions. The table also identifies potential risk mitigation factors. The final standard delivery plan will detail the impact that these risks will have on the outcomes of the final delivery model:

Individual Risk Factors	Future action required: risk mitigation factors
Void Rates double	Monitor void rates on a monthly basis
Professional Fee rate increase	Monitor periodically and review procurement procedures
Management cost increase i.e. RPI +1%	Review service delivery priorities annually
Investment costs increase by RPI +2% for 2-10 years	Monitor inflation increase periodically
Interest Rate increases to 6%	Monitor interest rate increases periodically
Bad debt rate doubles	Monitor bad debts on a monthly basis
Response and Void costs increase by RPI +2% years 2-10	Monitor inflation increase periodically
Renewals underestimated by 10%	Monitor periodically

Table 10.1: Financial risk factors

- **Risk Scenario – Right to Buy**

There has been a great deal of speculation about the long-term future of the right to buy sales in Scotland. The impact of the following scenarios in relation to the future of RTB will be assessed on the final standard delivery plan model:

- reduction to sales assumptions by 50%;
 - no RTB sales from year 15; and
 - no RTB scheme offered to tenants under the modernised RTB scheme from year 5 of the model.
- **Multiple risk factors**

It is important to identify and test individual risks. However, it also important to contemplate the possibility, that a number of risks will impact the Business Plan simultaneously. Such modelling allows the plan to be tested rigorously against the most trying of circumstances.

Table 10.2 illustrates potential multiple risk factors which will be tested on the final model and the future action that would be required to reduce the negative impact of these risk factors:

Individual Risk Factors	Future action required: risk mitigation factors
Programmed Renewals underestimated by 10% and professional fee increases x%	Monitor periodically and review procurement procedures
Interest Rate increases to x% and borrowing period decreases to 15 years	Monitor interest rate increases periodically

Table 10.2: Multiple risk factors

10.9 Non Financial Risk Assessment

The following tables present the non-financial risk factors. Strategic and operational risk factors are considered along with their impact on the ability to achieve compliance with the SHQS.

Risk Factor (Strategic)	Potential Impact	Likelihood	Controls Proposed/Future action required
Changes to SHQS	Changes to investment levels identified within Business Plan	Medium	Monitor Business Plan
Changes to Scottish Executive Policy	Depends on area of policy affected	Medium	Awareness of policy context and monitor and assess in event of changes in policy
Failure to meet SHQS by 2015	We do not achieve 100% compliance by 2015	Low	Milestones and annual monitoring will enable us to monitor the progress in achieving the SHQS
Construction Industry Incapacity	Non achievement of SHQS and compliance projections	Medium	Research and prior negotiation Capacity building programmes Continuous contract monitoring and monitoring of milestones and annual performance
Variations/increases in tender prices and costs of works	Non achievement of SHQS and compliance projections	Likely	Research and prior negotiation Capacity building programmes

Table 10.3: Strategic Risk Factors

Risk Factor (Strategic)	Potential Impact	Likelihood	Controls Proposed/Future action required
Inaccuracies in stock condition survey database	Additional investment required to ensure compliance with SHQS	Low/Medium	Inspections on-going to confirm data Stage 2 structural survey Monitoring of capital works and annual performance/ achievement of milestones
Failure to manage construction process and ensure expenditure to target	Would result in non achievement of projected compliance rate	Low	Milestones and annual monitoring will enable us to monitor the management of the construction process
Failure to secure owner-occupier support and compliance	Risk exists primarily in relation to common access security	Medium	Monitoring of programmes involving owner occupier support and involvement
Tenant Refusal	Failure of SHQS	Medium	Monitoring refusal levels and programme and introduction of systems of visits
Reliance on key members of staff	Information and processes known to small number of staff	Low	Policy and procedures reviews Ensure system documentation in place. Training on stock database maintenance
Negative feedback from consultation with tenants on proposed option and rental increases	Non compliance with SHQS and Quality Standard.	Medium	Review after consultation Ensure Positive message given to tenants.

Table 10.4: Strategic Risk Factors

10.10 Standard Delivery Plan Issues

The final standard delivery plan model will provide further information and risk mitigating factors in respect of the following:

- **Mixed Tenure Estates;**
- **sale Hard to Heat/Treat Homes;**
- **Tenant Refusal;**
- **Procurement;**
- **Investment Strategy.**

10.11 Way Forward: Developing the Delivery Plan

This Standard Delivery Plan points the way to a sustainable and affordable housing stock in West Dunbartonshire.

The Standard Delivery Plan currently reflects the assumption that 30% of the stock will be transferred to RSLs in 2010/11 and that the remaining stock will be brought up to the SHQS and maintained at that standard thereafter with rental increases of RPI+3% in years 3-6 and RPI+1% thereafter.

However, there are a number of key stages which require to be undertaken in order to ensure the successful development and implementation of the Standard Delivery Plan. These key stages are described in table 10.5 below.

Key Stage	Aim	Target Date
Agreeing final stock strategy	Agree final delivery option	October 2008
	Complete financial modeling on Final Option	
	Prepare draft SDP for consultation	
	Carry out stakeholder consultation	
	Council agree final SDP	
	SDP submitted to Scottish Government	
Agree investment strategy for SHQS retained stock	Agree structural investment strategy	March 2009-2015/16
	Finalise investment programme for retained stock	
	Agree borrowing and spend profile	
	Develop final investment programme	
	Implement SHQS programme	
	Draft demolition programme agreed	
Transfer strategy developed	Transfer strategy agreed	May 2010
	Area profiles prepared	
	Transfer area packages agreed	
	Expressions of interest from prospective landlord	
	Expressions of interest assessed	
	Final transfer strategy agreed	
Develop re-provisioning strategy	Identify numbers, type and tenure of replacement affordable stock	June 2010
	Integrate requirements with LHS & SHIP	
	Agree likely scale of available resources	
	Prepare tender strategy for transfer	
Agree single or staged transfer	Prepare selection criteria	February 2010
	OJEC advertisement	
	Analyse OJEC responses	
	Prepare ITT documentation	
	Issue ITT documentation	
	Assess receiving landlord submissions	
	Appoint preferred transfer/development partner	
Transfer proposal	Best value framework agreed	October 2010
	Detailed brief & data sets provided to prospective landlords	
	Prospective landlords prepare detailed transfer proposal	
	Transfer proposal submitted	
	Council assess transfer proposals	
	Best value assessment carried out	
	Formal stage one consultation carried out	
	Tenant ballot	

APPENDIX A

Table 1

	Fail	Potentially Fail									Years 3 to 11
	Now Year 1 & 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Total Stock at start of year	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670
Number of homes failing Scottish Housing Quality Standard during the year	10,276	1,661	1,661	1,661	1,661	1,580	1,580	1,580	1,580	1,580	14,544

Table 2

	Fail	Potentially Fail									Years 3 to 11
	Now Year 1 & 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Stock at start of year	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670	11,670
Number of units failing each criteria											
Tolerable Standard	3	0	0	0	0	0	0	0	0	0	0
Serious Disrepair - Primary	38	2	0	0	0	0	0	0	0	0	2
Serious Disrepair - Secondary	538	263	433	565	829	871	969	1,017	972	1,278	7,197
Energy Efficient	5,690	834	842	836	745	739	717	731	866	721	7,031
Modern Facilities	5,674	1,002	1,022	1,037	617	563	615	502	649	583	6,590
Healthy Safe and Secure	6,563	0	0	0	0	0	0	0	0	0	0
Total of all failures	18,506	2,101	2,297	2,438	2,191	2,173	2,301	2,250	2,487	2,582	20,820

	Fall Standard	Potentially Fall Standard	Year 1 & 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8		Year 9		Year 10		Year 11		Years 3 to 11		Total	
Tolerable Standard	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£
Structural Stability	33	E2,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	33	E2,000
Rising Damp	3	E1,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	3	E1,000
Penetrating Damp	22	E3,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	22	E3,000
Natural Lighting	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Ventilation	278	E400	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	278	E400
Water Supply	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Kitchen Sink	2	E300	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2	E300
Bath/Shower/Basin	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Exclusive WC	1	E500	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	1	E500
Drainage	48	E1,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	48	E1,000
Food Preparation	2	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2	£0
Access ext doors	5	£8,200	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	5	£8,200
Sum of Count and Cost Total	394	£8,200	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	394	£8,200
Serious Disrepair - Primary																										
Primary Building Element - Wall Structure	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Primary Building Element - Internal Floor Structure	18	E21,228	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	18	E21,228
Primary Building Element - Foundations	12	E37,536	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	12	E37,536
Primary Building Element - Roof Structure	8	E5,676	2	E3,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2	E3,000	10	E8,676
Sum of Count and Cost Total	38	E64,440	2	E3,000	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2	E3,000	40	E67,440
Serious Disrepair - Secondary																										
Secondary Building Element - Roof Covering	357	E653,623	156	E324,780	124	E228,405	192	E429,241	136	E213,357	161	E322,697	248	E311,082	135	E262,953	177	E327,246	188	E310,772	1,517	E2,730,533	1,874	E3,384,156		
Secondary Building Element - Chimney Stacks	0	£0	27	E18,603	31	E14,814	23	E15,847	16	E11,024	27	E15,158	19	E21,014	27	E24,115	25	E14,814	10	E6,546	205	E141,935	205	E141,935		
Secondary Building Element - Flashings	134	E38,097	199	E30,677	170	E51,867	122	E35,690	180	E76,937	146	E71,720	204	E63,138	246	E53,975	137	E51,560	103	E22,327	1,387	E457,638	1,521	E495,735		
Secondary Building Element - Rainwater Goods	1,361	E486,071	420	E167,863	430	E169,152	395	E166,221	455	E125,731	381	E124,895	430	E116,921	545	E169,470	390	E109,121	292	E62,734	3,738	E1,212,018	5,029	E1,678,789		
Secondary Building Element - External Wall Finishes	570	E987,390	427	E382,165	382	E514,233	399	E396,940	1,011	E1,206,531	793	E1,176,965	795	E986,826	685	E96,111	667	E94,692	630	E84,675	5,925	E79,017	6,495	E8,426,397		
Secondary Building Element - Access Decks / Balustrade	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Secondary Building Element - Common Access Stairs	0	£0	0	£0	0	£0	0	£0	29	E14,740	0	£0	0	£0	0	£0	0	£0	0	£0	29	E14,178	29	E14,178		
Secondary Building Element - Pathways	15	E19,453	9	E5,040	23	E7,140	36	E24,879	25	E15,084	28	E14,820	8	E4,320	11	E5,400	10	E5,080	58	£0	208	E81,763	223	E101,216		
Secondary Building Element - Balconies / Verandas	0	£0	0	£0	0	£0	38	E19,824	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	38	E19,824	38	E19,824		
Secondary Building Element - Attached Garages	100	E166,102	27	E39,676	3	£0	12	E10,624	0	£0	6	E7,272	0	£0	6	E10,302	7	E5,794	0	£0	61	E73,868	161	E238,970		
Secondary Building Element - Internal Stairs	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Secondary Building Element - Damp Proof Course	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Secondary Building Element - Windows	0	£0	0	£0	0	£0	0	£0	50	E55,839	69	E71,360	98	E190,209	142	E185,592	53	E45,486	539	E1,059,606	951	E1,608,092	951	E1,608,092		
Secondary Building Element - Doors	134	E99,139	68	E71,491	69	E79,313	80	E69,454	20	E17,900	36	E38,225	37	E34,755	12	E8,978	10	E7,050	74	E64,997	406	E392,163	540	E491,302		
Secondary Building Element - Common Windows / Roof Lights	37	E26,078	51	E64,535	31	E13,718	12	E10,447	209	E140,141	108	E35,568	59	E42,775	127	E35,568	64	E35,568	0	£0	661	E378,320	661	E378,320		
Secondary Building Element - Underground Drainage	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0
Sum of Count and Cost Total	2,742	E2,382,135	1,384	E1,343,630	1,263	E1,078,389	1,169	E1,172,667	2,141	E1,965,801	1,996	E1,876,490	1,898	E1,771,140	1,836	E1,723,464	1,540	E1,548,011	1,897	E2,167,557	15,126	E14,649,349	17,868	E17,031,484		
Energy Efficient																										
Effective Insulation - Cavity Insulation	3,157	E1,298,847	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	3,157	E1,298,847
Effective Insulation - Loft Insulation	668	E120,505	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	668	E120,505
Effective Insulation - Hot Water Tank & Pipes Insulation	881	E182,549	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	881	E182,549
Effective Insulation - Cold Water Tank Insulation	2,103	E630,191	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2,103	E630,191
Efficient Heating - Full Central Heating	1,368	E1,646,501	834	E780,468	842	E799,184	836	E782,012	745	E691,850	739	E693,268	717	E671,664	731	E683,022	866	E810,342	721	E671,782	7,031	E6,583,592	8,399	E8,230,053		
Additional Energy - Additional Energy Efficiency Measures	203	E304,500	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	203	E304,500
Sum of Count and Cost Total	8,380	E4,183,093	834	E780,468	842	E799,184	836	E782,012	745	E691,850	739	E693,268	717	E671,664	731	E683,022	866	E810,342	721	E671,782	7,031	E6,583,592	15,411	E10,766,685		
Modern Facilities																										
Modern Bathroom - Full Bathroom Amenities	879	E1,852,638	487	E1,014,058	502	E1,045,908	537	E1,122,828	355	E746,890	353	E739,292	394	E817,336	264	E561,836	357	E746,568	392	E811,388	3,643	E7,606,104	4,520	E9,456,940		
Modern Kitchen - Kitchen Fittings	1,826	E426,227	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960	562	E1,303,960
Kitchen Facilities - Adequate Kitchen Storage	279	E114,608	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	279	E114,608
Kitchen Facilities - Safe Working Arrangements	2,551	E1,171,977	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2,551	E1,171,977
Kitchen Facilities - Sufficient Power Outlets	3,626	E337,700	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	3,626	E337,700
Sum of Count and Cost Total	9,161	E7,903,345	1,027	E2,323,018	1,064	E2,408,196	1,074	E2,424,516	631	E1,415,914	571	E1,267,724	615	E1,353,040	509	E1,155,716	657	E1,473,768	583	E1,274,372	6,731	E15,096,264	15,892	E22,999,609		
Healthy Safe and Secure																										
Healthy - Internal Pipe Work Lead Free	32	E2,915	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	32	E2,915
Healthy - Mechanical Ventilation	205	E112,955	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	205	E112,955
Healthy - Adequate Noise Insulation	374	E1,030,370	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	374	E1,030,370
Safe - Smoke Detector	239	E35,850	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	239	E35,850
Safe - Safe Electrical System	2,600	E1,986,068	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	2,600	E1,986,068
Safe - Safe Gas & Oil Appliances	781	E592,862	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	0	£0	781	E592,862
Safe - Safe Common Stairwells	168																									

Grand Total							
-------------	--	--	--	--	--	--	--

Element	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	30 year total
Programmed renewals	£62,379,379	£35,020,992	£37,417,615	£44,842,250	£52,375,720	£32,555,236	£264,591,192
Improvements	£5,492,162	£0	£0	£3,593,502	£0	£0	£9,085,664
Contingent Major Repairs @ 5%	£3,393,577	£1,751,050	£1,870,881	£2,421,788	£2,618,786	£1,627,762	£13,683,843
Related Assets	£2,917,500	£2,917,500	£2,917,500	£2,917,500	£2,917,500	£2,917,500	£17,505,000
Asbestos Contingency	£5,835,000	£5,835,000	£0	£0	£0	£0	£11,670,000
Non traditional properties	£11,405,425	£19,804,800	£151,000	£18,000	£431,050	£420,500	£32,230,775
High Rise	£15,436,599	£1,241,539	£121,020	£642,315	£705,300	£265,080	£18,411,853
Environmental Improvements	£5,835,000	£5,835,000	£0	£0	£0	£0	£11,670,000
Responsive and void maintenance	£39,483,975	£39,483,975	£39,483,975	£39,483,975	£39,483,975	£39,483,975	£236,903,850
Cyclical maintenance	£7,877,310	£7,877,310	£7,877,310	£7,877,310	£7,877,310	£7,877,310	£47,263,860
Grand Total	£160,055,927	£119,767,166	£89,839,301	£101,796,640	£106,409,641	£85,147,363	£663,016,037
Total per annum	£32,011,185	£23,953,433	£17,967,860	£20,359,328	£21,281,928	£17,029,473	£22,100,535

Total cost per property over 30 years	£53,220
--	----------------

Price Base February 2008

All costs are exclusive of Professional Fees, VAT, management and administration costs and are based on today's prices. Costs are inclusive of preliminaries.

All costs are exclusive of Professional Fees, VAT, management and administration costs and are based on today's prices. Costs are inclusive of preliminaries.

APPENDIX B

WEST DUNBARTONSHIRE COUNCIL
BASELINE BUSINESS PLAN MODEL ASSUMPTIONS

TABLE OF CONTENTS

1. THE BUSINESS PLAN MODEL	1
1.1 Business Plan Assumptions	1
2. STOCK NUMBERS	2
2.1 Opening Stock and Rental Assumptions	2
2.2 Garages and Other Related Assets Rental Assumptions	4
2.3 Demolitions	5
3. GENERAL ASSUMPTIONS	6
3.1 Real Cost Inflation	6
3.2 Investment Programme: Professional Fee and Support Costs	6
3.3 Prelims and Contingencies	7
4. OTHER INCOME	8
5. SUPERVISION AND MANAGEMENT COSTS	9
5.1 Total Supervision and Management Costs	9
5.2 Future Management Costs	9
5.3 Supervision and Management Costs: Apportionment Methods	10
6. OTHER REVENUE EXPENDITURE	11
6.1 Other Services	11
6.2 Other Property Costs	11
7. OPEN SPACE MAINTENANCE AND RELATED ASSETS	12
7.1 Garden Tidy	12
7.2 Related Assets	12
8. REVENUE REPAIRS AND MAINTENANCE	13
9. CAPITAL INVESTMENT ASSUMPTIONS	15
9.1 Stock Condition Survey	15
9.2 Structural Survey	18
9.3 Total Capital Expenditure	19
9.4 Reconciliation with the Council's Capital Programme	19
9.5 Other Capital Expenditure	22
10. SALES ASSUMPTIONS	23
10.1 Sales Numbers	23
10.2 Property Market Value	25
11. RESIDUAL DEBT/CAPITAL RECEIPT AND RESERVES	26

Appendix A – HRA Stock condition Survey Elemental report and SHQS failure tables

Appendix B – HRA – 30-Year Projections (Real Terms)

Arneil Johnston
John Player Building
Kerse Road
Stirling
FK7 7RP

1. THE BUSINESS PLAN MODEL

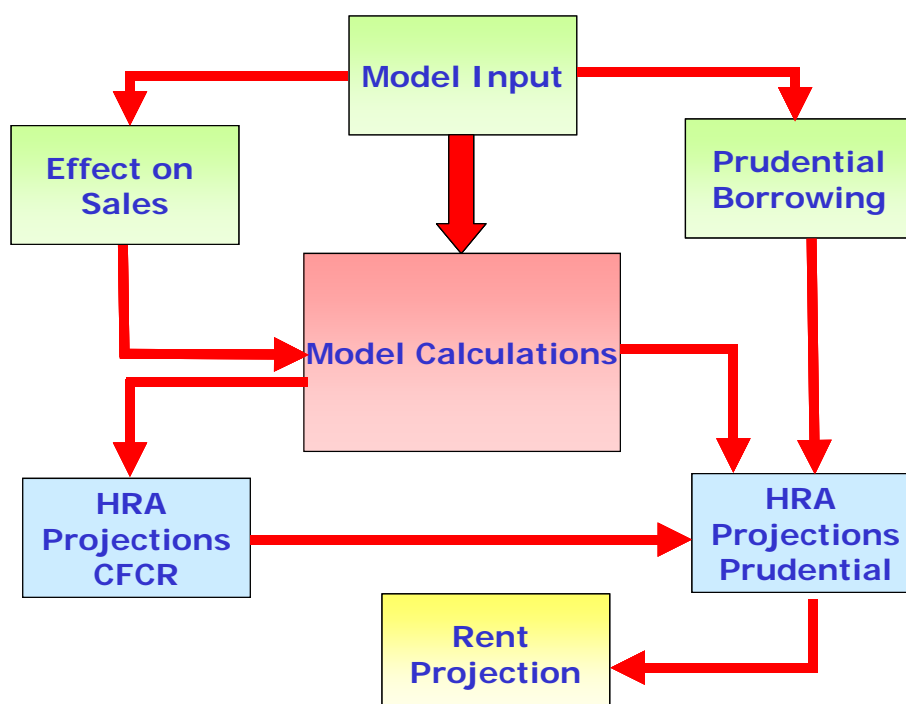
This document presents the assumptions surrounding the West Dunbartonshire 30 year HRA Business Plan model.

The model is based on the current HRA cost and stock structure.

1.1 Business Plan Assumptions

This Business Plan aims to demonstrate how the Council can bring its housing stock up to the SHQS, and maintain it thereafter, whilst keeping a positive balance on the Housing Revenue Account (HRA).

It is a 30-year Business Plan Model that takes account of all costs and income connected with the management and maintenance of the stock over that period. The model is illustrated graphically below:



The model prepares a 30-year cash flow projection, models the HRA account and enables the Council to assess the appropriate levels of borrowing required to achieve its objectives. The Business Plan is based on agreed assumptions on stock numbers, inflationary and rate increases, income and expenditure, right to buy sales, fixed costs and capital debt/borrowing.

The end results of the model are shown in rent projections which calculate if rents would have to increase to retain the stock and bring it up to the SHQS and, if so, by how much.

Sections 4 to 14 of this document present assumptions underpinning the 2007 Business Plan Model.

2. STOCK NUMBERS

This section details the opening stock and rental assumptions, garage & garage site rental assumptions and demolitions.

2.1 Opening Stock and Rental Assumptions

Criterion	Assumption
Business Plan Model Base Date	1 st April 2007

Table 2.1: Business Plan Model Base Date

The Base Date of the business plan model is 1st of April 2007. The basis of the calculation of costs and cost per unit figures within the Business Plan Model will be based on stock as at 1st April 2007.

Property Type	Number of Units	% of Stock
Tenement Flat	1710	15%
Four in a Block Flat	3117	27%
Maisonette Flat	942	8%
Multi-Storey Flat	1678	14%
Other Flat	931	8%
Semi-Detached House	966	8%
Terraced House	1998	17%
Other House Type	105	1%
Sheltered	223	2%
Total	11,670	100%

Table 2.2: Stock by Property Type (April 2007)

Table 2.2 shows the stock at 1st April 2007 by property type. As the table shows, the majority of the housing stock is flatted accommodation (72%).

Table 2.3 below illustrates the assumptions surrounding the Council's housing stock numbers and rental values for the financial year 2007/2008.

The stock figure is based on the Council's rent roll as at 1st April 2007 (*this figure excludes 29 sales which were completed between April 2007 and June 2007*). Various checks were performed on the rent roll and the final stock figure was agreed through discussions with the Council. This rent roll also formed the basis of the Council's Asset Management Plan database.

Criterion	Assumptions
No. of properties (Council Rent Roll as at June 2007)	11,670
Average rent per unit per year – year 1	£2,413
Number of weeks	47
Annual rent increase	RPI + 1%

Table 2.3: Property Numbers and Rental Values

The stock figure excludes any properties which have been taken out of management e.g. will not be re-let, brought up to the SHQS.

The rental value is based on the HRA mainstream rental charge and excludes Service charges.

A rent harmonisation programme is currently underway for some properties on the Council's HRA; the projected rental values in the 30 year business plan take account of the impact of the rent harmonisation programme.

Criterion	Assumptions
Void Rate	5.15%
Void Rate (Including Council tax on voids)	5.73%
Bad Debt Rate	1.42%

Table 2.4: Stock Void Rate and Bad Debt Rate

The Stock Void Rate is based on analysis of void rent loss at an individual property level for the period 2006/07, expressed as a percentage of Gross Rental Income.

The void rate modelled within the base business plan includes an estimate of £200,000 which relates to Council tax costs associated with void properties.

The void rate is significantly higher than the Scottish average (approx 2.3%-2.4%). It should be noted that improvements in the void rate have been modelled in the base business plan.

The Bad Debt rate is based on an assessment of the level of bad debts and the movement in the bad debt provision. The model assumes a figure of **1.42%** as a percentage of Gross Rental Income.

Net Rental Income within the model is calculated by applying the annual rental income to mid-point stock numbers. This figure is then adjusted by the void and bad debt rates.

Criterion	Assumption
Turnover Rate/Relet	10.33%

Table 2.5: Turnover rates

The Turnover Rate is based on the average number of re-lets, expressed as a percentage of stock over the past 2 years

The turnover/relet rate is applied to stock numbers within the model in order to calculate over time the number of tenancies covered by the existing RTB discount and modernised RTB discount. This assumption affects the level of sales income within the model.

2.2 Garages and Other Related Assets Rental Assumptions

The HRA includes various related assets e.g. Garages and Garage Sites. An allowance for the expenditure in relation these related assets is included within the Stock condition survey costs and is explained in greater detail in section 9 below.

Criterion	Assumption
Number of Garages	1,161
Annual Garage Rent	£282 per garage per annum
Void Garages	58%
Garage Sites	215
Total Garage Site income	£7,287 per annum
Void %	25%

Table 2.6: Garages and Garage Sites

Table 2.6 above illustrates that currently 58% of the garages are void based on analysis of information provided by the Council. These assumptions have been modelled throughout the base 30 year business plan model

As a result of the high garage void levels, a Net present value (NPV) analysis was performed on the garages.

The stock condition survey indicated that capital investment of **£2,000** per garage would be required over the next 5 years, with maintenance expenditure of **£100** per annum thereafter. The NPV analysis is based on current income and void levels for the first 5 years, with the void rate reducing to **29%** (half the current rate) after year 5, as a result of the high levels of capital investment.

Based on a 30 year modelling period and a 7% discount rate, the Net present value of the garages is **-£1.144 million**.

This valuation illustrates the negative impact of garages on the 30 year business plan model.

2.3 Demolitions

No demolitions have been modelled within the base business plan model. The costs of demolition are illustrated in the table below.

Demolition	£ CPU
Demolition	£2,500
Home-loss and Disturbance	£2,000

Table 2.7: Demolitions (£ Cost Per Unit)

3. GENERAL ASSUMPTIONS

This section details the assumptions surrounding real cost inflation, professional fees, prelims & contingencies.

3.1 Real Cost Inflation

Criterion	West Dunbartonshire Council
Supervision and Management Costs	See section 7 below
Building Costs	-
Capital Investment Costs (<i>Programmed Renewals, Standard, SCS contingencies</i>)	Base year costs 2008/09 RPI+1% Yr 3-4 and RPI+0.5% Yr 5-6
Revenue Repairs and Maintenance (<i>Response and Voids and Cyclical Costs</i>)	Base year costs 2008/09 RPI+1% Yr 3-4 and RPI+0.5% Yr 5-6

Table 3.1: Real Cost Inflation

The assumption has been made that investment costs will increase at a rate above RPI over the next 5 years. This assumption is based on the fact that national construction prices have risen at a rate above inflation over the past 10 years and are predicted to increase above RPI over the next 5 years as a result of increasing demand and supply capacity being relative to demand. It is unlikely that this increasing trend will continue over the next 30 years. However, this input within the model is an uncontrollable and key risk factor which the affect of higher increase will be tested on the base model assumptions.

3.2 Investment Programme: Professional Fee and Support Costs

Professional Fee Rate	Current
West Dunbartonshire Council Business Plan (Capital Programme capitalised salaries and Architects Fees)	9.24%
Communities Scotland Benchmark	8%

Table 3.2: Professional Fee Rates

The level of professional fees and support costs associated with the West Dunbartonshire Council Investment Programme currently sits at 9.24%. This is slightly above the Communities Scotland professional fee benchmark figure of 8%

Within the Business Plan Model, the professional fee and support cost rate is applied to the following investment costs:

- Programmed Renewals
- Improvement Costs
- Structural and Environmental Costs.

3.3 Prelims and Contingencies

Item	Comment
Prelims –Structurals	10%
Prelims – All other works	Included within Savils SCS
Contingencies	Included within Savils SCS

Table 3.3: Prelims and Contingencies

4. OTHER INCOME

Table 4.1 below illustrates the 'Other Income' assumptions contained within the Business Plan Model.

Criterion	Income	Adjustments/Basis	Notes
Income from Shops	£100,000 (2007/08 Other Rental income HRA Budget)	2007/08 Projected outcome	Per annum
Factoring Insurance charge per year	£689,000	2007/08 HRA Budget (Income from owner occupiers)	Per annum
Misc Income per year	£85,000	2007/08 HRA Budget (General Misc Income)	Per annum
Interest on Revenue Balances per year	£200,000	2007/08 HRA Budget	Per annum
Service Charges per annum	£25,000	2007/08 HRA Budget (Multi storey service charges)	Per annum
Rechargeable repairs	£100,000	Projected income as per discussion with council officers	Per annum
Net Insurance recoveries	£145,000	Net Insurance recoveries 2007/08 Budget	Per annum
Property Management	£221,530	This budget is net off from supervision and management costs as it relates to income associated with property management included within the staffing costs (factoring)	Net off against supervision and management costs
Reallocated Property Costs	£226,170	This budget is net off from supervision and management costs as it relates to property costs included within the supervision and management budget which are reallocated to non-HRA budgets.	Net off against supervision and management costs

Table 4.1: Other Income (Recharge Repairs and Service Charges and Misc. Income)

5. SUPERVISION AND MANAGEMENT COSTS

The Business Plan Model Supervision and Management costs are based on the 2007/08 HRA Budget. The Supervision and Management costs assumptions are:

Expenditure Assumptions	Year 1	Year 2 +
Supervision and Management cost Budget (2007/08)	£6,065,630	£6,065,630
Less Other Income : <i>(As described in Section 6 above)</i>		
Property Management -factoring	-£221,530	-£221,530
Re-allocated property costs	-£266,170	-£266,170
Less Property Insurance <i>(Modelled separately)</i>	-£820,000	-£820,000
Add : Supporting People <i>(Costs to be accounted for within the HRA, increase split evenly over years 1&2)</i>	£177,062	£354,123
Total Cost	£4,934,991	£5,112,053
Cost per Unit	£422	£438

Table 5.1: Details of Supervision and Management Costs

5.1 Total Supervision and Management Costs

The overall Supervision and Management costs included in the base year of the model are £4,934,991 which results in a cost per unit of **£422** at a West Dunbartonshire wide level.

5.2 Future Management Costs

The model assumes that management costs will fall on a stepped basis with sales numbers over the next 30 years. This is reflective of previous years management cost patterns.

- Year 1-5: 100% (Fixed cost %)
- Year 6-10: 95% (Fixed cost %)
- Year 11-15: 90% (Fixed cost %)
- Year 16-20: 85% (Fixed cost %)
- Year 21-30: 80% (Fixed cost %)

It has been assumed that management costs will **increase at RPI** throughout the life of the model. It is worth noting that the management cost per unit of **£422** is lower (around **34%**) than the Scottish Average (*Scottish Government Housing Statistical Bulletin July 2007*).

5.3 Supervision and Management Costs: Apportionment Methods

As part of the Asset Management Plan, significant levels of analysis have been carried out on the Supervision and Management Budget. As the costs associated with stock management is a key variable at stock type and area level, the supervision and management budget was broken down to an area level based on various apportionment methods.

HRA Costs	Apportionment Method
Salaries Budget	
General Finance/Cash Collection /Strategy/Housing Advice	Stock Numbers
Arrears	80% Level of Arrears/20% Stock Numbers
Void Inspectors	Number of Relets
Allocations team	Number of Relets
Estate Management and tenancy services management	Decants, Refusals, Abandonments, Evictions & ASBOs - equal weighting
Repairs (Excl. Estate Auditors)	Number of Repairs
Manual workers	Caretakers apportioned via number of Multis Mobile Caretakers apportioned by Flatted & Tenemental stock Emergency Caretakers: Multi, Flatted and Tenemental
Supporting People	Number of Estate Auditors
Other Supervision and Management Costs	
Property costs	Stock Numbers
Property Costs: Office	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Property Costs: Sheltered Housing	Number of Sheltered Housing units
Transport costs	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Supplies and Serv./Central Support	As above
Fixed Costs	20% of Indirect costs (Costs allocated on Stock Numbers)

Table 5.2: Details Supervision and Management Costs Apportionment Methods

6. OTHER REVENUE EXPENDITURE

Within the Business Plan Model, Other Revenue Expenditure comprises the following:

- **Other Services – General Expenditure and Disabled Adaptations; and**
- **Other Property Costs – Property Insurance.**

This section of the model describes the other revenue expenditure in greater detail.

6.1 Other Services

General Expenditure – This relates to budgeted expenditure on miscellaneous items such as pest control, gully cleaning, special uplifts. The assumption included within the model is an annual cost of **£176,000** which is based on 2007/08 budgeted figures.

Disabled Adaptations – This relates to budgeted expenditure for disabled adaptations. The assumption included within the model is an annual cost of **£256,000** which is based on 2007/08 budgeted figures.

6.2 Other Property Costs

Property Insurance – This relates to budgeted expenditure on Property Insurance. The assumption included within the model is an annual cost of **£820,000** which is based on 2007/08 budgeted figures and reflected as a Cost per unit of **£70 per unit**.

7. OPEN SPACE MAINTENANCE AND RELATED ASSETS

Within the Business Plan Model, Open Space Maintenance and Related Asset Expenditure comprise the following:

- **Garden Tidy; and**
- **Related asset expenditure.**

7.1 Garden Tidy

Budgeted expenditure on Garden tidy is approximately **£164,000** per annum, this is modelled throughout the 30 year projection period.

7.2 Related Assets

As part of the stock condition survey, Savills undertook an assessment of the Council's financial obligation to maintain the stock's related assets. This generally includes but is not limited to garages, un-adopted roads and footpaths, play areas, hard standings and shops. Following discussions with the Council, Savills has allowed a provision of **£583,000** per annum for the 30-year cost profile.

Revenue and capital budgets were analysed to identify expenditure on related assets. This concluded that very minor spend occurs on related assets. Therefore, the projected expenditure included within the model for related assets will be based on the Stock condition survey figure of £583,000 per annum. (**from year 2**).

8. REVENUE REPAIRS AND MAINTENANCE

Revenue repairs and maintenance within the model comprise of the following expenditure lines:

- **Response and void expenditure; and**
- **Cyclical expenditure.**

The Council's technical department provided detailed analysis of response and void and cyclical expenditure over the past 3 years and through discussions with Savills and Council officers the following assumptions in relation to response and void spend have been agreed:

- **Response and Void Property Maintenance** - Responsive and Void property maintenance is defined by the OPDM as "maintenance arising from the landlord's obligation to carry out repairs to a property, either upon a tenant's request or arising from staff inspection or in connection with the re-letting of a property".
- As part of the Asset Management plan process, detailed analysis was performed on repairs spend at a property level, this indicated that on average **£7,962,000** was spent on response and void repairs over the past 3 years. This figure was very similar to the repairs figure indicated by Savills of **£7,896,000**. Therefore the model includes a provision for **£682** per property.
- The assumption has been made that the 2007 model should be reflective of current trends. However, the cost per unit is above Communities Scotland benchmark of £411 in 2006/07 and the 2005/06 Communities Scotland digest median cost per unit for response and void repairs of £480 for LSVT and £485 for LA Stock Transfer RSLs and it is likely that as more of the stock is brought up to the SHQS, it would be expected that the level of response repairs would decrease. Therefore response and void repairs are modelled at 2007 levels per annum until 2015 but are reduced by 10% from 2015 to **£610** per unit.¹
- **Cyclical Maintenance** - Cyclical Maintenance is defined as "maintenance and servicing, generally similar to that stated for programmed repairs". However, it is more specifically identified as various items recurring on an annual basis and the servicing of installations. For cyclical property maintenance the model assumes a provision of **£170** per property per annum for the 30 year profile

Table 8.1 below illustrates the types of expenditure included within cyclical repairs:

¹ It should be noted that, in order to ensure the base year model (2007/08) is reflective of the Councils 2007/08 budget, the business plan model in year 1 is reflective of the current accounting treatment of response and void repairs whereby, high value repairs are coded to capital.

Cyclical. Work	£
Gas Maintenance	£1,345,000
Refuse Chute Cleaning	£23,000
Communal Washing Equipment	£19,000
CCTV Maintenance	£150,000
Lift Maintenance	£193,000
Ventilation Systems	£165,000
Dry Risers	£1,000
Smoke Detectors	£10,000
Emergency Lighting	£2,000
Communal TV Aerials	£50,000
Community Alarms	£25,000
Total	£1,983,000

8.1: Details of Cyclical Expenditure

9. CAPITAL INVESTMENT ASSUMPTIONS

Within the Business Plan Model, Capital Investment costs comprise the following:

- **Programmed renewals** – Savills Stock Condition Survey;
- **Improvement costs** – Savills Stock Condition Survey;
- **Major repairs contingency** – 5% of programmed renewals and improvement costs;
- **Demolitions** – No Demolitions modelled under the base scenario;
- **Structural and Environmental** – Comprise the following:
 - **Non Traditional Expenditure** – Non-traditional properties;
 - **High rise Capital Expenditure** – High rise properties;
 - **Environmental Improvements** - Savills Stock Condition Survey;
 - **Environmental Risk (Asbestos)** - Savills Stock Condition Survey; and
- **Other Capital Expenditure** – Capital expenditure items within the Council's 2007/08 Capital Programme, but not included within the Savills stock condition survey.

9.1 Stock Condition Survey

In November 2004 West Dunbartonshire Council commissioned Savills Commercial (Savills) to complete a 15% Stock Condition Survey of 12,458 owned properties in order to evaluate the investment requirements of its housing stock. Savills surveyors inspected the properties in January and February 2005. In August 2007 the Council commissioned Savills to update the survey for the purposes of the Asset Management Planning exercise and the 2007-08 SDP.

The primary purpose of the Stock Condition Survey was to assess the cost of the work required to bring all properties up to the Scottish Housing Quality Standard (SHQS) by 2015 and then to maintain them for the duration of the business plan.

Table 9.1 below presents the results of the stock condition survey:

Expenditure Assumptions	Assumption	Details : Savills Stock Condition Survey Assumptions
Programmed Renewals over 30 years	£264,591,192 (30 years)	<p>These are defined as “the provision, which should be adequate to cover the periodic overhaul/refurbishment/renewal of the building components and landlords’ fixtures and fittings, to keep the property in lettable condition”.</p> <p>All building elements have a natural life expectancy, at the end of which they have to be replaced. The life expectancies used in generating costs were based on the following:</p> <ul style="list-style-type: none"> • Industry standards; • RICS and BRE publications: “Life Expectancies of Building Components”; • The Council’s experience; and • Savills’ experience. <p>Savills surveyors used their professional judgement to establish when a building component requires replacement and inserted the appropriate year on the survey form. For older building components or those which are believed to have a limited remaining life, the assessment was based on the condition as found on site during the survey.</p> <p>Savills have only recorded those items that will require renewal within the next 30 years and those items falling outside that period have not been subject to a replacement cost within the report.</p>
Improvements	£9,085,664 (30 years)	<p>Improvement work generally involves the installation of components that do not currently exist at a property but would enhance the property. Below is a list of the improvements that Savills have assessed as part of the survey:</p> <ul style="list-style-type: none"> • Upgrade partial heating • Install full heating • Cavity wall insulation • Solid wall insulation • Mechanical extract fan kitchen • Mechanical extract fan bathroom • Wired smoke detectors • Entryphone

Expenditure Assumptions	Assumption	Details : Savills Stock Condition Survey Assumptions
Contingency @ 5%	£13,683,843 (30 years)	Contingency major repairs are defined as repairs of a kind which cannot be specifically foreseen and may arise from latent defects in construction. Savills have allowed a provision of 5% on catch-up repairs, improvements and programmed renewals over the 30-year period. The allowance is specifically in respect of unforeseen work that has not been identified elsewhere in the survey but, from both Savills experience and that of West Dunbartonshire Council, can be predicted as likely to occur. Examples include but are not limited to, cavity wall tie failure, uninsured subsidence/settlement, general structural defects, drainage failure and latent defects in construction.
Environmental Improvements	£11,670,000 (10 years)	Following discussions with West Dunbartonshire Council, Savills have made an allowance of £1,000 per property over the first 10 years in respect of general Environmental Improvement works. This will cover work not identified in the stock survey such as additional fencing, landscaping, lighting, enhanced security measures etc. There is almost limitless work that could be undertaken in this regard but the provision we have made is to cover the areas in most need of this type of work.
Environmental Risk	£11,670,000 (30 years)	Part of Savills' survey included an assessment of potentially present asbestos within all the properties inspected. Based on Savills experience and the incidences of asbestos found during the survey Savills have allowed a total provision of £11M over the next 30 years. This cost is purely for the over and above costs associated with the removal of the asbestos and does not take into account the potential costs relating to the management of the asbestos and any decanting.
Total	£310.700m	£26,624 PER UNIT (Excluding Structural Costs)

Table 9.1: Stock Condition Survey Outputs

9.2 Structural Survey

Curtins Consulting Engineers plc (Curtins) was commissioned on 29th September 2004 to undertake a Stage 1 Preliminary Structural Risk Assessment of both the non-traditional and high-rise housing retained by West Dunbartonshire Council. The appraisal included consideration of the structural form, history and structural condition to enable an opinion to be offered regarding the likelihood of the stock achieving a further thirty year life. The investigations comprised an initial appraisal based on information held by the Council, meetings with Council Housing Officers and visual inspections of selected properties

This survey was updated in February 2008 to reflect compounded inflation. The assumption was also made that no work had been done since the last report in 2004/05.

Curtains structural surveyors have indicated that the Council stock **MUST** have a stage 2 Structural survey. All the costs and recommendations are at 'high' level and should not be used as costs for individual blocks but simply the overall value adopted as a reasonable level of expected expenditure

9.2.1 Non-traditional Costs

West Dunbartonshire Council HRA stock holds over 40 construction types. The structural survey indicates that the required level of expenditure on different structural types ranges from £0 per unit to £27,000 per unit.

The total level of expenditure over the next 30 years indicated by the curtains structural survey is **£39.410 million** (excluding prelims and fees).

In addition, the Council have also indicated that a number of flats of non-traditional and traditional construction type in the Drumry area of Clydebank will require structural work in the next couple of years. The structural survey includes the cost estimate for those of non-traditional structure types. However, it does not include costs for those of a traditional construction type. Therefore, in addition to the **£39.410 million** is a cost of **£3.978 million** for structural works on **145** traditional properties.

Furthermore, approximately 6% of the stock is of a defective construction type, these types are as follows:

- **Ayrshire County Council;**
- **Blackburn Orlit;**
- **Orlit No fines;**
- **Orlit with structural frame; and**
- **Whitson Fairhurst.**

The profile of expenditure as indicated by Curtins has been adjusted to reflect the works on the Clydebank flats and defective construction types in the first 5 years and a more even spread of expenditure over the next 15 years. Table 9.2 below illustrates this revised profile.

	1-5	6-10	10-15	16-20	21-25	26-30	Total
Original Including (10% Prelims)	18,666,472	15,264,843	518,430	3,321,098	3,946,690	347,314	42,064,847
Revised Profile (including Prelims and works on Clydebank Flats)	13,551,120	12,637,213	12,637,213	3,321,098	3,946,690	347,314	46,440,647

Table 9.2: Non-Traditional Cost Profile

9.2.2 High Rise Expenditure

The Council has 26 Multi-storey Blocks, which consist of approximately 1,750 units of stock.

Curtains structural survey has indicated that £27.803 million (excluding fees and prelims) requires to be spent on Multis over the next 30 years. The profile of expenditure from Curtains models £20million of expenditure in the first 5 years

9.3 Total Capital Expenditure

Total capital expenditure on West Dunbartonshire Council stock (including structural expenditure) is **£33,140** per unit over the next 30 years.

9.4 Reconciliation with the Council's Capital Programme

The West Dunbartonshire Council Capital Programme for 2007/08 is **£17 million**. This was compared to the Savills and Structural's Stock condition survey expenditure in the first year in order to identify any expenditure not included in the survey and to ensure that the base year model in the 1st year is reflective of the councils current capital programme, therefore identifying any double accounting.

The table below illustrates the reconciliation:

Standard Delivery Plan 2007-08



	HRA Capital	Stock Condition Survey	Included elsewhere in Model	Difference	Notes
	£,000	£,000	£,000	£,000	
Programme Renewals and Improvements					
Kitchen Upgrades	4,000				
Safety/Security Projects	70				
Close Upgrades	300				
Building Improvement Programme	600				
Re - roofing	650				
Bathroom Upgrades	1,350				
Minor Capital Projects	300				
up Front & Back Doors	0				
Void House Strategy (Void works classed as capital)	2,000				
Central Heating	950				
Overclad Projects	250				
HECA/Fuel Poverty Activity	100				
Programmed Renewals		12,476			
Improvements		1,098			
Contingencies 5%		679			
Total	10,570	14,253		-3,683	Re-distributed between years 2 and 5
Structurals : Non-Traditional and Multis					
Multi-Storey Comprehensive Area Renewal/Lift Upgrades	1,900	4,009		-2,109	Re-distributed between years 2 and 5
Non-Trad		2,710		-2,710	Re-distributed between years 2 and 5
Total	1,900	6,719		-4,819	

Environmental Improvement					
Environmental Improvements (Fencing and Non Fencing)	1,250	1,167		83	Savills cost
CCTV Projects	25		25	0	Other Capital Expenditure
Communal/Digital TV Systems	280		280	0	Other Capital Expenditure
Total	1,555	1,167			
Demolition					
Tenement Demolition	150		0		
Total	150	0		150	No Demo costs modelled in base year
Asbestos Contingency					
Lead Pipe Upgrades	40				
Asbestos Contingency	200				
Total	240	389		-149	Savills cost
Other Projects					
Special Needs - Major Projects	325		325	0	Other Capital Expenditure
Feasibility Studies, Surveys etc	220		220	0	Other Capital Expenditure
Mortgage Lending	70		70	0	Net off against Capital Income
House Sales Costs (Team)	205		205	0	Applied to House sales income as a cost per unit
Capitalised Salaries	638		638	0	Within Professional Fee %
Architects Fees	800		800	0	Within Professional Fee %
ICT	229		229	0	Other Capital Expenditure
Carry Forward of Committed Projects	100		0	100	Ignore
Total	2,587	0	2,487		
Overall Total	17,002	22,528	2,792	-8,318	

Table 9.3: Year 1 Capital Programme Reconciliation

In order to ensure the year 1 capital spend is reflective of the Council's current budget, the difference between the Council's Capital programme and the year 1 stock condition survey costs will be re-distributed between years 2 and 4 in the model.

9.5 Other Capital Expenditure

'Other capital expenditure' not included within the stock condition survey has been identified and modelled as follows:

Expenditure	£	Details
Special Needs	325	Year 1-30
CCTV Projects	50	As per discussion with Council Officers 2007/08 budget increased from £25k to £50k per annum
Communal/Digital TV Systems	280	As per discussion with Council Officers, to be included in years 1-2 only
ICT	229	Years 1-30
Feasibility Studies, Surveys etc	220	Years 1-30

Table 9.4: Other Capital Expenditure Assumptions

As illustrated in table 9.4 above, the total expenditure included within the model is **£1.104m** for the 2 years and **£824k** thereafter.

10. SALES ASSUMPTIONS

This section details the RTB Sales assumptions included within the Business Plan Model.

Analysis was carried out of the level of sales and the property market value over the past 4 years. Table 10.1 below illustrates the results:

	Sales No's	Yr on Yr Movement	Market Value	Yr on Yr Movement
2003/04	394		42,486	
2004/05	347	-12%	50,505	19%
2005/06	250	-28%	60,018	19%
2006/07	230	-8%	65,192	9%
2007/08 Projection (Note 29 sales included from stock list)	175	-24%	69,549	7%
Average		-18%	Average	13%

Table 10.1: Previous Years Sales Statistics

10.1 Sales Numbers

Table 10.1 above illustrates that, over the past 4 years, sales numbers have decreased on average by around 18%. Through discussion with the Council's officers the following modelling sales projections have been agreed.

Year	Sales Old RTB	Sales New RTB	Sales Old RTB	Sales New RTB	Total Sales
1	95%	5%	139	7	146
2	95%	5%	166	9	175
3	95%	5%	166	9	175
4	95%	5%	166	9	175
5	95%	5%	166	9	175
6	75%	25%	125	42	166
7	75%	25%	118	39	158
8	75%	25%	113	38	150
9	75%	25%	107	36	143
10	75%	25%	102	34	135
11	60%	40%	77	51	129
12	60%	40%	73	49	122
13	60%	40%	70	46	116
14	60%	40%	66	44	110
15	60%	40%	63	42	105

Year	Sales Old RTB	Sales New RTB	Sales Old RTB	Sales New RTB	Total Sales
16	25%	75%	26	77	103
17	25%	75%	25	75	101
18	25%	75%	25	74	99
19	25%	75%	24	72	97
20	25%	75%	24	71	95
21	5%	95%	5	89	94
22	5%	95%	5	88	93
23	5%	95%	5	87	92
24	5%	95%	5	86	91
25	5%	95%	5	86	90
26	0%	100%	-	89	89
27	0%	100%	-	88	88
28	0%	100%	-	87	87
29	0%	100%	-	87	87
30	0%	100%	-	86	86
			1,863	1,707	3,570

Table 10.2: RTB Assumptions (West Dunbartonshire)

The base model assumes sales in year 1 of approximately **175**. *(It is worth noting that the stock figure of 11,670 excludes 29 sales completed to June 2007)*

The assumptions in table 10.2 above illustrate that total sales of **3,570** units have been modelled over the 30 year period. This is approximately 31% of the total stock.

Table 10.2 above also illustrates the number of sales modelled over time under the existing and modernised RTB legislation.

The modernised RTB applies to those tenants who have acquired their house after 30th September 2002. The tenant must have a 5-year continuous period of occupying that house or succession of houses with the Council before they can exercise their RTB.

Within the model an assumption has been made in relation to the level of tenants under modernised RTB legislation since 2002 and the model starts to calculate sales numbers under modernised RTB discount after the 5 year qualifying period. The numbers of tenants changing to modernised RTB discount is calculated via the relet rate assumption as described in section 4.1 above.

10.2 Property Market Value

The property market value within the model is based on the average market value of sales throughout the period 1ST April 2007 to date. Table 10.3 below presents the average property market value, average sales value and average discount under existing and modernised RTB.

Area	West Dunbartonshire
Cost per unit	£578
RTB Average Property Value	£69,549
RTB Average Sales Value	£29,508
RTB Avg. Discount (Existing RTB)	58%
Modernised RTB	20% to 35% or Maximum Discount of £15,000

Table 10.3 RTB Assumptions (West Dunbartonshire)

As illustrated in table 10.1, the property market value has continually increased over the past 4 years. However, the rate of increase has decreased over the past 2 years. As sales projections are an uncontrollable factor within the model, a prudent assumption of an annual property market value increase **of RPI +2% for years 2-5 and RPI thereafter** has been modelled over the 30 year modelling period.

The model has the facility to model an element of fixed costs against various expenditure lines. The following assumptions have been made to reflect the element of fixed costs associated with sales, i.e. if no drop in cost as a result of sales is to be modelled then the % would be input as 100%.

Fixed Costs (% of sales to be included)	YEAR 1-5	YEAR 6-10	YEAR 11-15	YEAR 16-20	YEAR 21-25	YEAR 26-30
Programme Renewals	5%	5%	5%	5%	5%	5%
Admin Costs	100%	95%	90%	85%	80%	100%
Improvements	10%	10%	10%	10%	10%	10%
Response and Voids	10%	10%	10%	10%	10%	10%
Cyclical	10%	10%	10%	10%	10%	10%
Structural & Environmental	25%	25%	25%	25%	25%	25%

Table 10.4: Fixed Cost Assumptions

11. RESIDUAL DEBT/CAPITAL RECEIPT AND RESERVES

The Business Plan Model is framed in the context of prudential borrowing over 25 years. The Business Plan has been based on the following Capital Debt assumptions:

Capital Debt Assumptions	Assumptions
Debt outstanding as at 1 st April 2007 Debt per unit approx £7000 per unit/ Scottish avg. £5,710 Loan charges % Net rental income – 45% approx.	£81,341,000
100 % Usable Capital receipt	
Pool Rate	6.47% interest 0.09% Expenses
Debt charges Calculation	Annuity Method
Prudential borrowing assumption (Write off period)	25 Years
Affordability Indicator - (Debt charges as % of rental income net of voids and bad debts)	Affordability is assessed on the availability of future revenue to fund debt charges generated by additional Prudential Borrowing
Mortgage Lending (expenditure)	£70,000 Per annum
Loan Repayments (Income)	£100,000 per annum
HRA Reserves 1 st April 2007	£984,000
Minimum working balance	Approx £560,000 30 years

Table 11.1: Capital Debt Assumption

The model assumes that all net revenue income is used as CFCR and categorises this as Capital Income within the model.

The model then calculates if and how much the Council will have to borrow to fund capital expenditure by deducting all Capital Income and reserves from Capital Expenditure. The level of borrowing is controlled by the **affordability limit** and this is based on the percentage of net rental income that can be used to fund loan charges. When the model reaches the affordability limit it assumes that any additional expenditure/borrowing would require to be funded through annual rental increases.

Appendix C

Appendix D

WEST DUNBARTONSHIRE COUNCIL

ASSET MANAGEMENT PLAN

MAY 2008

TABLE OF CONTENTS

1. INTRODUCTION	3
1.1 Aims of the Study	3
1.2 Study Objectives	4
1.3 Study Report Structure	4
2. AN INTEGRATED APPROACH	5
3. SUPPORTING THE CORPORATE AIMS	6
3.1 West Dunbartonshire Context	6
3.2 Corporate Aims	6
4. METHODOLOGY	10
4.1 Development of the Asset Management Plan	10
4.2 Key stage 1: Creating the Asset Profile	11
4.3 Key Stage 2: Performance Comparison	18
4.4 Identifications of the Key Indicators	18
4.5 Scoring Methodology	18
4.6 Current Costs Key Indicators	19
4.7 Future Cost/Investment Key Indicators	23
4.8 Demand Key Indicators	24
4.9 Long-Term Void Key Indicators	25
4.10 Scoring	26
4.11 Key Stage 3: Developing the Strategic Response	28
5. OUTCOMES	30
5.1 Asset Categorisation	30
5.2 Re-Categorisation of Stock with High Risk Factors	31
5.3 Options Development	31
5.4 Delivery Mechanisms: Action Planning	34
6. OTHER ASSETS	35
6.1 Garages and Garage Sites	35
6.2 Garages - Valuation	36
6.3 Shops and Other Assets	36
7. PERFORMANCE MONITORING & CONTINUOUS IMPROVEMENT	37

Appendices included on Disk

Arneil Johnston
John Player Building
Kerse Road
Stirling FK7 7RP

TABLE OF CONTENTS

1. INTRODUCTION

Asset Management Planning is about ensuring that West Dunbartonshire Council's housing assets are used effectively and efficiently to ensure delivery of quality services to the people of West Dunbartonshire

This Asset Management Plan (AMP) is a key part of the Council's wider planning framework and is central to the future management of the housing asset. The Plan is informed by the recently completed housing needs and demand study, together with information from the Standard Delivery Plan and the wider corporate planning framework. This is linked to a detailed analysis of performance to help integrate planning, review, financial management and improvement systems to enable managers to make more informed decisions and improve services. The AMP for the Council's Housing Revenue Account assets will also complement and inform the Housing Business Plan and set priorities for the physical care and improvement of the housing stock.

Utilising the above analysis this plan will examine in detail the sustainability of the Council's housing assets and determine the best stock portfolio required to deliver the Council's service objectives.

1.1 Aims of the Study

West Dunbartonshire Council is working with its partners in the Scottish Government Housing and Regeneration Directorate and RSLs to secure both the physical and the socio-economic regeneration of areas such as the Mill of Haldane Estate in Balloch, New Bonhill in Alexandria, and the Whitecrook Estate in Clydebank. Major regeneration of the waterfront areas in Clydebank and Dumbarton is also due to take place over the period covered by the current Local Housing Strategy (LHS) and, once again, new building and environmental works will be combined with measures to provide employment and training opportunities for local people. This detailed Asset Management Study has been commissioned to identify further areas that would benefit from strategic intervention and to ensure that the Council has a clear management strategy in place for all HRA assets.

The Council supports the Scottish Government's vision of building safe, strong communities through the regeneration process and will work with its planning partners, including RSLs, the Scottish Government and private developers to make sure that there are real benefits for West Dunbartonshire as a whole. This Asset Management Plan is seen as the key strategic tool for delivering this.

The definition of an Asset Management Plan is:

"A corporate document produced by authorities in line with government requirements, detailing existing asset management arrangements and planned action to improve asset use."

The key difference between an Asset Management Plan and a Housing Stock Options Appraisal is that the starting point for a Stock Options Appraisal is "an analysis of the status quo against which options are tested" while the starting point for this Asset Management Plan is "the make up of the best portfolio required to deliver the Council's service objectives".

Therefore, the **core function** of the Asset Management Plan is to identify a SMART route map to the delivery of that best portfolio of homes and services for West Dunbartonshire. The AMP will examine critically the "Fitness for Purpose" of the

TABLE OF CONTENTS

current asset and bring together all the existing information about the housing stock and following analysis will test the results against the Council's corporate priorities and identify key areas for options and change.

1.2 Study Objectives

At the outset of this project a number of specific objectives were set for the AMP. These were:

- To identify how the Council's HRA assets (dwellings, land, lock ups and commercial premises) support the Council's corporate aims, objectives and strategies;
- To produce an asset profile of the housing stock utilising available information;
- To evaluate critically the Council's housing stock against existing housing needs and demand information;
- To provide an evaluation of the costs and values of the assets;
- To evaluate critically the findings of the 2005 stock condition survey against current and future repairs and maintenance requirements including the requirement to meet the Scottish Housing Quality Standard by 2015;
- To identify obsolete stock and areas for regeneration using a clearly identified assessment framework and present options for key areas in a structured and justified way;
- To comment on the financial viability of the housing stock;
- Together with the **Standard Delivery Plan**, to prepare an action plan with SMART objectives covering the 8 year period 2007-2015 detailing how the plan should be implemented and staff involvement;
- To identify how performance can be monitored to ensure continuous improvement.

1.3 Study Report Structure

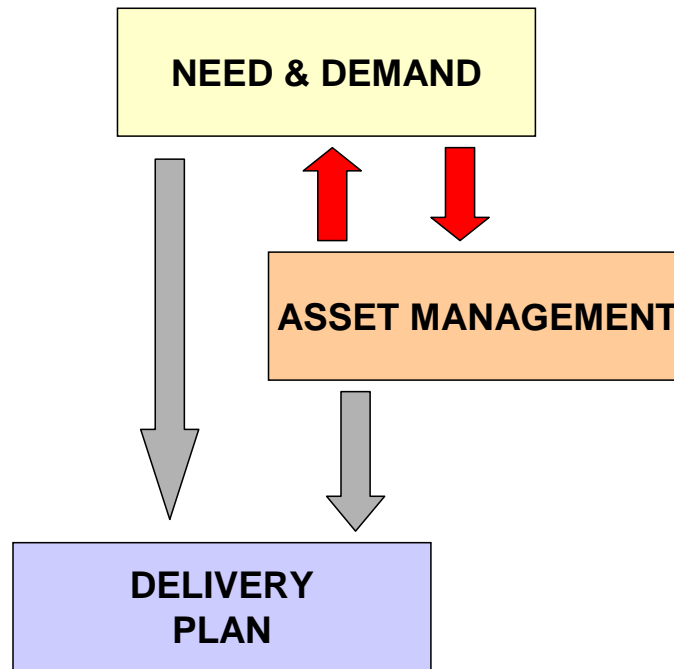
The structure of this report is as follows:

- An Integrated Approach;
- Supporting the Corporate Aims;
- Methodology;
- Outcomes; and
- Action Planning : Linking with the Standard Delivery Plan

TABLE OF CONTENTS

2. AN INTEGRATED APPROACH

The Asset Management Plan is fully integrated with the wider housing planning framework and utilises key housing data in order to drive asset management outcomes.



As outlined later in this report one of the key factors in Asset Management Planning is gaining an understanding of the need and demand for the asset.

This is achieved through taking account of the Council's housing needs and demand study together with data concerning turnover and level of voids in different estates. This information flows into the asset management plan together with information on current costs and future investment needs and gives a clear picture of the asset as a whole.

The assessment of the asset contained in the AMP can then be used to enable consideration of a number of strategic options for securing the best asset base for the future. These options can be tested using appraisal techniques and the outputs used to construct a robust Standard Delivery Plan for the management of the asset in the future. This represents an integrated framework for understanding the asset and managing the asset in the future.

TABLE OF CONTENTS

3. SUPPORTING THE CORPORATE AIMS**3.1 West Dunbartonshire Context**

West Dunbartonshire is a relatively compact with an area of around 18,000 hectares. In 2001 the population was just under 93,400¹, having decreased since 1991, and is projected to decrease further by 2024². However, at the same time the number of households is increasing, particularly single person, single parent and all adult households. The proportion of older person households is also increasing, while the proportion of younger person households decreases³. The main centres of population are in Clydebank (29,171), Dumbarton (21,797) and Alexandria (14,150).

West Dunbartonshire is home to a number of recreational and heritage pursuits, such as Loch Lomond and the Trossachs National Park and the Forth and Clyde Canal. However, the area also suffers from significant and persistent levels of inequality and poverty, ranking as the third most deprived local authority area in Scotland.

3.2 Corporate Aims

It is important that this Asset Management Plan links with, and supports, the wider corporate aims of West Dunbartonshire Council. The key corporate strategy relating to housing is the **West Dunbartonshire Local Housing Strategy 2004-2009**, while the **West Dunbartonshire Community Plan 2007-2017** and the **West Dunbartonshire Council Corporate Plan 2005-2009** provide the wider strategic framework. Sections 3.2.1 to 3.2.3 below outline how the Asset Management Plan links with, and supports, the wider corporate aims contained within these key strategic documents.

3.2.1 Local Housing Strategy

The West Dunbartonshire Local Housing Strategy⁴ sets out ten strategic themes which act as priorities for action and reflect the main challenges for housing in West Dunbartonshire:

- **Ensuring an Adequate Supply of Housing;**
- **Influencing Decisions;**
- **Investment Strategy;**
- **Demand for Housing;**
- **Private Sector Housing;**
- **Homelessness;**
- **Particular Housing Needs;**
- **Anti-Social Behaviour;**
- **Stakeholder Engagement; and**
- **Regeneration.**

¹ Census, 2001

² Scottish Executive Population Projections (2004)

³ GRO 2004 – 2024 Projections

⁴ West Dunbartonshire Local Housing Strategy 2004-2009 (as updated 2007)

TABLE OF CONTENTS

These themes provide the framework for 45 strategic objectives which provide the focus of the strategy. These objectives are:

Ensuring an Adequate Supply of Housing

- Consider designation of pressured area status
- Consider introduction of planning requirements for affordable social rented housing and affordable housing for sale
- Consider options for the future of West Dunbartonshire Council's housing stock
- Meet the Scottish Housing Quality Standard by 2015
- Ensure that the construction industry can deliver what is needed to meet Local Housing Strategy objectives
- Funding for housing should be distributed according to need
- Develop realistic 'SMART' planning for housing
- Develop Local Housing Strategy and Local Plan to ensure that planning systems complement and support each other

Influencing Decisions

- Promote a common approach to community development
- Develop local input to planning and development processes
- Consider direct involvement of community representatives on committees

Investment Strategy

- West Dunbartonshire Council will prepare an evidence-based Local Housing Strategy for 2009-2014
- The Council will take a strategic approach to asset management to assist with capital expenditure planning and ensure best use is being made of assets
- The Council will invest in its housing stock to ensure that it meets the Scottish Housing Quality Standard (SHWS) by 2015
- West Dunbartonshire Council will consider if making an application to the Community Ownership Programme is the best option for the council stock in West Dunbartonshire
- The Council will work with Communities Scotland and local partners to implement the Strategic Housing Investment Framework Guidance and maximise resources for housing investment in West Dunbartonshire
- The Council will prepare its first Strategic Housing Investment Plan in 2007
- The Council will carry out a Strategic Environmental Assessment for the Local Housing Strategy 2009-2014
- The Council will reduce fuel poverty in West Dunbartonshire

Demand for Housing

- The Council will make sure that it has a good understanding of housing needs and supply in West Dunbartonshire
- The Council will carry out an investigation into empty homes in West Dunbartonshire

TABLE OF CONTENTS

- Improve Allocations and Void Functions
- Provide a pro-active approach to managing our estates services to enable residents to enjoy their homes and the area in which they live
- Housing Regeneration & Environmental Services will develop a programme for seeking Charter Mark status for its housing services

Private Sector Housing

- The Council will help to improve the standard of private sector housing in West Dunbartonshire
- The Council will assist residents in the private sector with housing issues

Homelessness

- The Council will build on the range of services and joint systems which prevent homelessness in West Dunbartonshire
- The Council will develop an integrated and effective service to alleviate homelessness when it occurs
- The Council will develop services in a way which promotes tenancy sustainability and reduces the need for repeat homelessness

Particular Housing Needs

- The Council will support people to live independently in their own home
- The Council will review services for Gypsy Travellers
- The Council will have a good understanding of the housing needs of different client groups

Anti-Social Behaviour

- The Council will prevent and enforce anti-social behaviour across all tenures

Stakeholder Engagement

- The Council will consult with Tenants and Residents on a range of issues
- The views of stakeholders will be obtained by consultants undertaking studies/research
- The Council will hold regular meetings with Strategic Housing Forum
- The Council will meet with neighbouring local authorities to discuss cross boundary issues

Regeneration

- Priority Area – Haldane
- Priority Area – Renton
- Priority Area – Alexandria Town Centre
- Priority Regeneration Area – Riverside, Clydebank
- Priority Regeneration Area – Dalmuir, Clydebank
- Priority Regeneration Area – Bellsmyre

TABLE OF CONTENTS

- Ensure regeneration takes place in a planned and co-ordinated manner

The Asset Management Plan has been developed in order to fulfil the Local Housing Strategy objective to **'take a strategic approach to asset management to assist with capital expenditure planning and ensure best use is being made of assets'**. It also directly supports the objectives to consider options for the future of West Dunbartonshire Council's housing stock, to develop realistic 'SMART' planning for housing, and to consider if making an application to the Community Ownership Programme is the best option for the council stock in West Dunbartonshire.

As it links with the Standard Delivery Plan, this plan also directly contributes to the objective to invest in the housing stock to ensure that it meets the Scottish Housing Quality Standard by 2015. Together, both of these plans will support the objective to prepare an evidence-based Local Housing Strategy for 2009-2014, while also indirectly supporting a number of the other local housing strategy objectives.

3.2.2 Community Plan

The West Dunbartonshire Community Plan 2007-2017 is the overarching strategic planning document for the West Dunbartonshire area. It sets out six key themes for the next ten years:

- Building Strong and Safe Communities
- Creating Sustainable and Attractive Living Environments
- Developing Affordable and Sustainable Housing
- Improving Health and Well being
- Promoting Education and Life Long Learning
- Regenerating and Growing our Local Economy

While directly supporting the third aim, the Asset Management Plan also indirectly supports each of the other five aims.

3.2.3 Corporate Plan

The West Dunbartonshire Corporate Plan 2005-2009 sets the direction of the Council during this time, guiding the work of its services and employees through. It sets out six overarching priorities, which overlap significantly with the Community Plan aims identified above:

- Regenerate and Develop the Local Economy
- Promote Health and Well being
- Promote Life long Learning
- Create Better Environments
- Develop our Children and Young People
- Provide High Quality Best Value Services

The Asset Management Plan supports all six of these priorities.

TABLE OF CONTENTS

4. METHODOLOGY

As noted above, the **key aim** of the Asset Management plan, in conjunction with the Standard Delivery Plan, is to provide West Dunbartonshire Council with a SMART route map to the delivery of the best portfolio of homes and services.

The stimulus for development of this Asset Management Plan was recognition that:

- a local authority cannot manage its assets effectively without the knowledge of what it has, where it is, what is the condition and what is the demand for that asset; and
- identifying the extent to which the assets meet current and future needs, recognising shortfalls and examining financial implications will facilitate strategic decision making.

A key consideration in developing the Asset Management Plan was how it might inform the Council's Standard Delivery Plan. In particular, findings relating to the long term viability of parts of the stock and appropriate strategic interventions would influence the requirement for investment and the resources available to invest.

This section provides an overview of how the Asset Management Plan was developed.

4.1 Development of the Asset Management Plan

The following diagram illustrates the three key stages in the development of the Asset Management Plan:

1. **Defining the Asset Profile;**
2. **Building the Performance Comparison; and**
3. **Developing the Strategic Response.**

Stages 1 and 2, which provide detailed analysis of the assets, form the substance of the Asset Management Plan. Stage 3, which translates this analysis into appropriate action, is taken forward within the Standard Delivery Plan.

TABLE OF CONTENTS

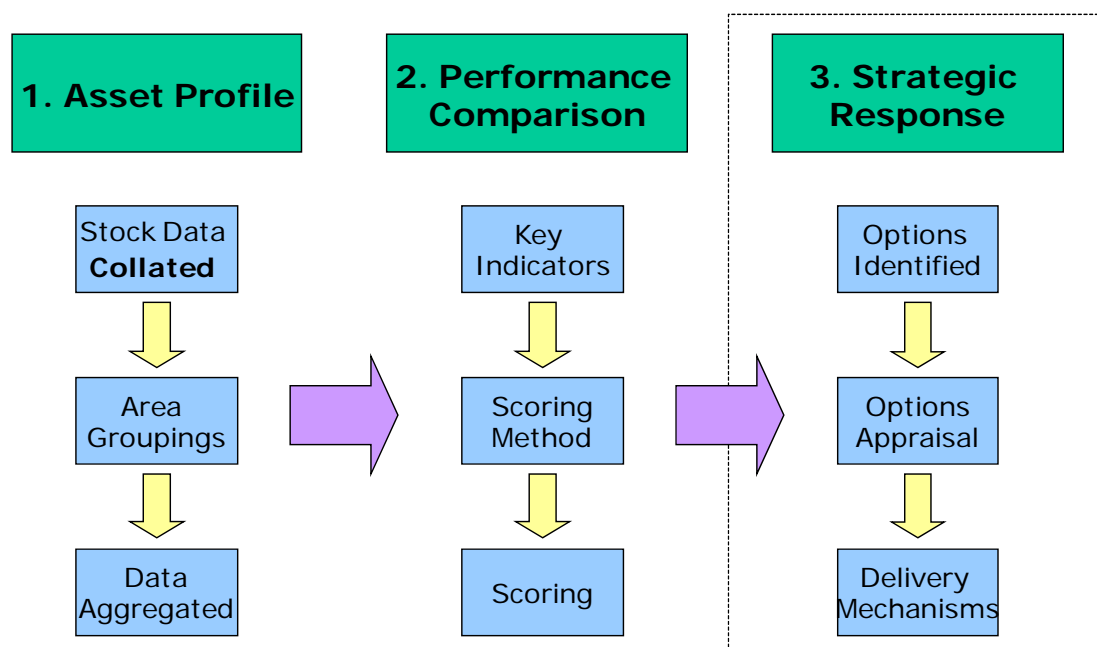


Diagram 4.1: Asset Management Plan Methodology Overview

4.2 Key stage 1: Creating the Asset Profile

A key element of the Asset Management Plan is the process of clearly understanding the nature and extent of the overall Housing Revenue Account (HRA) Asset Profile.

The Council's HRA holds Housing Stock, Garages, Garage Sites, Shops and Miscellaneous Assets. This section described the methodology applied to the HRA housing stock and chapter 6 describes the analysis performed on other HRA Assets.

4.2.1 Collation of Stock Data

In order to establish a baseline profile of the HRA housing stock Asset, a snapshot of the current housing stock profile was provided from the Council's housing management system. This detailed the following property related information:

- UPRN (Unique Property Reference Number);
- Address/ Estate/ Ward;
- Property Size;
- Property Type;
- Construction Type; and
- Rent Level.

As at June 2007, the Council's HRA held **11,670** assets, made up of various property types and 40 different construction types.

A wide range of property-specific, financial, demand, performance and wider socio-economic data was assembled, analysed and collated for each property.

TABLE OF CONTENTS

Data was identified from housing management and repairs system reports, housing revenue accounts, housing need and demand studies, stock condition surveys and structural surveys.

Data was collated at property level where information was tagged with an address or UPRN, or at postcode level where no detailed property reference or address was provided.

Each set of data provided enabled the creation of a range of indicators in relation to the performance of each individual asset. In total, **39** indicators were collated into a single Excel database.

This database is contained in Appendix A.

These indicators provided a snapshot of the current situation and supported an objective comparison between the assets.

The following table provides information about each of the indicators:

TABLE OF CONTENTS

Indicator	Details
Stock Count	Count of stock numbers per area grouping
No. of Sheltered Units	Count of number of sheltered units per area grouping
No. of Homeless Units	Count of number of homeless units per area grouping
No. of Disabled Only Units	Count of number of disabled units per area grouping
Gross Rent (last full year)	Sum of Gross rent due per area grouping
Net Rent of Void Loss (last full year)	Gross Rent net of voids
% Full Housing Benefit	Flag to identify % on Full Housing Benefit
% with Major Works	Properties with major works flag as a % of the number of properties within each area grouping
% Decants	Properties with decant flag as a % of the number of properties within each area grouping
% Proposed for Demolition	Properties proposed for demolition % of the number of properties within each area grouping
No. of Evictions	Total Evictions in last full year per area grouping
No. of ASBOs	Total Number of ASBOs per area grouping since 2000
Arrears as % of Net Rent Due	Current tenant arrears (snapshot) % Net rent debit (Less housing benefit and voids) per area grouping
% void rent loss (Last full Year)	Void Rent loss as a % net rent due per area grouping
Void: 6 months+	% stock voids 6mnths (based on snapshot of voids)+ as % of total stock per area grouping
Void: 12 months+	% stock voids 12mnths (based on snapshot of voids)+ as % of total stock per area grouping
% Sum of (Last Full Year) Re-lets/ Stock per area grouping	Sum of re-lets/ total stock per area grouping

TABLE OF CONTENTS

Table 4.1: Indicators

TABLE OF CONTENTS

Indicator	Details
% Sum of Average Re-lets (past two years)/ Stock per area grouping	Average past 2 years re-lets/ total stock per area grouping
% Turning Over at least once during last full year	calculate % of stock per area grouping turning over at least once
% Turning Over at least once previous two years	calculate % of stock per area grouping turning over at least once
% Turning over 3 times or more	% of the stock within each area grouping which has turned over 3 times or more
Avg. Response Repairs Cost for each of the last 3 years	Identified average response repairs costs per property from repairs reports and calculated average spend per area grouping
Avg. Void Repairs Costs (incl. void capital) over the last 3 years	Identified average spend on void works (incl capital) per property from repairs reports and calculated average spend per area grouping
Avg. Response Repairs per Property per Year over the last 3 years	Identified average number of response repairs per property from repairs reports and calculated average spend per area grouping
Avg. Void Repairs per Property per Year (incl. void capital) over the last 3 years	Identified average number of void repairs (incl capital) per property from repairs reports and calculated average spend per area grouping
% Refused 3 times or more	% of the stock within each area grouping which has been refused 3 times or more in the last year
% Refused	% of total stock which has been refused in the last year
Abandonment's in Last Full Year as % of all Stock	Last full year Abandonment's as a % of the stock
Number of Estate Audits/Inspections/visits	The average number of estate audit/inspections/visits per area grouping
Management Costs	Last full year Supervision and management cost apportioned to each area grouping via various basis of apportionments.
Financial Flag	Financial score based on calculation of variable costs and incomes - Net revenue resources less capital investment per area grouping (NPV)

Table 4.1: Indicators

TABLE OF CONTENTS

Indicator	Details
SHQS Costs	Average spend required to meet and maintain the SHQS from the Stock Condition Survey
Structural Costs	Average Structural costs per area grouping
Demand Data (Matched to Housing Needs study disaggregated outputs)	Will the area grouping increase or reduce demand/ Compared disaggregated model shortfall/surpluses
HL1 Data	% of properties in area grouping area falling into bandings of rate of homeless presentations (avg. over last three years)
CACI	Data at postcode level, insufficient detail to allocate to area grouping / Information Flag
% in Postcode Areas inside Top 15% SIMD 2006	Based on calculation of the % of the properties within each area grouping area (based on postcodes) which are within the TOP 15% of the SIMD ranking

Table 4.1: Indicators

4.2.2 Area Group Identification

The next task was to determine the most appropriate way of grouping properties, in order to enable comparison at a level at which decisions could reasonably be made.

The key determinant in grouping properties was construction type, in recognition that different construction types will require varying degrees of investment e.g. £0 per unit to £27,000 per unit. However, it was also recognised that properties of the same construction type but in different geographical locations may be performing differently within the Housing Revenue Account. Therefore, groupings were determined on the basis of construction type and location. For example within the 'Bellsmyre' estate, five different area groupings were established as a result of the varying construction type and associated investment within this estate, these area groupings are as follows:

- **Bellsmyre- Aitkenbar Drive**
- **Bellsmyre- Barrowoodhill**
- **Bellsmyre- Douglas House**
- **Bellsmyre- Stonyflat Road**
- **Bellsmyre- Whiteford Cresnet**

Analysis of the Council's **11,670** properties showed that it comprises stock of **40 different construction types**. When split by recognised geographical locations a total of **240 groupings** were identified. The grouping exercise was conducted using the Council's Geographical Information System (GIS), in which all of the Council's housing stock is plotted in map format. The Council's knowledge of the construction type of properties was used to split them into groups within GIS.

These groupings are referred to throughout the report as '**area groupings**'. An example of how the area groupings can be presented in GIS is illustrated below:

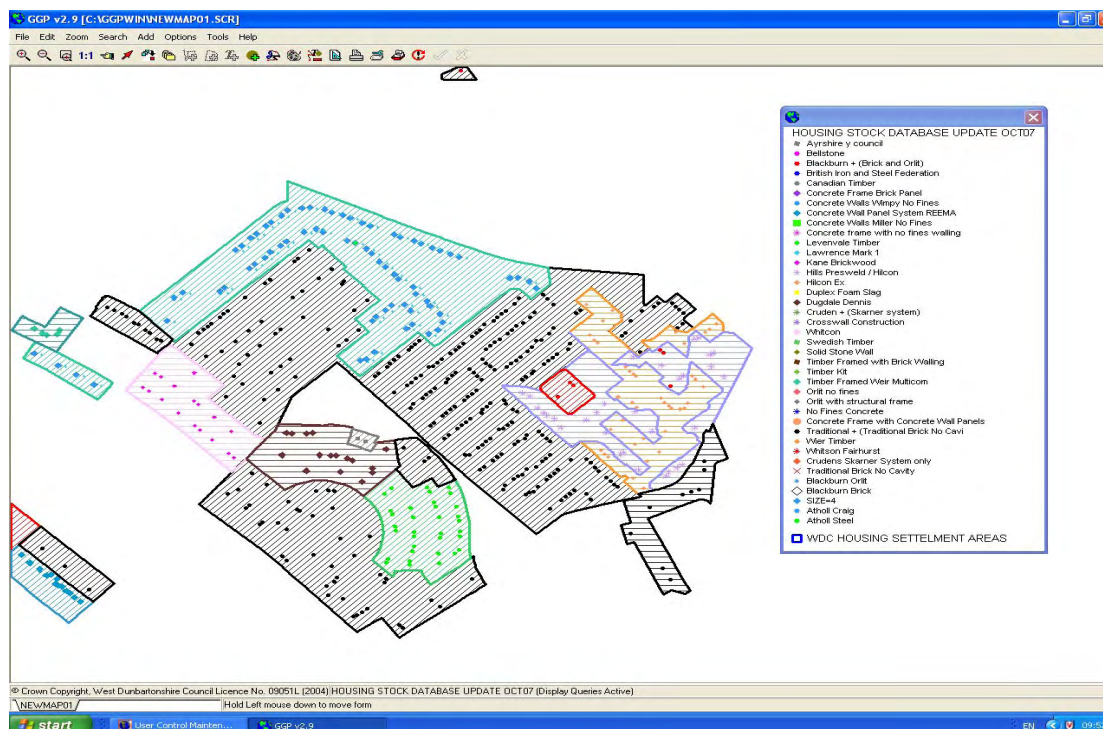


Diagram 4.2: Area Grouping Example in GIS

4.2.3 Aggregation of Data/Indicators

The properties in the stock database were then matched to the appropriate area grouping. This was facilitated by matching the area grouping data in GIS to the Excel database by UPRN or address. Having created an area grouping identification flag in the database, analysis could then be conducted at an area grouping level.

4.3 Key Stage 2: Performance Comparison

The next stage was to develop a methodology which would facilitate the comparison of relative performance of the housing stock between each of the area groupings in order to provide a basis for evidence-based decision making. In particular, it was important that the methodology would enable the Council to distinguish between the best and worst performing area groupings, as well as placing those not falling into one of these categories into a reasonable scale in between.

4.4 Identifications of the Key Indicators

As noted in section 4.2.1 above, a total of 39 indicators were established on the basis of the data collated. It was agreed through discussion with Council officers and analysis of each of the indicators that 12 of the indicators should be used as the primary basis for comparison, while the remaining 27 indicators would provide further contextual evidence to inform decision-making.

The **12 key indicators** essentially provide a diagnostic tool, focussing in on the key aspects of stock performance. Assessment of housing stock against these indicators enables identification of area groupings which may or may not require intervention. The remaining 27 indicators provide further depth and breadth and can be drawn upon to inform decision-making, especially where results of the diagnostic analysis are inconclusive or are likely to lead to decisions with considerable strategic or resource implications.

The key aspects of stock performance which the 12 key indicators focus on are:

- Current Costs;
- Future Costs/Investment Required;
- Demand; and
- Long-Term Voids.

4.5 Scoring Methodology

A five-point system was devised in order to score the assets in each Area Grouping against each of the 12 key indicators. In the scoring system, a score of 1 indicated that the housing stock in the Area Grouping was among those best performing against the indicator, and 5 indicated that the housing stock was among the worst performing.

Scoring bands were established for each of the key indicators, informed by a combination of statistical analysis of the range of results across all area grouping areas and reference to appropriate performance benchmarks where these were available. A description of how each of the key indicator scoring bands was established is provided below. Tables showing the scoring bands for each of the other indicators can be found in Appendix B.

4.6 Current Costs Key Indicators

Current financial performance was measured based on arrears, void rent loss, average response repairs spend, management cost per unit and the overall impact on the HRA.

Indicator 1 - Level of Arrears

Current arrears (snapshot in October 2007) were assessed as a percentage of the annual net rent (gross rent minus housing benefit due and void rent loss) due per area grouping. Results ranged from 0% to 100%. The average was 11.3%, which was significantly higher than the Audit Scotland national average (7%). Taking the range, the West Dunbartonshire average and the national average into account, scoring bands were agreed as follows:

Score	Arrears as % of net rent due
1	0-4%
2	4-8%
3	8-12%
4	12-16%
5	16%

Indicator 2 - Level of Void Rent Loss

Void rent loss was considered as a percentage of annual gross rent due. Results ranged from 0 to 75%. The West Dunbartonshire average was 3.1% while the Audit Scotland national average was 2.3%. Taking the range, the West Dunbartonshire average and the national average into account, scoring bands were agreed as follows:

Score	% void rent loss
1	0-1%
2	1-2%
3	2-4%
4	4-5%
5	5%+

Indicator 3 - Average Response Repairs Spend

Average response repair costs per property were calculated for the period 2004/05 to 2006/07 was calculated. These ranged from £11.77 to £2,855.26, while the average was £388.32. Taking the range and average into account, scoring bands were agreed as follows:

Score	Average Response Repair Costs (2004/05 to 2006/07)
1	£0-200
2	£200-350
3	£350-550
4	£550-750
5	£750+

Indicator 4 - Management cost per unit

Significant levels of analysis were carried out on the supervision and management budget. As the costs associated with stock management is a key variable at stock type and area level, the supervision and management budget was broken down to an area level based on the following apportionment methods.

HRA Costs	Apportionment Method
Salaries Budget	
General Finance/Cash Collection /Strategy/Housing Advice	Stock Numbers
Arrears	80% Level of Arrears/20% Stock Numbers
Void Inspectors	Number of relets
Allocations team	Number of Relets
Estate Management and tenancy services management	Decants, Refusals, Abandonments, Evictions & ASBO's - equal weighting
Repairs (Excl. Estate Auditors)	Number of Repairs
Manual workers	Caretakers apportioned via number of Multis Mobile Caretakers apportioned by Flatted & Tenemental stock Emergency Caretakers: Multi, Flatted and tenemental
Supporting People	Number of Estate Auditors

Other Supervision and Management Costs	
Property costs	Stock Numbers
Property Costs: Office	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Property Costs: Sheltered Housing	Number of Sheltered Housing units
Transport costs	Allocated via staff costs - admin (excluding CARETAKERS staff costs)
Supplies and Serv./Central Support	As above
Fixed Costs	20% of Indirect costs (Costs allocated on Stock Numbers)

Table 4.2: Details Supervision and Management Costs Apportionment Methods

The results for management cost per unit ranged from £246 to £1,108. The average was £449. Based on the range and the West Dunbartonshire average, the following scoring bands were agreed:

Score	Average Managements Costs
1	£0-200
2	£201-400
3	£401-600
4	£601-800
5	£800+

Indicator 5 - Financial Indicator: +ve/-ve impact on the HRA

A separate financial model was created to establish the net revenue contribution that each 'area grouping' makes to the HRA.

Net Revenue Income (per unit) LESS Net Revenue Expenditure (Per unit)
--

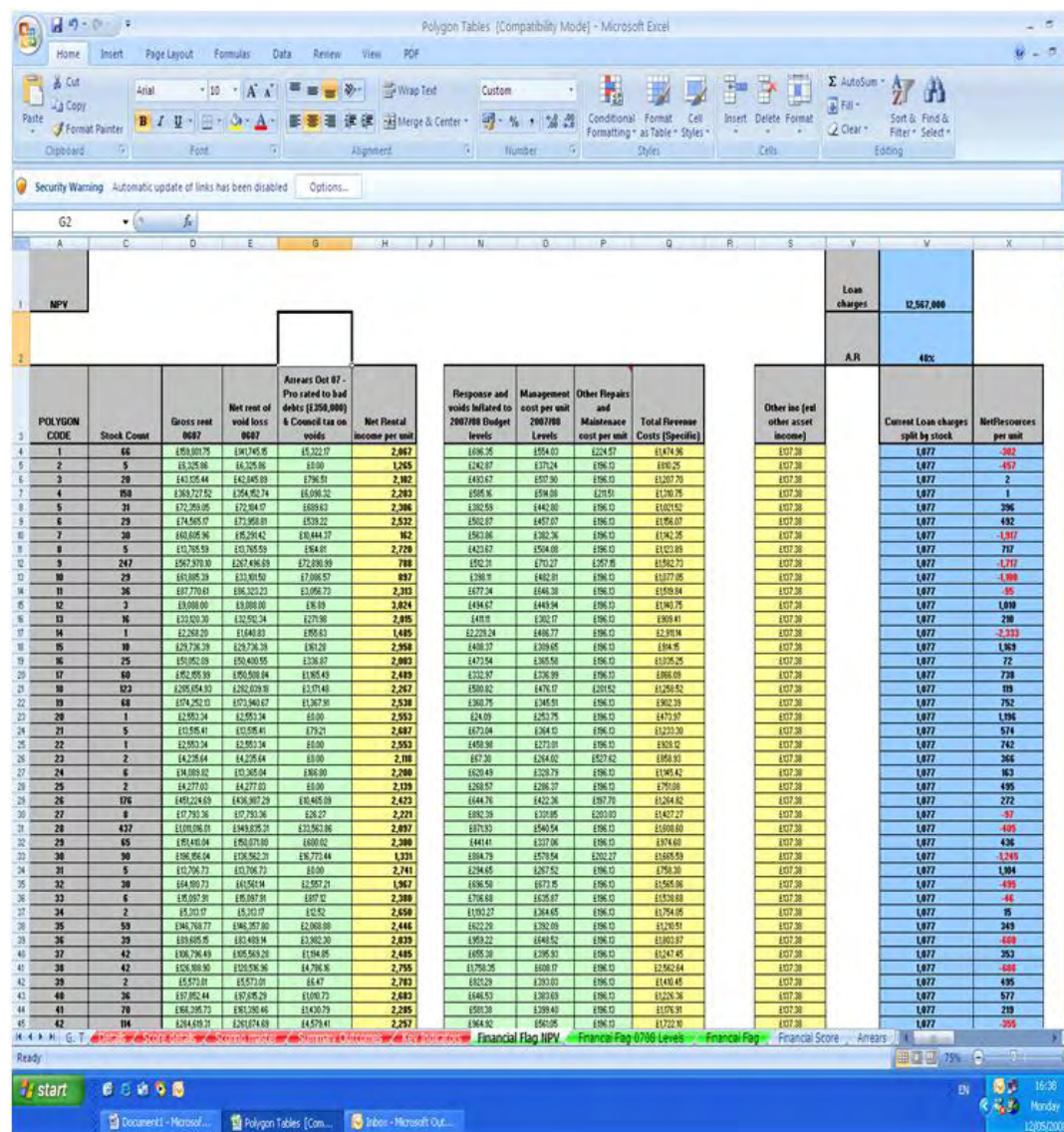
Net Revenue Income is calculated as follows:

- **Rental Income** – Actual Rental income established for each area grouping;
- **Less Void Rent Loss** – Actual Void Rent Loss established for each area grouping;
- **Less Bad Debts** – pro-rated to area groupings based on level of arrears;
- **Less Council tax on voids** Pro-rated to area grouping based on void levels;
- **Other Income** – pro-rated on stock numbers.

Net Revenue Expenditure is calculated as follows:

- **Response and Voids** – Actual Response and Void spend per area grouping as per the key indicator calculation;
- **Management Costs per unit** – Actual Management cost per unit per area grouping as per the key indicator calculation;
- **Other HRA Revenue Expenditure**– Allocated to Area grouping based on most appropriate allocation method e.g. Lift Maintenance expenditure allocated per number of multi's;
- **Loan Charges**- Pro-rated to area grouping based on stock numbers.

An example of the financial indicator model is illustrated below:



POLYGON CODE	Stock Count	Gross rent 0607	Net rent of void loss 0607	Areas Del 07 - Pro rated to had debts (£350,000) & Council tax on voids	Net Rental income per unit	Response and voids inflated to 2007/08 Budget levels	Management cost per unit 2007/08 Levels	Other Repairs and Maintenance cost per unit	Total Revenue Costs (Specific)	Other inc (rel other asset income)	Current Loan charges split by stock	Net Resources per unit
1	66	189,001.75	180,745.95	15,322.17	2,067	1,696.35	1,504.03	1,524.57	1,514.96	1,517.38	1,077	-362
2	5	15,325.96	14,325.96	1,000	1,565	1,242.67	1,171.24	1,196.10	1,190.25	1,177.38	1,077	-107
3	29	143,115.44	142,145.65	970.51	2,383	1,493.17	1,517.30	1,196.10	1,130.70	1,177.38	1,077	2
4	108	136,727.52	126,492.74	10,234.78	2,283	1,596.36	1,594.00	1,210.50	1,120.75	1,177.38	1,077	1
5	31	174,565.07	172,804.97	1,760.10	2,386	1,802.59	1,442.80	1,196.10	1,101.52	1,177.38	1,077	396
6	29	174,565.07	173,958.01	607.06	2,532	1,502.67	1,457.67	1,196.10	1,156.67	1,177.38	1,077	492
7	20	160,605.96	155,291.42	5,314.54	1,62	1,563.86	1,382.36	1,196.10	1,142.35	1,177.38	1,077	-1,917
8	5	110,765.59	110,765.59	0	2,728	1,423.67	1,504.00	1,196.10	1,123.69	1,177.38	1,077	717
9	247	156,370.10	126,436.55	29,933.55	788	1,502.31	1,703.27	1,357.88	1,156.73	1,177.38	1,077	-1,751
10	29	160,605.96	152,801.50	7,804.46	937	1,580.11	1,442.81	1,196.10	1,177.38	1,177.38	1,077	-1,986
11	36	187,778.01	186,322.23	1,455.78	2,303	1,677.34	1,646.38	1,196.10	1,158.84	1,177.38	1,077	792
12	3	13,088.00	13,088.00	0	3,824	1,494.57	1,443.94	1,196.10	1,140.75	1,177.38	1,077	1,888
13	16	123,020.30	122,952.54	67.76	2,895	1,418.18	1,302.17	1,196.10	1,109.41	1,177.38	1,077	290
14	1	12,269.20	11,641.83	627.37	1,485	1,228.24	1,416.77	1,196.10	1,191.14	1,177.38	1,077	-2,333
15	18	129,736.39	129,736.39	0	2,968	1,408.37	1,309.65	1,196.10	1,104.95	1,177.38	1,077	1,868
16	25	151,052.09	150,400.55	651.54	2,063	1,473.54	1,365.50	1,196.10	1,118.05	1,177.38	1,077	72
17	60	182,895.99	180,500.04	2,395.95	2,489	1,532.97	1,526.99	1,196.10	1,068.09	1,177.38	1,077	728
18	103	129,054.03	126,028.10	3,025.93	2,267	1,500.82	1,476.17	1,201.52	1,126.52	1,177.38	1,077	109
19	68	175,754.10	173,940.17	1,813.93	2,538	1,580.75	1,345.61	1,196.10	1,102.29	1,177.38	1,077	792
20	1	12,993.34	12,993.34	0	2,553	1,240.69	1,253.75	1,196.10	1,173.39	1,177.38	1,077	1,196
21	5	110,585.41	110,585.41	0	2,687	1,673.04	1,364.12	1,196.10	1,123.30	1,177.38	1,077	574
22	1	12,993.34	12,993.34	0	2,553	1,458.36	1,273.01	1,196.10	1,102.12	1,177.38	1,077	742
23	2	14,235.64	14,235.64	0	2,188	1,673.30	1,264.02	1,196.10	1,108.83	1,177.38	1,077	366
24	6	134,089.02	133,385.04	703.98	2,288	1,620.45	1,228.79	1,196.10	1,145.42	1,177.38	1,077	163
25	2	14,277.03	14,277.03	0	2,129	1,328.57	1,286.37	1,196.10	1,170.09	1,177.38	1,077	495
26	176	149,224.69	149,367.29	-142.60	2,423	1,444.76	1,422.26	1,197.70	1,124.42	1,177.38	1,077	272
27	8	12,793.36	12,793.36	0	2,221	1,682.39	1,339.85	1,201.83	1,147.27	1,177.38	1,077	63
28	432	110,098.01	109,839.31	258.70	2,857	1,673.93	1,540.54	1,196.10	1,108.80	1,177.38	1,077	-493
29	65	181,410.04	180,871.89	538.15	2,388	1,441.41	1,337.06	1,196.10	1,104.60	1,177.38	1,077	426
30	30	158,864.04	158,562.31	301.73	1,331	1,684.79	1,578.94	1,202.27	1,165.59	1,177.38	1,077	-1,245
31	5	110,765.59	110,765.59	0	2,741	1,294.65	1,267.52	1,196.10	1,159.30	1,177.38	1,077	1,894
32	38	164,900.73	164,561.14	339.59	1,967	1,686.50	1,673.85	1,196.10	1,156.86	1,177.38	1,077	-493
33	6	14,057.81	14,057.81	0	2,388	1,706.68	1,625.87	1,196.10	1,153.68	1,177.38	1,077	46
34	2	15,311.07	15,311.07	0	2,658	1,103.27	1,364.65	1,196.10	1,154.85	1,177.38	1,077	16
35	59	186,763.77	186,457.80	305.97	2,446	1,622.26	1,392.10	1,196.10	1,124.91	1,177.38	1,077	343
36	39	189,605.05	189,408.14	196.91	2,829	1,593.22	1,640.52	1,196.10	1,103.87	1,177.38	1,077	-558
37	42	188,796.49	188,563.20	233.29	2,485	1,685.38	1,395.93	1,196.10	1,124.45	1,177.38	1,077	353
38	42	188,796.49	188,563.20	233.29	2,795	1,158.25	1,608.17	1,196.10	1,124.45	1,177.38	1,077	-686
39	2	15,311.07	15,311.07	0	2,783	1,622.69	1,393.03	1,196.10	1,140.45	1,177.38	1,077	495
40	26	187,852.44	187,656.29	196.15	2,683	1,446.53	1,383.69	1,196.10	1,122.36	1,177.38	1,077	577
41	70	188,385.73	188,385.73	0	2,295	1,501.38	1,399.40	1,196.10	1,175.91	1,177.38	1,077	218
42	114	126,119.31	126,119.31	0	2,257	1,684.30	1,690.85	1,196.10	1,122.10	1,177.38	1,077	-356

The above printout illustrates that there are areas with a negative contribution to the HRA. The results ranged from **-£2,423** to £1,913. The average was £203. Based on the range and West Dunbartonshire average, the following scoring bands were agreed:

Score	Financial Indicator
1	£301-£3,000
2	£0-£300
3	£0
4	£0-(-£300)
5	£-301-(-£3,000)

4.7 Future Cost/Investment Key Indicators

Future cost/investment requirements were measured based on the projected cost of bringing properties up to the Scottish Housing Quality Standard (SHQS) and the level of structural investment required.

Indicator 6 - SHQS Costs

The average cost of bringing properties up to the SHQS was based on a 10% property condition survey carried out by Savills which took place during May and June 2007; this survey identified the cost of bringing properties of different types and ages up to the SHQS.

The results of the survey were provided at a property level and the average cost per area grouping was established. Results ranged from £3,206 to £13,508, while the average was £7,798. Scoring bands were agreed as follows:

Score	SHQS Costs
1	£0-3,000
2	£3,001-6,500
3	£6,501-8,500
4	£8,501-9,500
5	£9,501-15,000

Indicator 7 - Level of Structural Investment Required

Curtins Consulting Engineers plc (Curtins) was commissioned on 29th September 2004 to undertake a Stage 1 Preliminary Structural Risk Assessment of both the non-traditional and high-rise housing retained by West Dunbartonshire Council. The appraisal included consideration of the structural form, history and structural condition to enable an opinion to be offered regarding the likelihood of the stock achieving a further thirty year life. The investigations comprised an initial appraisal based on information held by the Council, meetings with Council Housing Officers and visual inspections of selected properties

This Risk Assessment was updated in February 2008 to reflect compounded inflation, the assumption was also made that no work has been performed since the last report in 2004/5.

The Risk Assessment provided Information on required level investment over the next 30 years was provided for each multi-story block and stock of non-traditional construction types split by area (Dumbarton, Alexandria and Clydebank).

West Dunbartonshire Council HRA stock holds over 40 construction types. The structural Risk Assessment indicated that the required level of expenditure on different structural types ranged from £0 per unit to £27,000 per area grouping, with the average structural investment per area grouping being £6,225. Scoring bands were agreed as follows:

Score	Structural Costs
1	£0-£1,000
2	£1,001-£2,000
3	£2,001-£6,500
4	£6,501-£10,000
5	£10,001-£28,000

4.8 Demand Key Indicators

Demand was profiled based on levels of stock turnover, offers refused and the result of the Housing Needs Study.

Indicator 8 - Turnover/Re-let Levels

The average number of re-lets per Area Grouping during the period 2004/05 to 2006/07 was calculated as a percentage of the total stock in each Area Grouping and ranged from 0% to 50%. The West Dunbartonshire average was 9.3%. Scoring bands were agreed as follows:

Score	Avg. re-lets 2004/05 to 2006/07 as % of stock in area grouping
1	0-3%
2	3-6%
3	6-10%
4	10-15%
5	15-50%

Indicator 9 - Levels of Refusals

The number of properties refused 3 times or more during the period 2005/06 to 2006/07 was calculated as a percentage of the total stock in each Area Grouping and ranged from 0% to 6.9%. Score bandings were developed using this range.

Score	% refused 3 times or more 2005/06 to 2006/07
1	0-1%
2	1-2%
3	2-3%
4	3-4%
5	4-7%

Indicator 10 - Demand Score: Integration to Housing Need Study

The housing stock profile for each area by size and type of properties were compared with the 10 year cumulative outputs of the disaggregated Housing Needs Assessment (housing need by area, property type and size). This compared the existing profile of the stock with a target profile that would meet the future affordable housing requirements for the three Housing Need Study areas. Each Area Grouping was then scored between 1 and 5 based on the basis of how well it will meet the future demand for affordable housing in the area. Therefore, each of the 240 area groupings that were ranked as 5 would not meet the future demand profile, while those ranked 1 would fully future requirements.

4.9 Long-Term Void Key Indicators

This group included indicators based on the percentage of properties in each area grouping which had been void for 6 months or more as at October 2007 and properties which had been void for 12 months or more as at October 2007.

Indicator 11 - Voids 6 Months +

In relation to those which had been void for 6 months or more, results ranged from 0% to 83% and the average was 2.1%. Scoring bands were agreed as follows:

Score	% Void 6 months+
1	0-5%
2	5-10%
3	10-15%
4	15-25%
5	25-83%

Indicator 12 - Voids 12 Months +

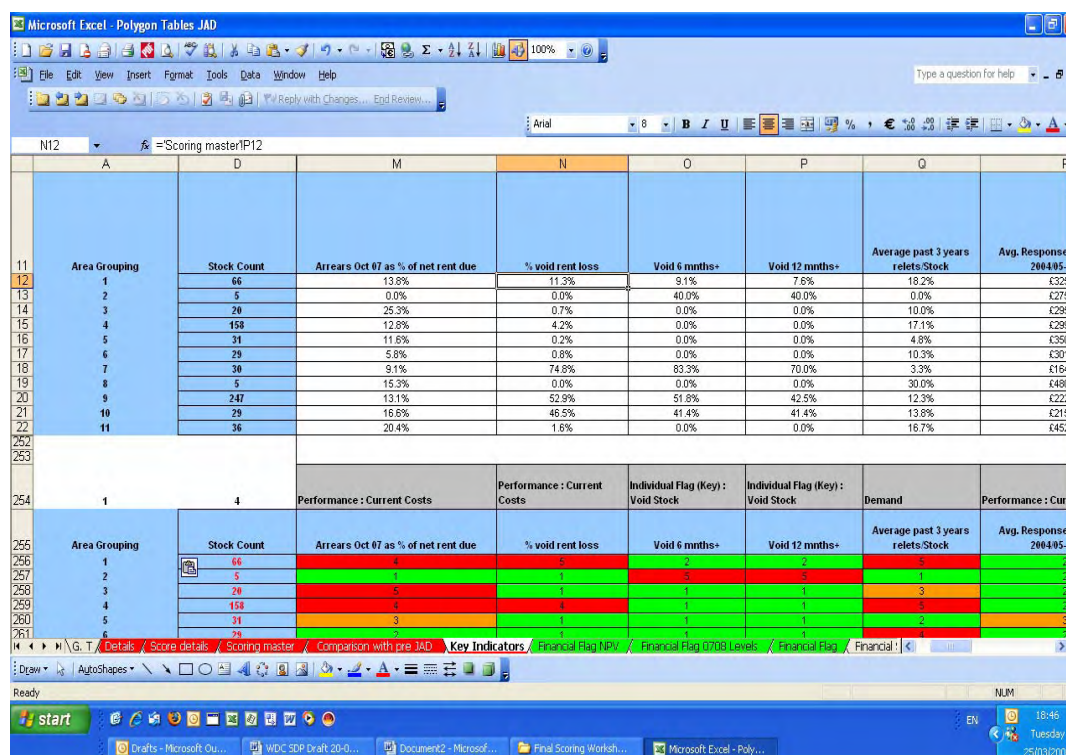
The proportion of properties void for 12 months or more ranged from 0% to 70% and the average was 1.8%. Scoring bands were agreed as follows:

Score	% void 12 months+
1	0-5%
2	5-10%
3	10-15%
4	15-25%
5	25-70%

4.10 Scoring

Each area grouping was scored against each of the indicators using the methodology outlined above. In order to simplify presentation of the results, a red-amber-green colour coding system was applied to each score, where **red** indicated a poor score (4-5), **amber** indicated an average score (3), and **green** indicated a good score (1-2).

An excerpt of the scoring database is illustrated below:



	A	D	M	N	O	P	Q	R
11	Area Grouping	Stock Count	Arrears Oct 07 as % of net rent due	% void rent loss	Void 6 mths+	Void 12 mths+	Average past 3 years relets/Stock	Avg. Response 2004/05
12	1	66	13.8%	11.3%	9.1%	7.6%	18.2%	C328
13	2	5	0.0%	0.0%	40.0%	40.0%	0.0%	C275
14	3	20	25.3%	0.7%	0.0%	0.0%	10.0%	C295
15	4	158	12.8%	4.2%	0.0%	0.0%	17.1%	C295
16	5	31	11.8%	0.2%	0.0%	0.0%	4.8%	C355
17	6	29	5.8%	0.8%	0.0%	0.0%	10.3%	C301
18	7	30	9.1%	74.8%	83.3%	70.0%	3.3%	C154
19	8	5	15.3%	0.0%	0.0%	0.0%	30.0%	C490
20	9	247	13.1%	52.9%	51.8%	42.5%	12.3%	C222
21	10	29	16.6%	46.5%	41.4%	41.4%	13.8%	C215
22	11	36	20.4%	1.6%	0.0%	0.0%	16.7%	C452
254	1	4	Performance : Current Costs	Performance : Current Costs	Individual Flag (Key) : Void Stock	Individual Flag (Key) : Void Stock	Demand	Performance : Current Costs
255	Area Grouping	Stock Count	Arrears Oct 07 as % of net rent due	% void rent loss	Void 6 mths+	Void 12 mths+	Average past 3 years relets/Stock	Avg. Response 2004/05
256	1	66	13.8%	11.3%	9.1%	7.6%	18.2%	C328
257	2	5	0.0%	0.0%	40.0%	40.0%	0.0%	C275
258	3	20	25.3%	0.7%	0.0%	0.0%	10.0%	C295
259	4	158	12.8%	4.2%	0.0%	0.0%	17.1%	C295
260	5	31	11.8%	0.2%	0.0%	0.0%	4.8%	C355
261	6	29	5.8%	0.8%	0.0%	0.0%	10.3%	C301

Diagram 4.3: Excerpt of Scoring Database

Presenting the results in this way allowed for easy identification of the indicators against which each of the area groupings scored well or poorly. Therefore, each area grouping could have a combination of red, amber and green results.

The next task was to use the scoring results against each of the 12 key indicators to categorise each of the area groupings. This categorisation provides the diagnostic element of the study, using the key indicators to identify area groupings which are comprised of **best stock**, **stock requiring further investigation** or **high risk stock**.

Initially, the area groupings were categorised into the following eight categories, where demand, level of SHQS investment and current costs were the key drivers:

CATEGORY NUMBER	CATEGORY DESCRIPTION
1	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and drain on HRA resources
2	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and drain on HRA resources
3	Can be brought up to SHQS at a high capital cost, will contribute to future housing need and provides HRA resources
4	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need and a provides HRA resources
5	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and provides HRA resources
6	Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and provides HRA resources
7	Can be brought up to SHQS at a low capital cost, will NOT contribute to future housing need and a drain on HRA resources
8	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and a drain on HRA resources

The following table shows how these categories fit into the more useful diagnostic categories of **best stock**, **stock requiring further investigation** and **high risk stock**:

ASSET CATEGORY	DESCRIPTION	FUTURE COSTS	DEMAND	CURRENT COSTS	ASSET CATEGORY
	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and provides HRA resources (CAT 5)	LOW	HIGH	LOW	BEST STOCK
	Requires a high capital cost to bring up to SHQS and is a drain on HRA resources but will contribute to future housing need (CAT 2)	HIGH	HIGH	HIGH	STOCK REQUIRING FURTHER INVESTIGATION
	Requires a high capital cost to bring up to SHQS but will contribute to future housing need and provides HRA resources (CAT 3)	HIGH	HIGH	LOW	
	Can be brought up to SHQS at a low capital cost and provides HRA resources but will not contribute to future housing need (CAT 6)	LOW	LOW	LOW	
	Can be brought up to SHQS at a low capital cost, will contribute to future housing need but is a drain on HRA resources (CAT 8)	LOW	HIGH	HIGH	
	Requires a high capital cost to bring up to SHQS, will NOT contribute to future housing need and is a drain on HRA resources (CAT 1)	HIGH	LOW	HIGH	HIGH RISK STOCK
	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need but provides HRA resources (CAT 4)	HIGH	LOW	LOW	
	Can be brought up to SHQS at a low capital cost but will NOT contribute to future housing need and is a drain on HRA resources (CAT 7)	LOW	LOW	HIGH	

Table 4.3: Asset Categorisation

Where current and future costs were low and demand was high, area groupings were 'diagnosed' as best stock. Where demand was low and either current or future costs were high the area grouping was diagnosed as high risk stock. Where either current or future costs, or both current and future costs, were high but demand was also high, area groupings were also diagnosed as requiring further investigation.

Demand was a key driver in categorising high risk stock. Where demand was low and either current or future costs were high, the area grouping was diagnosed as high risk stock. Also, where analysis showed that the area had a high concentration of long-term voids the area grouping was diagnosed as high risk.

4.11 Key Stage 3: Developing the Strategic Response

The final key stage in the methodology was to determine how the results of the analysis outlined above should influence strategic decision-making in respect of future investment in the housing stock. This part of the study was taken forward within the context of developing the Council's Standard Delivery Plan, which represents the key investment plan for the future of the housing stock.

4.11.1 Identification of Options

Having categorised each area grouping, as outlined above, a number of questions were then asked about area groupings falling into each category in order to determine how the Council might use the asset in the future in light of the findings. Answers to these questions were then used to form the basis of potential options for intervention.

4.11.2 Options Appraisal

For appraisal purposes, each option was translated into a scenario test which was conducted within the business plan model (the model used to develop the Standard Delivery Plan). Running these scenario tests enabled comparison of the financial implications of adopting each of the options identified. In particular, the impact of each option on future rent levels required was modelled, and the corresponding impact on affordability.

4.11.3 Delivery Mechanisms

The selected options (the delivery mechanisms) were then used to develop an Action Plan for implementation of the Standard Delivery Plan.

5. OUTCOMES

5.1 Asset Categorisation

A clear picture emerges when the West Dunbartonshire housing stock is broken down to the 240 area groupings and analysed fully against:

- Current Cost;
- Future Investment;
- Demand; and
- Long Term Voids.

In order to present the results graphically, a **red** – **amber** – **green** key has been used, where **red** indicates high risk stock, **amber** indicates stock requiring further investigation, and **green** indicates best stock.



Map 5.1: Sample GIS Outputs

As can be seen from the above map 32% of the housing stock is effective and showing no significant problems. There are substantial amber areas (59%) which require further investigation as they are exhibiting some degree of risk and a minority of areas (9%) show serious risk factors.

The full working Asset Management Plan Model and Outcomes at an Area grouping and stock level can be found in Appendix C.

As outlined in section 4.2.2 above, the 240 area groups were assessed and divided into 9 categories which determine whether they would be considered as best stock, stock requiring further investigation or high risk stock. The following table shows the number and percentage of stock which fell into each of these nine categories.

Asset Category	Description	Number of Units of Stock	% of Stock	Asset Category	Colour Coding
	Can be brought up to SHQS at a low capital cost, will contribute to future housing need and provides HRA resources (CAT 5)	3702	31.7%	BEST STOCK	
	Requires a high capital cost to bring up to SHQS and is a drain on HRA resources but will contribute to future housing need (CAT 2)	1948	16.7%	STOCK REQUIRING FURTHER INVESTIGATION	
	Requires a high capital cost to bring up to SHQS but will contribute to future housing need and provides HRA resources (CAT 3)	2239	19.2%		
	Can be brought up to SHQS at a low capital cost and provides HRA resources but will not contribute to future housing need (CAT 6)	57	0.5%		
	Can be brought up to SHQS at a low capital cost, will contribute to future housing need but is a drain on HRA resources (CAT 8)	2628	22.5%		
	Requires a high capital cost to bring up to SHQS, will NOT contribute to future housing need and is a drain on HRA resources (CAT 1)	495	4.2%	HIGH RISK STOCK	
	Can be brought up to SHQS at a high capital cost, will NOT contribute to future housing need but provides HRA resources (CAT 4)	41	0.4%		
	Can be brought up to SHQS at a low capital cost but will NOT contribute to future housing need and is a drain on HRA resources (CAT 7)	560	4.8%		

5.2 Re-Categorisation of Stock with High Risk Factors

Further analysis suggested that some of the amber stock should be re-categorised as stock requiring further investigation. This was either on the basis of a large proportion of stock within an area grouping being long-term void or because the overall score of the stock against each category was high.

The analysis indicated that a further **8%** of the stock (974 units) should be re-designated as key risk stock.

5.3 Options Development

Depending on the category to which any given stock belongs, different questions required to be considered concerning its future use in order to determine appropriate options for intervention.

For each category of stock the following questions were posed:

Stock which can be brought up to the SHQS at a LOW capital cost, will contribute to future housing need as a result of HIGH demand and PROVIDES HRA resources (CAT 5).

Of the stock 31.7% fell into this category representing best stock.

In order to develop a strategic approach to this stock the following questions required to be considered:

- Is this stock concentrated around areas of key risk?
- Can it be linked to other areas for strategic purposes?

Stock which requires a HIGH capital cost to bring it up to the SHQS and is DRAIN on HRA resources because of a high current costs but will contribute to future housing need as a result of HIGH demand (CAT 2).

Of the stock 16.7% fell into this category of requiring further investigation.

In order to develop a strategic approach to this stock the following questions required to be considered:

- What are the key drivers of the high current cost given the healthy demand in these areas?
- Are there management issues that explain the high the cost and what initiatives could reduce the high current cost?
- Is it reasonable to assume that the high level of future investment required by this stock will be available?
- Are there alternative approaches for securing the future investment such as stock transfer?

Stock which requires a HIGH capital cost to bring it up to the SHQS but will contribute to future housing need as a result of HIGH demand and PROVIDES HRA resources (CAT 3).

Of the stock 19.2% fell into this category of requiring further investigation.

In order to develop a strategic approach to this stock the following questions required to be considered:

- Is it reasonable to assume that the high level of future investment required by this stock will be available?
- Are there alternative approaches for securing the future investment such as stock transfer?

Stock which requires a LOW capital cost to bring it up to the SHQS but will not contribute to future housing need as a result of LOW demand and PROVIDES HRA resources (CAT 6).

Of the stock 0.5% fell into this category of requiring further investigation.

In order to develop a strategic approach to this stock the following question required to be considered:

- What are the key reasons for the low expressed demand?

Stock which can be brought up to the SHQS at LOW capital cost and is a DRAIN on HRA resources but will contribute to future housing need as a result of HIGH demand (CAT 8).

Of the stock 22.5% fell into this category of requiring further investigation.

In order to develop a strategic approach to this stock the following questions required to be considered:

- What are the key drivers of the high current cost?
- Are there management initiatives that could reduce the high current cost?

Stock which requires a HIGH capital cost to bring it up to the SHQS, will not contribute to future housing need as a result of LOW demand and is a DRAIN on HRA resources (CAT 1).

Of the stock 4.2% fell into this high risk category.

In order to develop a strategic approach to this stock the following questions required to be considered:

- Should demolition of this stock be considered?
- How does the cost of demolition compare to the cost of improvement?
- What are the key reasons for the low expressed demand?
- What are the key drivers of the high current cost?
- Are there management initiatives that could reduce the high current cost?

Stock which requires a HIGH capital cost to bring it up to the SHQS and will not contribute to future housing need as a result of LOW demand but PROVIDES HRA resources (CAT 4).

Of the stock 0.4% fell into this high risk category.

In order to develop a strategic approach to this stock the following questions required to be considered:

- Should demolition of this stock be considered?
- How does the cost of demolition compare to the cost of improvement?
- What are the key reasons for the low expressed demand?

Stock which can be brought up to the SHQS at a LOW capital cost but will not contribute to future housing need as a result of LOW demand and is a DRAIN on HRA resources (CAT 7).

Of the stock 4.8% fell into this high risk category.

In order to develop a strategic approach to this stock the following questions required to be considered:

- Should demolition of this stock be considered?
- What are the key reasons for the low expressed demand?
- What are the key drivers of the high current cost?
- Are there management initiatives that could reduce the high current cost?

5.4 Delivery Mechanisms: Action Planning

As noted in section 2 above, a vital part of the study was linking the outcomes with the Council's Standard Delivery Plan. The development of the Standard Delivery Plan, integrating the results of the asset management study, is the strategic response element of the Asset Management methodology. Therefore, these two plans are inter-dependent and cannot be considered in isolation from one other.

In order to link the outputs of the asset management study with the Standard Delivery Plan, it was agreed that a number of scenarios would be tested within the business plan model which represented the options for intervention identified within the asset management study. Details of the scenario testing, options appraisal and the action plan for implementing the selected delivery mechanisms can be found in the West Dunbartonshire Standard Delivery Plan (2007/2008).

6. OTHER ASSETS

The Council provided details on 'other HRA assets', which consist of the following:

- Garages;
- Garage Sites;
- Shops; and
- Other Miscellaneous Assets e.g. stores, offices.

6.1 Garages and Garage Sites

The number of garages currently held on the HRA are **1,161**, of which 670 (58%) are currently void. Garages contribute approximately £327,000 per annum to the HRA revenue stream (£137,000 net of void rent loss). Overall, 64% of garages are located in Clydebank, 26% in Alexandria and 10% in Dumbarton.

The HRA holds 214 garage sites of which 53 (25%) are currently void. Garage sites contribute £7,200 per annum to the HRA revenue stream (£5,420 net of void rent loss). In total, 61% of garage sites are located in Clydebank, 22% in Dumbarton and 17% in Alexandria.

The location of the garages and garage sites (active and void) were plotted against each of the 'area groupings'. Of the 240 area groupings garages appear in 41, and garage sites appear in 24.

The table below presents the number and percentage of garages and garage sites within area groupings which fall within each of the asset categories discussed in Chapter 4 above.

Asset Category	2	3	5	6	7	8	Total
Number							
Garages -Active	30	170	174	2	59	56	491
Garages - Void	34	186	212	23	101	114	670
Garage Sites - Active	1	37	101	0	0	22	161
Garage Sites - Void	0	3	33	0	0	17	53
%							
Garages -Active	3%	15%	15%	0%	5%	5%	42%
Garages - Void	3%	16%	18%	2%	9%	10%	58%
Garage Sites - Active	0%	17%	47%	0%	0%	10%	75%
Garage Sites - Void	0%	1%	15%	0%	0%	8%	25%

Table 6.1 Categorisation of Garages

As can be seen from the table above that the largest proportion (18%) of garages which are void appear in the best stock category (category 5), 31% of void garages appear in the stock requiring further investigation categories (categories 2,3,6 and 8), and 9% fall within a key risk stock category (category 7).

Of the total number of garages (void and active), 54% are contained within the stock requiring further investigation category, 33% in the best stock and 14% in the key risk stock category.

The majority of garage sites 62% are located within the best stock category

Appendix E presents a detailed analysis conducted on garages and garage sites.

6.2 Garages - Valuation

As noted above, 58% of garages are currently void. Given the significant levels of void garages, a 30 year valuation of the garages was calculated.

The stock condition survey indicated that capital investment of £2,000 per garage would be required over the next 5 years, with maintenance expenditure of £100 per annum thereafter. The valuation is based on current income and void levels for the first 5 years, with the void rate reducing to 29% (half the current rate) after year 5, as a result of the high levels of capital investment.

Based on a 30 year modelling period and a 7% discount rate, the valuation of the garages is -£1.144 million.

This valuation illustrates the negative impact of garages on the HRA.

6.3 Shops and Other Assets

The HRA holds 49 shops and other miscellaneous assets such as stores and offices.

The majority of the Shops are currently leased and generate income of approximately £100,000 per annum.

Appendix E also provides details of each of the other assets, the annual rental income and lease terms.

No valuation information was available on shops or Garage sites.

7. PERFORMANCE MONITORING & CONTINUOUS IMPROVEMENT

The Asset Management Plan is a tool that will enable the Council to continuously monitor the effectiveness of its assets and housing portfolio in relation to:

- **Demand;**
- **Current cost and Management ; and**
- **Future Investment.**

As described in section 3, the Asset Management Plan utilises data from various Council internal reporting systems and sources. The tool has been created to enable the Council to easily update information and refresh the outputs on a regular basis.

This will insure that the route map to the delivery of the best portfolio of homes and services remains SMART and that decisions are informed by reliable and up to date data.

The Council will take possession of the full dataset and a training session will be provided for Council Officers to inform them of the process of updating the database.

It is recommended that key indicators are reviewed at six monthly intervals, with all indicators being updated on an annual basis.

Following the development of the final strategy and standard delivery plan key milestones will be identified; the dataset should then be adjusted and updated to support the monitoring of progress of the strategy and standard delivery plan.

PRIORITY AREAS FOR REGENERATION

1. Bellsmyre
2. Brucehill,
3. Castlehill,
4. Central Alexandria
5. Central/Radnor Park
6. Clydebank East
7. Haldane
8. North Mountblow
9. South Drumry
10. Westcliff