Northern Ireland Housing Executive

Stock Condition Survey of The Northern Ireland Housing Executive (NIHE) Housing Stock, Including Maintenance Investment Strategy Development, With Asset/Business Planning/Financial Modelling

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NORTHERN IRELAND HOUSING EXECUTIVE
STOCK CONDITION SURVEY

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EXECUTIVE SUMMARY

1.0   INTRODUCTION

The Department for Social Development issued a Brief to Consultants (**Appendix 1**) in September 2008. Savills' tender was accepted and it commenced work in November 2008.

During the course of the project the Northern Ireland Government's Housing Strategy and Budgets have come under renewed scrutiny. The impact of the global financial crisis (the "credit crunch") has had a considerable impact: -

- receipts from sales of property have substantially reduced below planned levels;
- costs have stabilised but not reduced significantly;
- the RPI has fluctuated, causing the Minister to determine a rent increase of less than the 2008 RPI for 2009/10 in anticipation of a lower RPI in 2009;
- the UK Government has concluded its 2009 Budget, predicting future restraints on public spending following the increased investment released to manage the effects of the economic crisis.

These changes in the environment have caused DSD to reformulate its objectives as follows:

- Government wishes to sustain the service to NIHE's tenants whilst achieving value for money for public investment;
- Government's current priority is the creation of new affordable housing to meet need and to provide a stimulus to the economy;
- DSD has commissioned Savills to create greater transparency by separating out NIHE's income and expenditure on the landlord function from its expenditure as an executive agency of the Government;

- Savills will set out its professional recommendations for the desirable level of expenditure on the landlord function. This will be benchmarked against the performance of landlords on the mainland but take into account the special conditions prevailing in Northern Ireland.

This report is formulated to meet these objectives. It addresses the potential risks going forward, including: -

- Economic assumptions, including RPI, inflation in wages and construction costs and interest rates;
- Assumptions about the sustainability of affordable housing in Northern Ireland in an environment when unemployment and other forms of social stress are rising;
- The transitional costs of change set against the benefits of a new framework.

2.0   STOCK INVESTMENT

Savills undertook a Stock Condition Survey with a view to assessing the current and future repairs and maintenance liability. More particularly the primary purpose of the exercise was to assess the works required to maintain the properties at the Decent Homes Standard published by the CLG and to meet other statutory obligations. This feeds directly into the deficit funding advanced each year by DSD.

Savills surveyed a representative sample of 10% of the stock, carefully chosen to ensure a representative mix of properties based on the different property types, ages and locations. The sample is considered more than sufficient to enable the production of robust business plan information.

Unit rates and lifecycles were applied to calculate the future repairs and maintenance liability of the properties. The unit rates adopted reflect our experience of the cost of work involved. The rates are broadly in line with the rates

currently being paid by NIHE. The life cycles for building components adopted reflect industry standards.

Our conclusion is that the NIHE stock is by far the best quality housing stock that we have inspected. NIHE has maintained the stock to a high standard and the work undertaken has been completed to a high quality.

We have undertaken a detailed assessment of the properties against the Decent Homes Plus Standard, which we have defined as a practical standard taking in the CLG standard, landlord obligations and the minimum expenditure to sustain the stock. We have calculated that approximately 17% of the stock currently fails. There is a variety of reasons for the failures but the most significant is a lack of an efficient heating system to many of the properties. NIHE is well aware of this and has, during the last five years, installed a large number of heating systems. That programme needs to continue in order to bring all properties up to the Decent Homes Plus Standard.

We have identified a total cost to maintain all properties over the next 30 years of £5.1 billion at a cost per unit of circa £56,491. This is the cost to meet and maintain properties at the Decent Homes Plus Standard and to meet other statutory obligations. Our costs are inclusive of all preliminaries but exclusive of VAT. Capital works are exclusive of any professional fees, management and administration costs; revenue repairs and maintenance are inclusive. All costs reflect an April 2009 price base.

The profile of expenditure to meet the Decent Homes Plus Standard and statutory obligations starts off relatively low during the next 5 years and gradually increases to a peak in years 11-15. This is to be expected given the current good condition of the stock and the age of the building components. In the event that our cost profile is adopted, this will represent a significant reduction in expenditure by NIHE.

It is important to stress that the standard adopted by NIHE is well above the Decent Homes Standard. The rationale for this work has been more related to sustainability, tenant expectations and demand. Major works including remodelling, demolition, environmental improvements and works in relation to sustainability are all excluded from our costs, where they do not form part of the Decent Homes Plus Standard. There is a risk to the sustainability of the stock and this issue is covered in greater depth elsewhere.

3.0 REVIEW OF PROCUREMENT AND CONTRACTS

Savills undertook a brief review of NIHE's procurement arrangements. The costs, quality, standards and performance appear reasonable and value for money is being achieved under the contract arrangements. The exceptions are the Multi-Element Improvement and High Rise programmes, which have exceedingly high costs per unit due to the scale of the work.

The contracts permit NIHE to flexibly limit the work issued. However this will have an impact on the contractors and suppliers, most of whom are local SMEs. In some cases, it may impact on the contractors' viability due to their heavy reliance on NIHE work.

4.0 MAINTENANCE INVESTMENT STRATEGY

Taking the results of the Stock Condition Survey and the Review of Procurement into account, but **before** considering Active Asset Management Strategies, Savills recommends that NIHE's Maintenance Investment Strategy for the next 5 years will be to deliver the recommended stock investment programme through a modernised approach to procurement. This is our "base case" for future planning purposes.

The proposed retendering of a number of contracts this year provides an opportunity to explore the value for money benefits that different packaging options

may present. This needs to be coupled with a review of the actual scope of work undertaken to reflect the stock condition survey findings.

In addition, we believe that there may be further opportunities for NIHE to reduce outturn costs by applying to all contracts the partnering (Egan) type procurement route already employed on some capital works. This would enable a much greater involvement throughout the whole supply chain to increase efficiencies and maximise economies of scale.

The changing nature of the programme will impose a different skill set requirement on the NIHE delivery team. NIHE will need to examine the way projects are planned and managed, perhaps reviewing the roles and responsibilities of the project team members and the contractors, consider any cultural issues and refine the current structure to reflect the longer term needs of the organisation.

5.0 ASSET MANAGEMENT MODEL

The Maintenance Investment Strategy is founded on the base case that the entire stock of NIHE will be retained as social housing and maintained to the Decent Homes Plus Standard for 30 years. This ignores the variability of the stock. Some properties may not be "fit for purpose" because of their physical characteristics or the environment in which they are located.

Savills prepared an Asset Management Model to analyse the variability in the performance of the stock. We divided the stock into 247 Asset Groups and captured all income and expenditure associated with each of over 30 years. The inputs on which this is based are set out in Appendix 8. We then discounted the cash flows back to the present day to produce a measure of "worth" of each Asset Group to NIHE. This can be used as a tool to enable NIHE to make decisions about its stock.

It is important to understand that the term "worth" does not mean Tenanted Market Value (TMV), Existing Use Value for Social Housing (EUVSH) or Market Value (MV). Nor is it a measure of what another organisation could pay.

Overall key findings of the Asset Management Model are as follows:

- Overall worth of approximately £225m or £2,500 pu, which is lower than average for the sector. It declines by 178% over the next 15 years;
- There is a strong correlation with rents. If real rent increases are achieved then the worth is transformed;
- Positively performing Asset Groups dispersed geographically but predominantly comprising houses;
- Poorly performing Asset Groups concentrated in urban areas and consisting of flats and bedsits;
- An average void rate across all stock of 2.08% of days lost, which demonstrates very good performance, but with some outliers that merit investigation;
- Initial but decreasing surplus over Years 1-10, a 10-year deficit through Year 11-20 and a final, but again decreasing surplus over Years 21-30. This is principally due to the profile of stock investment;
- A number of properties with very significant associated 30-year capital expenditure and maintenance costs, clearly impacting on their NPV profile.

6.0 ACTIVE ASSET MANAGEMENT STRATEGY

The analysis undertaken through the Asset Management Model provides the basis on which NIHE may create an "Active Asset Management Strategy". For the majority of the stock the strategy will be to continue investment in line with the Maintenance Investment Strategy. NIHE should focus on the identified 'Candidate List' of properties and undertake further options appraisals before any further investment is committed. The Candidate List comprises:

- **14,271** units within 77 Asset Groups with per unit worths lower than - £5,000. These units have a total negative worth of about £123m, and hence significantly reduce the overall worth of the stock.

- **3,203** additional units in 9 Asset Groups where voids currently exceed an established threshold level of 5.00%.

For each Asset Group the following options should be appraised, as a minimum:

- Further investment in line with the Stock Condition Survey to achieve and maintain the Decent Homes Plus Standard (the base case);

- Regeneration including redevelopment. This option is further explored in the section on Sustainability;

- Disposal to remove onerous liabilities from the NIHE's balance sheet and release latent value for investment.

7.0   SUSTAINABILITY OF NIHE'S STOCK

There are four lines of expenditure currently in NIHE's landlord account that lie outside the strict definition of the landlord function and the Maintenance Investment Strategy required to achieve the Decent Homes Plus Standard. In addition, provision should be considered for changes in the Decent Homes Standard itself. These are almost certain to include enhancements to environmental performance.

These activities are considered important to the proper functioning of social housing in Northern Ireland and the health of the local communities. Delivery would benefit from greater transparency and a new framework for discretionary investment. In each case, on the mainland the framework for achieving value for money would comprise:

- costs to be jointly funded by landlords and other authorities out of defined resources rather than tenants' rents;

- investment delivered in partnership with other public agencies and the private sector;
- resources competed for on an annual basis to ensure value for money;
- there is an independent assessment against a standard appraisal model to ensure economy and efficiency.

Savills considers that a framework for investment in sustainability should be considered for the next Comprehensive Spending Review. The budgets should not be held by NIHE as landlord but by one or more other agencies.   The total resources required are likely to be of the order of:

Expenditure	Estimated Volume	Included or Excluded in Base Case
Investment in environmental and security works	Up to £10m pa, plus other community safety initiatives	Included at a reduced level to maintain existing investment
Regeneration of unsustainable properties	Budget for HAG to regenerate up to 1,000 units pa at "works only" grant rates	Excluded
Investment in amenity land	C £8m pa	Included, but considered excessive
Expenditure on Aids and Adaptations	C £5m pa	Included, but considered excessive
Future enhancements to thermal performance	TBA on conclusion of the new Decent Homes Standard.	Excluded

8.0   BUSINESS PLAN MODEL

Savills has built a 30-year cash flow Business Plan Model to assess the viability of NIHE's landlord function as a stand alone business. This identifies the subsidy paid by the DSD to NIHE for the Landlord function as the net operational costs of the landlord service, reduced by the proceeds of the Sales scheme. In addition, a subsidy is given to cover funding costs, which includes the repayment of capital principle of the historic loans. The base model shows that the level of annual subsidy required decreases over the next 30 years.

When the Stock Condition Survey expenditure is adopted the annual subsidy reduces initially but then increases. In broad terms it equates to the interest on public loans and the repayment thereof. In other words, public subsidy is being paid to repay the public purse (NB it is recognised that this will be subject to specific requirements of public sector accounting).

A range of scenarios has been run to illustrate the financial framework necessary to achieve a viable business plan for a stand alone landlord. A combination of writing off the historic loans and real increases in rents is necessary. In order to explore this option further NIHE's rent policy has been benchmarked with mainland landlords. This demonstrates that notwithstanding the lower earnings in Northern Ireland rents are lower than commonly accepted affordability levels and increases have been constrained below RPI+2%, which is considered acceptable in England. It also highlights the fact that all tenants pay for services that are enjoyed by a minority of tenants and home owners, which is considered inequitable.

If it is considered desirable to achieve a viable landlord going forward it will require the ability to increase rents to affordable levels. We have undertaken scenario analysis and would recommend that:

- a complete review of the rental system be carried out for both NIHE and Housing Associations with the aim of producing a transparent and comprehensive methodology for future increases;

- a new service charge regime be adopted that allows charges to be levied that are reasonable, transparent and do not allow a profit to be made.

9.0 CONCLUSIONS AND NEXT STEPS

The consultancy exercise has provided information for DSD's annual subsidy determination for NIHE's landlord function. In this "base case" there are also opportunities for NIHE to modernise its delivery arrangements and make efficiency savings through adopting a new Maintenance Investment Strategy based on best practice. Furthermore, we have identified the components of a more sophisticated Active Asset Management Strategy that NIHE is recommended to adopt.

These findings will enable the Northern Ireland Executive to meet two of its objectives:

- to sustain the service to NIHE's tenants whilst achieving value for money for public investment;

- to allocate resources based on Savills' professional recommendations for the desirable level of expenditure on the landlord function and benchmarks for the performance of landlords on the mainland.

However, in the context of radical changes to the economic environment more radical changes may be necessary to achieve long-term sustainability and meet the further objectives:

- to create new affordable housing to meet need and to provide a stimulus to the economy;

- to create greater transparency by separating out NIHE's income and expenditure on the landlord function from its expenditure as an executive agency of the Government.

These changes would need to include consideration of:

- Budgets for discretionary expenditure to achieve sustainability managed in a wholly new way;
- Review of rents and service charge policy;
- Potential for refinancing or write off of the historic loan debt;
- The structure for delivering affordable housing service in Northern Ireland.

Whilst outside the brief for this study the latter point has been picked up by the Chartered Institute for Housing through its Commission. It is hoped that this report will provide a useful contribution to these wider considerations.

SECTION 1 - STOCK CONDITION SURVEY

1.0   INTRODUCTION AND SUMMARY

1.1   We have undertaken a stock condition survey of the NIHE housing stock with a view to assessing the current and future repairs and maintenance liability. The primary purpose of the exercise has been to assess the works required to maintain the properties at the Decent Homes Standard as defined by DCLG and to meet other statutory obligations. As with all standards, the Decent Homes Plus Standard is subject to interpretation. A very strict interpretation of Decent Homes equates to a very low and arguably totally unsustainable standard. This is now generally acknowledged and a more "holistic" standard, often called "Decent Homes Plus", is adopted in most places which represents a greater degree of reality. We have adopted this more fuller interpretation in this report. The subject is covered in more detail in the main body of the text.

1.2   The total stock that has been the subject of our assessment is 90,364 properties and we have surveyed a representative sample of 10%. The sample has been carefully chose to ensure a representative mix of properties based on the different property types, ages and locations. The sample is more than sufficient to enable the production of robust business plan information.

1.3   The survey work commenced in November 2008 and was completed in the middle of March 2009. All survey data has been loaded onto our computer system and has been analysed in order to produce the results contained within this report. During the course of the exercise we have been provided with information from NIHE and they have been extremely helpful to us throughout the process. They have responded rapidly to our requests for information and have been very transparent in all of the information provided.

1.4   As a company, Savills has undertaken the great majority of stock condition surveys of Local Authorities and Housing Association properties throughout the UK in the last ten years. We therefore have extensive experience of different housing stocks. **The NIHE stock is by far the best quality housing stock that we have inspected. NIHE has maintained the stock to a high standard and the work undertaken has been completed to a high quality.**

1.5   There is no single answer to how much money needs to be spent on this housing stock either now or in the future. The expenditure required is totally dependent on the standards adopted, i.e. the higher the standard, the more expenditure that will be required. The Decent Homes Plus Standard is the basis of our survey. Since the stock is in good condition at the present time, the expenditure required to meet and comply with the standard in the short term is relatively low. In the longer term increased expenditure will be required to maintain the properties at the standard and to meet the costs of replacing building components as they reach the end of their useful life.

1.6   It is important to stress that the standard adopted by NIHE up until now is well above the Decent Homes Plus Standard, particularly in relation to the work that they have undertaken under their Multi-Element Improvement programme. The rationale for this work has been more related to sustainability, tenant expectations and demand issues rather than purely undertaking work to meet the Decent Homes Plus Standard. This issue is covered in greater depth elsewhere in the report.

1.7   As part of our work we have reviewed NIHE's existing procurement arrangements. Whilst there is always scope to improve procurement arrangements with any organisation, our overall view is that the work has generally been procured well by NIHE and value for money is being achieved under the contract arrangements. The existing expenditure is higher than our experience elsewhere but this is due to the high standards adopted which results in increased costs. The costs increase further

under the multi-element improvement programme which, due to the extensive nature of the work, inevitably results in high costs.

1.8 We have undertaken a detailed assessment of the properties against the Decent Homes Plus Standard and have calculated that approximately 17% of the stock currently fails. There is a variety of reasons for the failures but the most significant is due to many of the properties having inefficient heating systems. The numbers of properties failing on heating systems comprises circa 11,000 properties or 12% of the stock. NIHE is well aware of this and has, during the last five years, installed a large number of heating systems. That programme needs to continue at an increased pace in order to bring all properties up to the Decent Homes Plus Standard.

1.9 All our survey data has been loaded and processed through our specialist IT system and unit rates and lifecycles applied to calculate the future repairs and maintenance liability of the properties. The unit rates adopted reflect our experience of the cost of work involved. The rates are broadly in line with the rates currently being paid by NIHE. The life cycles adopted reflect industry standards.

1.10 We have identified a total cost to maintain all 90,364 properties over the next 30 years of £5.1 billion at a cost per unit of circa £56,491 (averaging £1,883 per unit per annum). This is the cost to meet and maintain properties at the Decent Homes Plus Standard and to meet other statutory obligations. Our costs are inclusive of all preliminaries but exclusive of VAT. All costs reflect an April 2009 price base. Costs assume that all properties are retained for the next 30 years and no assumptions are made in relation to stock number reductions as a result of property disposals or the house sale scheme. Assumptions regarding stock numbers, inflation and management costs need to be made in any business plan/valuation.

1.11   Costs for major works, structural works, asbestos and related assets are exclusive of fees, management and administration costs. Costs for reactive/response/void maintenance, cyclical maintenance and grounds maintenance/tree surgery are based in NIHE existing costs and include fees, management and administration costs.

1.13   In terms of the profile of expenditure, this starts off relatively low during the next 5 years and gradually increases to a peak in years 11-15. This is to be expected given the current good condition of the stock. We would emphasise that our costs purely relate to meeting Decent Homes Plus and statutory obligations. Major works including remodelling, demolition, environmental improvements and works in relation to sustainability are all excluded from our costs, where they do not form part of Savills' interpretation of the Decent Homes Plus Standard.

1.14   In the event that our cost profile is adopted, this will represent a significant reduction in expenditure by NIHE. We are aware that NIHE has significant existing contracts in place to undertake major works to the properties. Whilst there is no reason from a contractual point of view for NIHE not to reduce the amount of work they are placing on the market, there will undoubtedly be an impact on the contractors who are geared up through the Egan framework partnering contracts to undertake much higher volumes. In a worst case scenario this may result in some of the contractors being unable to survive, particularly those that are heavily reliant on NIHE work.

2.0   ADDRESS LIST AND SAMPLE DESIGN

2.1   An address list of properties was provided by NIHE which was used as the basis to select the sample and to extrapolate the costs from the survey. Great reliance has therefore been placed on the contents. The housing stock totals 90,364 properties and we have inspected a 10% representative sample. The sample has been constructed based on a detailed analysis of the different property types and district. Details are set out overleaf:

District	Archetypes
Antrim	Houses/Bungalows Pre 1960
Armagh	Houses/Bungalows Post 1960
Ballycastle	Flats/Maisonettes Pre 1960
Ballymena	Flats/Maisonettes Post 1960
Ballymoney	Non Trad Houses/Bungalows
Banbridge	Non Trad Flats/Maisonettes
Bangor	
Carrickfergus	
Castlereagh	
Coleraine	
Cookstown	
Downpatrick	
Dungannon	
East Belfast	
Fermanagh	
Larne	
Limavady	
Lisburn Antrim Street	
Lisburn Dairyfarm	
Lurgan Brownlow	
Magherafelt	
Newry	
Newtownabbey 1	
Newtownabbey 2	
Newtownards	
Omagh	
Portadown	
Shankill	
South Belfast	
Strabane	
Waterloo Place	
Waterside	

2.2   Details of the number of properties inspected within each group are included at **Appendix 2** of this report. The purpose of the sampling process is to present a representative picture of the maintenance requirements of the stock using detailed surveys of a limited number of properties. The most straightforward approach to this is a simple random sample but where characteristics are known in advance, as is the case here, there is benefit in creating a stratified sample. Typically the maintenance requirements will correlate closely with the characteristics of the sample strata, thereby increasing the reliability of the results from a limited sample.

The detailed sample stratification we have adopted has enabled the production of very robust data and the 10% overall sample has been more than sufficient for the purpose of producing statistically reliable information at a whole stock level.

2.3   In terms of the related assets, we have been provided with separate address lists of the garages, the leaseholders, the hostels and the commercial properties. The total number within each of these groups is as follows:

Garages	7,480
Leaseholders	6,183
Hostels	204
Commercial Properties	431

2.4   The brief required a 10% survey of the stock of garages which would comprise 700 surveys. We have in fact undertaken a survey of over 900 garages, again based on a representative sample. In addition we have undertaken a 100% survey of the commercial properties and the hostels.

2.5   We did not undertake a separate survey of the leaseholders properties. However we have, by default, surveyed the great majority of the leaseholder blocks as a result of surveying the main tenanted stock. We took the decision early in the process to carry out a 100% survey of the external fabric and common areas of all of the blocks of flats greater than 4 stories high. This goes beyond the requirements of the brief but we felt was appropriate to ensure robust data for this key area of the stock. In the process of doing this we have also surveyed a significant number of the leaseholder properties.

3.0   THE SURVEY STANDARD/DECENT HOMES

3.1   There is no single answer to how much money needs to be spent on the NIHE stock, either now or in the future. The amount of investment required and the associated expenditure is totally dependent upon the standards set. The higher the

standard the more expenditure that will be required. Of all the points made in this report this is probably the most fundamental. Our brief has been to assess the extent of work required to bring all properties up to the Decent Homes Plus Standard and to maintain them at the Decent Homes Plus Standard for the next 30 years. The Decent Homes Plus Standard only covers certain elements of a property and, in addition to this, there was also a requirement for us to record other work that is necessary to meet statutory obligations and to keep the properties in tenantable repair. This is the basis of our survey. The reason we stress this is that the NIHE stock, up until now, has been maintained to a much higher standard than the Decent Homes Plus Standard.

3.2   A summary of the Decent Home Standard is as follows:

3.2.1   A decent home, as described by Central Government, is one that is wind and weather tight, warm and has modern facilities. In order for a social landlord to achieve this aim any individual dwelling must meet the following criteria:

a)   **It meets the current statutory minimum standard for housing**

Properties failing this criteria are defined as a Category 1 failure as defined by version 2 of the Housing Health and Safety Rating System 2004.

b)   **It is a reasonable state of repair**

Dwellings that fail this criterion are those elements such as roofs, rewires, boilers etc that are **old** (i.e. their age exceeds their life cycle) **and in poor condition** (i.e. identified by the surveyor as needing replacement or a major repair).

The elements listed within this criteria are sub-divided into two sections, namely key components and non-key components. Failure of a single key

component will fail the dwelling completely, whereby the non-key components require two or more failures to make the property non-decent.

Whenever a key component fails then the property will become non-decent in that year, however the concurrent failure of two non-key components may occur over several years (e.g. a kitchen in year 1 and bathroom in year 5).

Within the example listed above there is no fixed guidance as to how it should be reported. To avoid confusion we would **not** fail a dwelling that only has one non-key component failure over the forecast period.

c) **It has reasonably modern facilities and services**

The guidance lists six points of failure and any individual dwelling must fail on three or more items to be deemed non-decent. The six items under this criterion are as follows:

- A kitchen which is 20 years old or less
- A kitchen with inadequate space and layout
- A bathroom which is 30 years old or less
- An appropriately located bathroom and WC
- Adequate external noise insulation
- Adequate size and layout of common entrance areas of blocks of flats

Both modern facilities and non-key components can fail on kitchen and bathroom installations, therefore producing the potential for double counting within our decent homes reports. To overcome this our database identifies which criteria the property fails first and then prevents the other criteria from becoming populated by the same data.

An example of the above would be a dwelling that has an **old** kitchen and bathroom and one other modern facilities failure in year 1. The survey also recognizes that the kitchen and bathroom are **old and in poor condition** in

later years. In such instances we would not include any failures for the non-key component category.

d) **It provides a reasonable degree of thermal comfort**
This criterion requires dwellings to have both effective insulation and efficient heating.

3.3   As with all standards of this type there are always interpretation issues. As a Company, we have undertaken the great majority of stock condition surveys in England during the last 8 years and, in the process, have in all cases assessed properties against the Decent Homes Plus Standard. We have been extensively consulted by the Government on interpretation issues and regularly give seminars on the subject. The guidance, if interpreted strictly, results in a very low standard indeed e.g., a strict reading of the wording means that it is not necessary to replace any kitchens at all for the next 30 years unless they are a health and safety issue. Similarly it is not necessary to undertake any environmental work at all because environmental works do not fall within Decent Homes. However it is generally accepted practice that a very strict interpretation of the standard is inappropriate and unrealistic. As a consequence it is normal practice to overlay the standard with other key assumptions which include meeting statutory obligations and keeping the properties in good and tenantable repair. We have adopted this "realistic" interpretation of Decent Homes in calculating the results of this survey. Therefore we have allowed for kitchens to be replaced when required and we have allowed for the maintenance of the existing environmental works, although we have made no provision for improvements. The "enhanced" interpretation of Decent Homes we have adopted is often referred to as "Decent Homes Plus".

4.0   THE STANDARDS ADOPTED BY NIHE

4.1   In simple terms NIHE carry out maintenance and repair work to properties in four ways as follows:

- Reacting to day to day maintenance issues and undertaking repairs as necessary.
- Undertaking cyclical maintenance such as servicing of boilers, lifts etc and carrying out painting.
- Carrying out elemental replacement contracts, replacing elements as they reach the end of their useful life, e.g., the kitchen replacement programme.
- Full scale refurbishment contracts (Multi-Element Improvements) where properties have whole scale improvement work.

4.2   NIHE has adopted a high standard of maintenance and improvement and the results are plain to see. This is a good stock and they have done an excellent job. However, much of the work, particularly under the Multi-Element Improvement programme goes far beyond Decent Homes and meeting statutory obligations. There are numerous examples of such work. A good example is the major works that NIHE has been undertaking to their 1 bedroom bungalows. Many of these bungalows are small and the layout is not ideal. Total refurbishment has been undertaken to some of these bungalows which is on the verge of demolition/new build. In the process the layout of the bungalows has been totally changed, they have been converted into two bedrooms and they are now highly desirable. The quality of the work is indisputable. The rationale for undertaking the work is that provision of an additional bedroom results in the bungalows being more desirable and provides accommodation for a carer if required. It also assists with means of escape in the event of fire. The work is not required to meet Decent Homes. Within our costs, we will simply have allowed for the replacement of the existing components as they reach the end of their useful life, e.g., kitchens, bathrooms, heating, windows etc.

5.0   SURVEY DATA COLLECTED

5.1   Our stock condition survey has been focused on assessing the future major works programme to the properties and not the recording of minor repairs that would be picked up as part of day to day maintenance. We have therefore assessed all the key components within the property recording quantities where appropriate and assessing remaining life. Details of the survey elements assessed are included at **Appendix 3** of this report.

6.0   SITE TEAM AND QUALITY CONTROL

6.1   The Survey Team

6.1.1   The Savills team specialising in planned maintenance and stock condition surveys undertook the survey. The team of surveyors, all of whom are Chartered Surveyors or staff of similar standing, have extensive experience in mass survey projects and were fully briefed on the requirements of the survey before any inspections were carried out on site.

6.2   Quality Control

6.2.1   A list of the elements assessed is included at **Appendix 3**. The information was gathered on handheld computers and entered into our computer database for it to be checked, collated and validated.

6.2.2   In addition to a comprehensive briefing of all surveyors prior to commencing the inspections, de-briefing meetings were held with all surveyors at the end of each day to enable queries to be dealt with immediately. Spot checks were also made on site of completed surveys to check compliance with the agreed methodology.

6.3   Validation of Data

6.3.1   Once the surveys were completed, they were loaded onto our computer database and extensive validation was undertaken electronically to check for anomalies and inconsistencies. Examples of validation routines include:

- Range checks that ensure all dwellings have the correct amount of survey data
- Consistency routines that will look for anomalies between dwellings in certain areas (e.g. if all of the surveyed roofs in one street have a life expectancy of 20 years, but one has a life expectancy of 5 years then an exception report will be produced that is then investigated)
- Quantity checking designed to prevent errors of survey collection or data inputting
- Benchmarking the outputs of the survey against similar housing stocks.

7.0   ACCESS ARRANGEMENTS

7.1   As part of the process we identified the 10% addresses we wanted to survey. In addition we identified 3 further backup properties for each target address to enable flexibility for the surveyors when attempting to gain access.

7.2   NIHE sent a general notification letter to all of the target and backup addresses on a phased basis as the survey progressed. Thereafter access arrangements were down to us.

7.3   Our surveyors wore clothing identifying them as surveyors from Savills, carried a Savills security ID badge and a letter of authority from NIHE. The surveyors endeavoured to gain access to all of the target properties and, where this was not possible, reverted to the backup properties. Inevitably some areas of the stock were challenging in terms of gaining access but, in most cases, we had a high degree of success in gaining access to the properties which were chosen.

7.4   Where we identified any immediate health and safety issues during the course of our survey we notified NIHE accordingly.

8.0   SCHEDULE OF RATES AND PROCUREMENT

8.1   The work recorded as part of the stock condition survey has been priced using a schedule of rates. Details of the unit rates adopted are included within **Appendix 3**. Early in the process we compared the unit rates being paid by NIHE for major work with our experience of rates being paid by other large housing organisations throughout the UK. Our general findings were that the unit rates being paid by NIHE under their "Egan style partnering contracts" were in line with our experience elsewhere. The most significant area where the NIHE costs are higher than we have experienced elsewhere is in relation to heating. This is largely explained by the high proportion of oil fired heating systems where the costs are much greater than conventional gas heating systems.

8.2   The rates that we have adopted are competitive and reflect the volume of work proposed and the Decent Homes Plus Standard. Care will need to be taken to ensure that the work is delivered within these rates. We are aware that NIHE has been placing considerable volumes of work into the market in recent years and has benefitted from competitive unit rates as a consequence. The volume of work will be reducing in the next 5 years but our view is that this should have no impact on the unit prices. There is still a considerable volume of work to be commissioned and the construction industry should be more competitive than ever.

8.3   The unit rates and all the costs in this report are inclusive of all preliminaries but exclusive of VAT, administration charges and management costs. The price base adopted is at April 2009. Most building cost indices are now predicting a reduction in prices during the next 12 months.

8.4 We are aware that the volume of work we have identified in the short term is considerably less than previous expenditure by NIHE. If these reduced work volumes are adopted this will substantially impact on the NIHE's existing contract arrangements where there is an expectation from contractors of considerably more work. Our understanding is that, contractually, there is nothing to stop NIHE reducing the volume of work. However, there will be a significant impact on the contractors, some of which are geared up to undertake NIHE work and are heavily reliant on it. Indeed many have geared up specifically to undertake this work. In some cases substantial reductions in expenditure may impact on the contractors viability.

9.0   SCHEDULE OF LIFE CYCLES

9.1 All building elements have a natural life expectancy at the end of which they have to be replaced. Our surveyors use 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 we believed to have a limited life remaining, our assessment was based on the condition of the component as found on site during the survey. For the newer components the surveyor adopted standard life cycles.

9.2 Details of the life cycles that we adopted to calculate the results of this survey are included at **Appendix 3**. The life cycles adopted reflect industry standards and our experience elsewhere.

10.0   INVESTMENT CATEGORIES

10.1   Major Works

10.1.1 This category is the most significant area of expenditure and relates to the replacement of components as and when they reached the end of their useful life. It covers all the major items within the property and is derived directly from the

results of the stock condition survey. We would stress that the costs within this budget relate to whole scale replacement of components. Where repairs have been identified as part of our survey it has been assumed that these will be picked up as part of day to day maintenance.

10.2   Structural Work

10.2.1 We have made a general provision of £1 million per annum in respect of major structural work to properties which goes beyond the work identified within the stock condition survey. With a stock of this size it is inevitable that structural issues will arise and this allowance is designed to cover such work.

10.2.2 The stock includes 31 multi-storey blocks. We have undertaken a visual only inspection of the externals to all of these blocks and the structure appears to be generally in sound condition at the present time. We are aware that NIHE is of the view that the great majority of these blocks need to be overclad which will have the benefit of protecting the structure of the blocks and improving the thermal performance. This work is not essential in terms of Decent Homes assuming the structural integrity of the buildings is maintained. There is no evidence to suggest that, in the short term, there will be structural integrity issues. We recommend further due diligence to assess the condition of the structure of these blocks and to identify the work required to maintain them.

10.2.3 The stock also includes a number of non-traditional properties . Most of these properties have been repaired, sold or demolished. There remain a small number where major work will need to be undertaken to the structure if the properties are to be retained in the long term. In the interim the work is not a Decent Homes issue and is not required immediately.

10.3   Asbestos

10.3.1 NIHE has commissioned various surveys of the stock to establish the presence of asbestos and the associated liability. The view is that the costs associated with asbestos is likely to be in the region of £34 million. This relates to the ongoing cost of managing the asbestos and, where appropriate, removing it. The nature of asbestos is such that, in most cases, it is best left in situ and undisturbed. This becomes more of a problem when major works are undertaken to a property and, in these circumstances, removal is usually required. Therefore the amount spent on asbestos is, to some extent, dictated by the amount of work being undertaken to the stock more generally. We have made a provision of £34 million over the first 20 years of the plan.

10.4   Reactive/Response Maintenance And Cyclical Maintenance

10.4.1 We have been provided with details of current expenditure by NIHE on response/void and cyclical maintenance. These budgets include for undertaking day to day maintenance, work to properties when they become void, service contracts (such as servicing of boilers), cyclical painting and repairs and electrical inspections. We have overlaid these figures with our own assumptions regarding our experience elsewhere, compliance with the Decent Homes Standard and statutory obligations and, most importantly, the work accounted for within our major works budget. We have made the following annual allowances.

- Response maintenance £26,243,850
- Void Property Maintenance = £12,228,650
- Cyclical maintenance = £24,884,475

The above costs include fees, management and administration costs.

10.4.2 The above allowances equate to a total of £700 per unit per annum subdivided between £425 per unit per annum for response/void maintenance and £275 per unit per annum for cyclical maintenance. These are in line with our benchmarks elsewhere.

10.5 Grounds Maintenance/Tree Surgery

10.5.1 NIHE is currently responsible for the maintenance of a considerable amount of land and trees. Contracts are in place which cost just under £9 million per annum including fees, administration and management costs. This is a very heavy level of expenditure that reflects the large areas covered. The costs are considerably higher than our benchmarks elsewhere primarily because generally our experience has been that, for other clients, the maintenance of many of these areas has been picked up by the relevant local authorities. This is discussed elsewhere.

10.6 Related Assets

We have undertaken a separate survey of the "related assets" associated with the NIHE stock. These primarily comprise the garages, commercial properties, hostels, and leaseholder properties.

Garages

The stock includes 7,480 garages generally located in blocks. We have surveyed over 900 garages comprising just over 12% of the stock based on a representative sample. The data has been entered onto our system and costs produced to maintain the garages for the next 30 years.

Commercial Properties

We have been provided with details of 431 commercial properties which generally comprise shops/small commercial units. We have surveyed the external fabric and

communal areas associated with all of these properties in order to assess the 30 year costs associated with maintaining them.

Hostels

We have been provided with details of the hostels associated with the stock. There are 204 units of hostel accommodation. We have carried out both an internal and external survey of the hostels to assess the current condition and future repairs and maintenance requirements.

Leaseholder Properties

The stock includes 6,183 leaseholder properties. These are generally flats that have been sold but are located in blocks with other NIHE units. NIHE still retain the freehold to these blocks. We have calculated the costs associated with the leaseholder units, relating to the external fabric and common areas.

Other Assets

There are "other assets" linked to the stock such as unadopted roads, unadopted footpaths and various items of plant. We have made a general provision of £1.5 million per annum in our costs in respect of the ongoing maintenance of these.

11.0   OVERALL CONDITION OF THE STOCK

11.1   As a Company Savills has undertaken the great majority of Stock Condition Surveys of Local Authorities and Housing Association properties throughout the UK in the last 10 years. We have certainly carried out virtually all of the larger and more complex surveys. As a result we have a good understanding of the general condition of Social Housing throughout the UK. **The NIHE stock is by far the best quality stock that we have surveyed.**

There are a number of factors that influence condition. Firstly, there was a significant demolition and new build programme in the late 1970's – early 1980's, particularly in Belfast, which means that the age of the stock is generally less than many other portfolios in the UK. Secondly, the great majority of the stock is of low rise traditional construction and does not therefore face the issues around system built properties and the defects associated with them. Thirdly, a significant amount of investment has gone into environmental improvements which have generally been undertaken to a good standard. This is in almost total contrast to many other stocks in the UK where environmental improvements have not been a top priority and, due to financial constraints, have been almost non-existent in some cases. The fourth and final reason why the stock is so different is that major investment appears to have gone into the stock on an on-going basis. Hence components have been replaced when they reach the end of their useful life and generally NIHE has been keeping on top of repairs and maintenance issues.

11.2   Setting aside financial considerations, the good quality of the stock and work that has been undertaken is indisputable.

11.3   Notwithstanding the comments made above, the stock will continue to require investment. As we have indicated in previous sections of this report, the level of investment is really dictated by the standards adopted. This report is focused on the work required to meet Decent Homes Plus and other statutory obligations. In the short term the key areas of expenditure will relate to the internal fabric of the properties including replacement of kitchens and bathrooms, some rewiring and a significant amount of new heating systems. Externally there is more limited work required to the properties during the next 5 years. Only limited reroofing is required in the short term but a significant amount of reroofing will be required in the medium to long term, due to the age profile of the properties. An ongoing programme of window replacement will also be required.

11.4   As we have indicated, the environmental works undertaken by NIHE have been completed to a high standard with impressive results. The type of work that has

been undertaken does not fall within the Decent Homes Plus Standard. In theory there could be a virtually non-existent programme of environmental works in the long term whilst still maintaining Decent Homes. In practice there are serious implications of stopping this work. We have assumed that, in the next five years, any work to items such as fencing, paths, boundary walls etc will purely be in relation to repairs and day to day maintenance. We have made no provision for major works. Thereafter a programme of work is included to replace existing fencing, paths etc as and when required. No provision is made within our costs in respect of environmental improvements.

11.5 As we have mentioned earlier in this report, we have made no provision for work that goes beyond Decent Homes Plus which has been very much the focus of NIHE's multi-element improvement programme. Work has been allowed to all properties in relation to Decent Homes Plus only.

12.0 30 YEAR INVESTMENT COSTS

12.1 All the data collected as part of the survey and through our desktop reviews has been processed through our systems and used to calculate the overall survey results. A summary of all costs associated with repairing and maintaining the stock to meet the Decent Homes Plus Standard and other statutory obligations is included at **Appendix 4** of this report. Within **Appendix 5** we have included a detailed breakdown of the major works costs which are derived directly from the stock condition survey. Within **Appendix 6** we have included details of the related assets expenditure. The assumption within our costs is that any expenditure in respect of leaseholder properties and commercial units is 100% recoverable from the leaseholders/tenants and therefore no provision has been made within our costs in respect of these properties. Our provision in respect of related assets includes the costs associated with the garages and hostels. We have also made an additional provision of £1.5 million per annum for work to other miscellaneous assets.

12.2 All costs in this report reflect an April 2009 price base and do not include any provision for future inflation. No adjustments have been made in the costs in respect of the house sales scheme, demolitions, disposals etc over the period and the costs assume the retention of all of the 90,364 properties for the next 30 years.

12.3 Costs for major works, structural works, asbestos and related assets are exclusive of fees, management and administration costs. Costs for reactive/response/void maintenance, cyclical maintenance and grounds maintenance/tree surgery are based in NIHE existing costs and include fees, management and administration costs.

12.4 There is no allowance in any of these costs for major redevelopment, demolition, regeneration or whole scale environmental improvements. Such work is normally the subject of a separate funding or bidding process.

12.5 We have undertaken a benchmarking exercise of the NIHE major works costs over the next 30 years compared against various Registered Social Landlords (RSL) and Local Authorities (LA) throughout the Country. The information is confidential and hence we have not included the names of the organisations. A summary of the benchmarking exercise is set out below:

Organisation	Stock Size	30 Year Major Works Costs Per Property	Percentage of work in years 1-5
NIHE	90,500	£31,090	11%
RSL 1	21,179	£27,200	18%
RSL 2	31,920	£28,080	12%
RSL 3	23,297	£29,160	23%
RSL 4	44,000	£29,200	25%
RSL 5	21,670	£30,180	20%
RSL 6	55,100	£31,500	35%
LA 1	18,339	£34,950	53%
LA 2	15,883	£35,700	42%
LA 3	18,000	£38,570	51%
LA 4	24,579	£41,755	35%
LA 5	12,330	£43,000	42%

12.6 The results of the exercise are in line with expectation. RSL's 1-4 are all traditional HA's. RSL's 5-6 are large scale voluntary transfer organisations approaching the end of their initial 5 year commitments. The LA's are all stock retaining authorities, some of which are in need of major investment. The result puts NIHE in the RSL group, although at the higher end of expenditure. Of more consequence however, the NIHE stock has the lowest percentage of spend in the first 5 years, highlighting the good condition of the stock currently.

13.0 FUTURE MAINTENANCE INVESTMENT STRATEGY

13.1 Taking the results of the Stock Condition Survey and the Review of Procurement into account, but **before** considering Active Asset Management Strategies, Savills recommends that NIHE's Maintenance Investment Strategy for the next 5 years will be to deliver the recommended stock investment programme through a modernised approach to procurement. This is our "base case" for future planning purposes.

The methodology and contract structure adopted by NIHE to deliver it's capital and revenue programmes over recent years must be considered a success, with a large volume of work completed each year. However, the recent budget reductions clearly place additional pressure on delivery and maximising value for money must be an imperative in ensuring the greatest number of outputs are achieved for a given budget. These outputs need to be structured around a long term investment strategy and plan, linked to the new stock condition survey findings as well as other aspirational requirements, that enables this goal to be achieved. Developing this plan is therefore an early necessity.

13.2 The proposed retendering of a number of contracts this year provides an opportunity to explore the value for money benefits that different packaging options may present. At the same time, we suggest that NIHE also examines the overall works packages with a view to determining the value for money options, especially in respect of an 'elemental v whole house route' adopted under the MEI contracts. This could be undertaken in conjunction with a review of the actual scope of work

undertaken (particularly in the MEI, Aids and Adaptations and High Rise programmes) which has a huge budget implication and will need to reflect the stock condition survey findings.

13.3   Furthermore, one of the benefits of a partnering (Egan) type procurement route is the ability for the client to have much greater involvement throughout the whole supply chain, looking to increase efficiencies and maximise economies of scale. We believe that there may be further opportunities for NIHE to reduce outturn costs by adopting this type of approach. Examples of such an approach include Nottingham City Homes where certain components have been tendered (some through e-auction) to create a common product supply chain and price. Hackney Homes has a framework of second tier chain suppliers and subcontractors appointed through the main partnering contracts.

13.4   The budget reduction has ramifications in the way the investment programme is delivered and the resources necessary in doing so. We appreciate that a large number of staff posts have been cut recently and the effects of this may take some time to manifest themselves in the programme delivery. The changing nature of the programme (as reflected in the stock condition survey) and the suggestions outlined above will probably impose a different skill set requirement on the NIHE delivery team compared to previously. This may present NIHE with further opportunities to examine the way projects are planned and managed, perhaps reviewing the roles and responsibilities of the project team members and the contractors, consider any cultural issues and refine the current structure to reflect the longer term needs of the organisation.

13.5   It is acknowledged that any change in approach may require redefining of job descriptions and / or additional training although the extent of this would require a review of structure, processes and a skills audit.

14.0   LIMITATIONS

14.1   The inspections and report are subject to the limitations included at **Appendix 7** of this report. These do not go beyond those of a normal surveying practice.

SECTION 2 - ASSET MANAGEMENT STRATEGY

1.0   INTRODUCTION AND SUMMARY

1.1   The Maintenance Investment Strategy is founded on the base case that the entire stock of NIHE will be retained as social housing and maintained to the Decent Homes Plus Standard for 30 years. This ignores the fact that some properties may cease to be "fit for purpose" because of their physical characteristics or the environment in which they are located. This Section sets out a summary of the results delivered by an Asset Management Model ('the model') which assesses the financial performance of the Northern Ireland Housing Executive's (NIHE) domestic stock by Asset Group.

1.2   The Asset Management Model is intended to be a decision support tool. It will assist DSD in making both investment and strategic decisions with respect to the NIHE's landlord function. The results may be used by NIHE to create an Active Asset Management Strategy and to make decisions about its stock. The inputs on which this is based are set out in **Appendix 8**.

1.3   The model is based on a discounted cashflow analysis of the properties classified into 247 Asset Groups.

1.4   The modelling process effectively captures all income and expenditure associated with the properties over a long term investment period (30 years) and discounts it back to the present day to produce a Net Present Value (NPV) for each Asset Group. This provides a measure of "worth" to NIHE.

1.5   It is important to understand that the term "worth" does not mean Tenanted Market Value (TMV), Existing Use Value for Social Housing (EUVSH) or Market Value (MV). Nor is it a measure of what another organisation could pay.

1.6   Stock taken into consideration comprises domestic stock, predominantly comprising general needs rented properties. This Section focuses specifically on domestic stock and does not make recommendations relating to other types.

1.7   The graph below illustrates the variability of the performance of the stock. It plots the worth pu of the Asset Groups.

NIHE 30-Year NPV pu
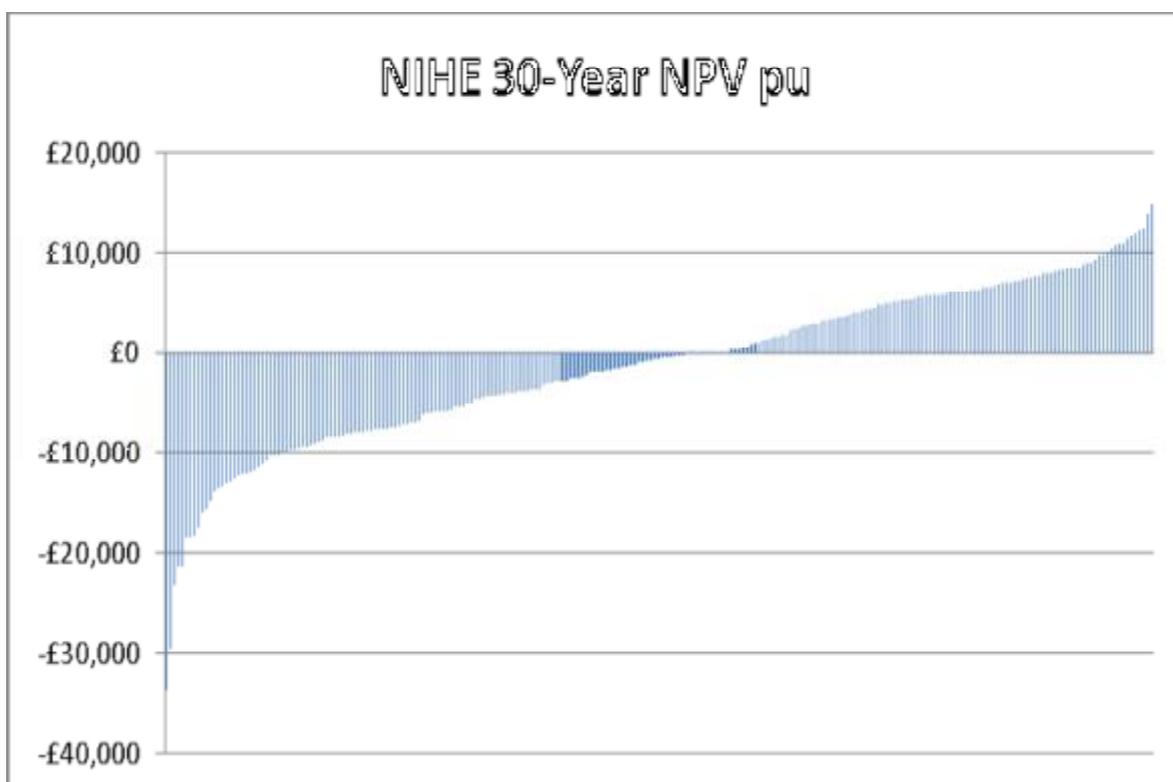
1.8   Overall key findings from the model as follows:

- Overall worth of approximately £225m or £2,500 pu, which is lower than the average for the sector. It declines by 178% over the next 15 years;

- There is a strong correlation with rents. If real rent increases are achieved then the worth is transformed;

- Positively performing Asset Groups dispersed geographically but predominantly comprising houses;

- Poorly performing Asset Groups concentrated in urban areas and consisting of flats and bedsits;

- An average void rate across all stock of 2.08% of days lost, which demonstrates very good performance, but with some outliers that merit investigation;

- Initial but decreasing surplus over Years 1-10, a 10-year deficit through Year 11-20 and a final, but again decreasing surplus over Years 21-30. This is principally due to the profile of stock investment;

- A number of properties with very significant associated 30-year capital expenditure and maintenance costs, clearly impacting on their NPV profile.

1.9 **Before limited resources are allocated to low value units NIHE should consider whether there are other options that will ultimately contribute to the overall value profile of its assets. This will ensure that value for money is achieved.**

1.10 A 'Candidate List' of properties that should be subject to further investigation is set out below:

- **14,271** units within 77 Asset Groups with worths lower than - £5,000 (i.e. returning a significant loss to NIHE). These units have a total negative worth of about £123m, and hence reduce the overall worth of the stock by over 50%;

- **3,203** additional units in 9 Asset Groups where voids currently exceed an established threshold level of 5.00%.

1.11   These Asset Groups are set out in a summary table. An Active Asset Management Strategy should take into consideration the following:

- Further investment in properties that are perceived to be potentially viable to improve sustainability and mitigate risk of reducing demand;

- Improved financial performance through management initiatives such as sub-market renting, change of use and potentially market renting;

- Transfer to another housing provider to ensure continued use as affordable housing and in doing so releasing value for general purposes;

- Disposal of non-viable properties to remove onerous liabilities from the NIHE's balance sheet and release latent value for investment;

- Regeneration including redevelopment.

2.0   PROJECT OVERVIEW

This report sets out our initial findings in respect of the financial performance of the NIHE housing stock. The work will provide the basis on which investment and other strategic decisions can be taken in respect of the NIHE and its associated landlord function.

The objective of the exercise is to produce income and expenditure projections for each Asset Group over a defined investment period. From this it is possible to identify the stronger and weaker performing assets within the stock and to provide the DSD with more detailed information to assist in future investment decisions. The results of this work can also indicate where best to target other initiatives, such as disposals or re-development.

2.1 Properties Included

2.1.1 The properties covered in this report include all stock classified as "Domestic" by the NIHE. We have excluded in the current version of this report all other elements of stock including leasehold, garages, commercial and shell property. Table 2.1 below summarises the overall stock breakdown:

Property Type Description	Units
Domestic*	90,455
SPEDs	38
Leasehold	6,183
Shell Property	5,438
Garage	7,438
Commercial	483
TOTAL	110,036

* Excludes Duplicate UPRNs in NIHE MIS system

Table 2.1: Breakdown of NIHE Stock by Property Type

2.1.2 The overall domestic stock number comprises 90,455 units. We have included all units currently designated as Hostels.

2.1.3 There a small difference in the overall Domestic stock numbers used in the Stock Condition Survey and the Asset Modelling exercise due to technical issues in the format of databases supplied. This difference is insignificant and is accounted for in the calculation of worth of the overall stock.

2.1.4 The geographical distribution of the units is set out in the map of Northern Ireland below.

Figure 2.1: Distribution of NIHE domestic stock in Northern Ireland
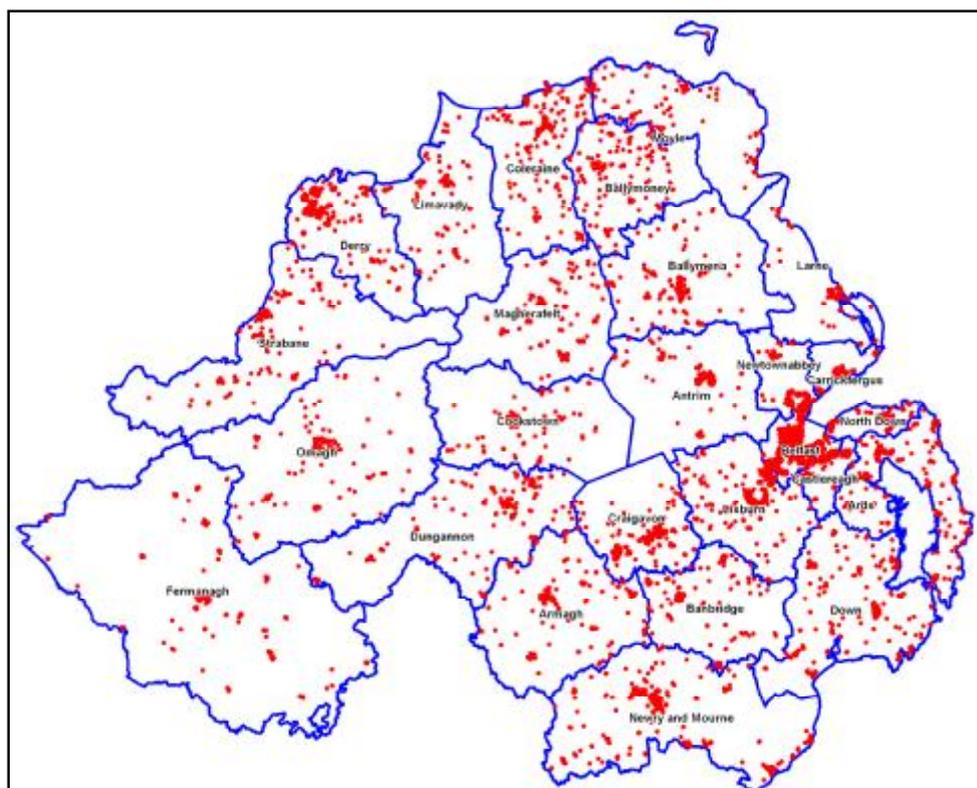
2.1.5   The breakdown of domestic properties by dwelling type is set out below:

Type	Total Units
Bedsit	259
Bedsit Bungalow	60
Flat/Mais	19,438
House (Incl. Bungalow)	69,794
Rural Cottage	825
Travellers Dwelling	1
Travellers Pitch	28
Additional Hostel Units (WITH NO UPRNs)	50
Total	**90,455**

Table 2.2: Breakdown of NIHE Stock by Dwelling Type

2.2 Asset Groups: Categorisation of Properties

2.2.1 We have broken down the housing stock into 247 'Asset Groups'. These have been designed to comprise groups of properties which benefit from similar characteristics with respect to:

- Geographical location: NIHE District

- Dwelling Type: Bedsits, flats/maisonettes, houses (including bungalows), and bedsit bungalows

- Building height: Separating out 'multi-storey' (defined as those comprising 6 or more floors) buildings where relevant;

- Broad condition of the stock: We have agreed a categorisation of condition with the NIHE of what can be described as 'Modernised' or 'Unmodernised' stock. This definition is included in **Appendix 11**.

- Age: We have applied age bands to the larger groupings of property to facilitate analysis.

2.2.2 The categorisation of Asset Groups was discussed and agreed with NIHE.

2.3 Information Collected

2.3.1 We have undertaken a detailed appraisal of the housing stock drawing on a wide range of information supplied from NIHE databases. The information we have collected can be broken down as follows:

- Stock data (including addresses, dwelling types, age, construction types, occupational status);

- Current (2009/10) rent levels;

- Historic void periods (over four financial years, setting out rent loss days in each year);

- Level of written off income or 'bad debt' per annum;

- Cyclical and other planned maintenance costs (over four financial years, to determine a realistic average cost per unit for each of the different Asset Groups);

- Response and void maintenance (over four financial years, to determine a realistic average cost per unit for each of the different Asset Groups);

- Management costs (derived from NIHE's management accounts and accounting for management and supervision costs across NIHE Districts). We have ensured that costs collected represent those associated with the landlord function. We have also collected information on the costs associated with supporting IT infrastructure and insurance costs;

- Multi-Element Improvement (MEI) and kitchen replacement data (both historical and programmed).

2.3.2 Savills has been instructed to provide a 30-year cost profile for programmed repair costs, structural defects and asbestos removal costs. The results of this Stock Condition Survey have been included within our model. We set out summary costs in the following section.

2.3.3 We have been supplied with Market Values for the subject stock to test scenarios where sales may potentially be involved. We have agreed with the DSD that we will use the results of a valuation commissioned by the NIHE for their domestic stock.

Analysis of this work, undertaken by Land and Property Services, is undertaken in Section 4.

2.3.4 An analysis of the information collected is set out at **Appendix 8**.

2.4 Cashflow Modelling

2.4.1 All the data above, both current and historic, is allocated to individual property Unique Property Reference Numbers (UPRNs) and to their corresponding Asset Groups. This allows an interpretation of the historic performance of each group. This creates a detailed audit of data and data analysis specific to each Asset Group.

2.4.2 Aggregated data for the Asset Groups provides 'input data' for the cashflow modelling. The cashflow model is run to produce Net Present Value figures together with supporting information cashflow surplus/deficit for each Group.

2.4.3 The outputs are then collected and analysed to identify strengths, weaknesses and trends within the stock. This can be presented in a variety of ways and more detailed analysis of particular Asset Groups or series of Asset Groups can be undertaken.

2.4.4 The assumptions used for cashflow modelling are set out at **Appendix 9**.

2.5 Key Modelling Issues

2.5.1 Our model focuses exclusively on property. Our model does not account for: -
- debt service costs and repayment;
- the ongoing DSD subsidy;
- income streams such as Supporting People.

2.5.2 For the purposes of the model, cost assumptions reflect real cost requirements across the stock (as opposed to levels of actual expenditure planned for the stock in the NIHE Business Plan or in current budgetary submissions).

2.5.3 In assessing all of the information a significant amount of reconciliation work has been required. Our analysis has determined that information provided from NIHE's central MIS databases, particularly with respect to revenue and capital costs, differs from information provided by the financial system, which records the costs actually incurred. The financial system also drives the annual budget estimates.

2.5.4 NIHE has been cooperative in providing Savills with the data required for this modelling exercise. They have also assisted us in reconciliation of data, which included a session to agree on all of the numbers used. However, the exercise proved complicated for both NIHE and Savills.

2.5.5 We have endeavoured to reconcile these cost differences to the best of our abilities and have applied professional judgement to the final assumptions. Our final cost estimates and assumptions are therefore provided with some confidence. However, the exercise has demonstrated that there is a need for data system standardisation within the NIHE.

2.5.6 Savills recommends an internal systems audit to understand the discrepancies and adjust the systems to reconcile with each other. This is a common issue and its resolution will be helpful for any further business analysis that might be required in the future.

2.6   Results Database

2.6.1 The key outputs from the cashflow models are contained within a results database. This is a schedule of the Asset Groups together with both inputs and outputs from the cashflow models such as Net Present Value and surplus and deficit projections.

2.6.2 Once the database has been fully validated to achieve the required level of confidence a landlord can use the results database for assessing the profile of stock performance and identifying any correlations between inputs and outputs. Strong

performers can be confirmed and weaker stock identified for further review and option appraisals.   Results can be presented in graphic form to help in understanding the range of performance across the stock.   Basically any assumption used in the cashflow model and any of the information derived from them can be incorporated into the Results Database and analysed and presented.

2.6.3   The key to understanding the strengths and weaknesses across the stock is in the manipulation of the results database. It can be used to create an Active Management Strategy

3.0   ASSET MODELLING RESULTS

3.1   Overview

3.1.1   The 30-year NPV of NIHE's domestic stock of 90,455 units stands at £225m or about £2,500 pu.

3.1.2   This reflects a range of NPV levels across the stock. These are demonstrated in the graph below, with Asset Groups (represented as blue columns) ordered according to their value.   The lower NPVs are shown to the left hand side increasing gradually to the highest NPVs on the right hand side.

Graph 3.1: NIHE 30 Year NPV per Unit Profile by Asset Group
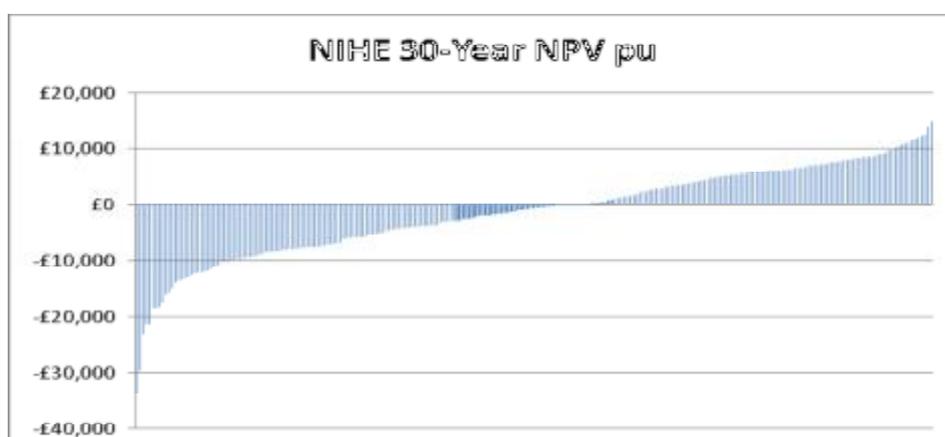
3.1.3 The graph demonstrates the variability in the performance of the stock. We would suggest that in the context of our overall experience and our judgement of the quality of the stock, NIHE has a weaker than average 30-year NPV per unit. Approximately 31,500 units or about 35% of NIHE's stock has a negative NPV. A further 18,500 units have an NPV value between £0 and £5,000, with the balance (or broadly 45% of the stock) sitting above £5,000.

3.1.4 The following map sets out 30-year NPV performance by units from a geographical perspective:
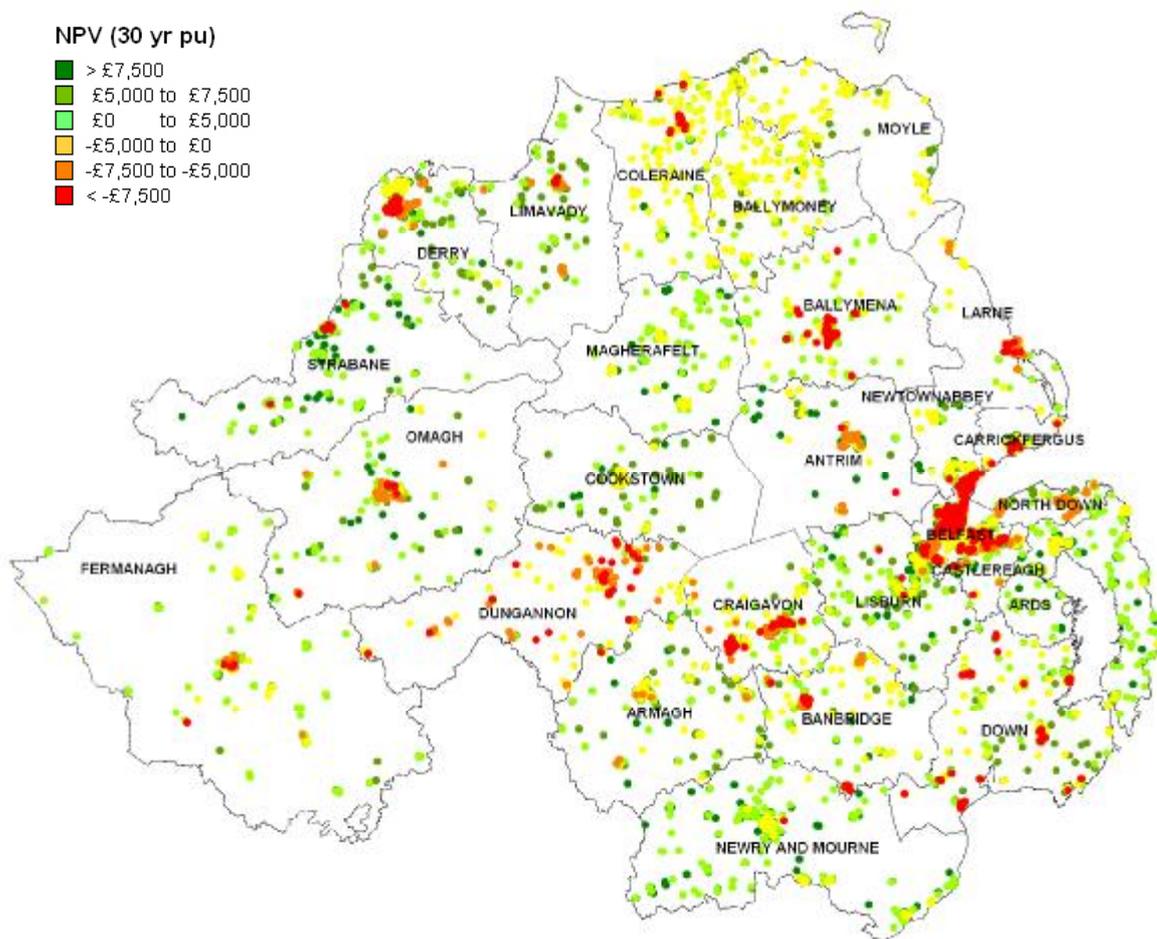
Figure 3.1: 30-Year NPV per Unit, All Domestic UPRNS

3.1.5 The map shows that the UPRNs with lower NPVs per unit appear to be concentrated in urban areas as well as in the Dungannon, Craigavon, Coleraine and general northern area.

3.1.6 We provide a chart below setting out the worth pu of NIHE Management Districts. This confirms the variation illustrated in Graph 3.2.
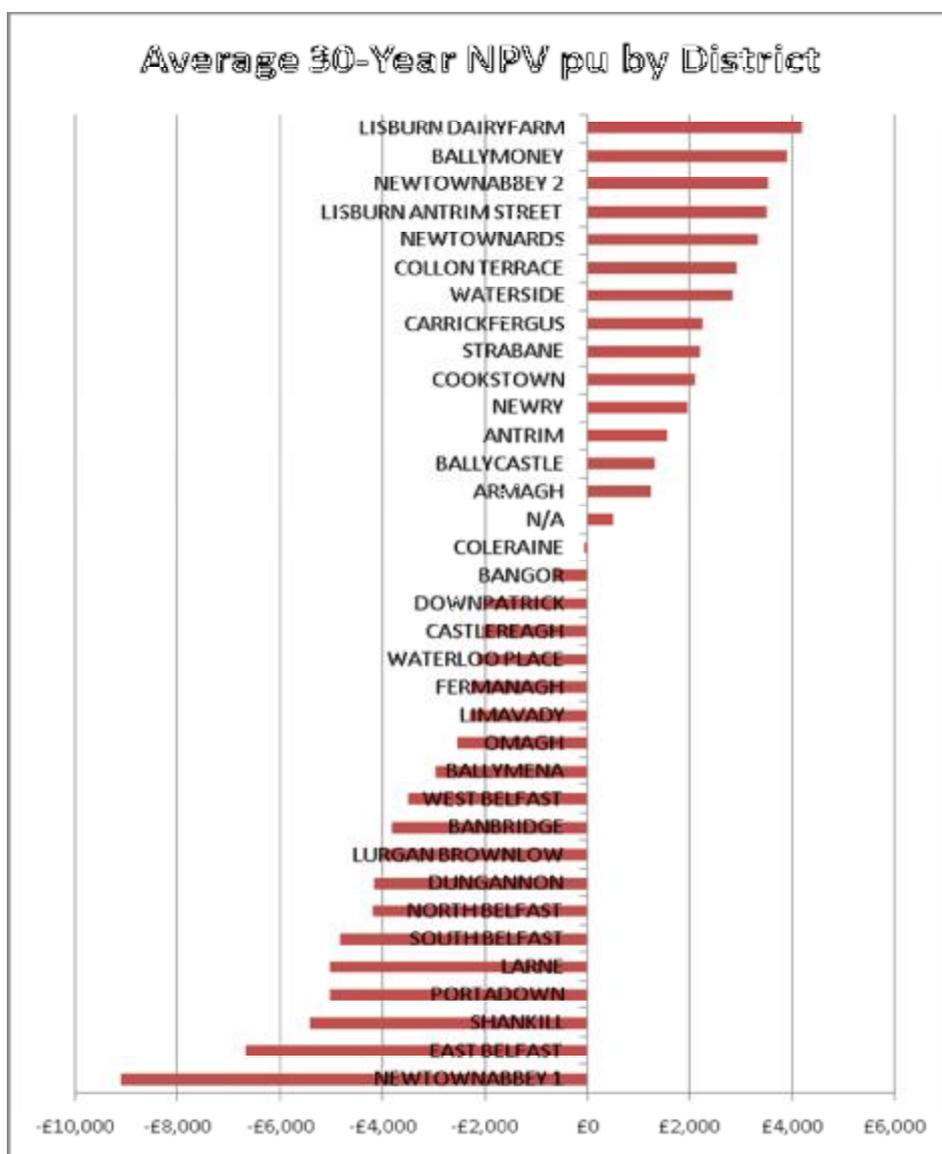
Graph 3.2: District Average 30-Year NPV per Unit, All Domestic UPRNs. N/A refers to Asset Groups present in a number of Districts

3.1.7 The Graph above again demonstrates the variability of performance by location.

The information in the results database can be analysed down to Asset Group level. This means we can focus on NPV results for different performance bands and identify within these groups of properties and their addresses. On the basis of the above profile, we have determined the following bands:

30-Year NPV Per Unit	Performance Band	Unit Count	Proportion of Total Stock	30-Year NPV	30-Year NPV pu
Greater than £7,500	Excellent	20,252	22.39%	£204,616,859	£10,104
Between £5,000 and £7,500	Good	20,091	22.21%	£126,456,271	£6,294
Between £0 and £5,000	Average	18,555	20.51%	£50,274,776	£2,710
Between £0 and -£5,000	Below Average	17,286	19.11%	-£33,284,349	-£1,926
Between -£5,000 and -£7,500	Poor	4,607	5.09%	-£28,184,617	-£6,118
Less than -£7,500	Very Poor	9,664	10.68%	-£95,014,851	-£9,832
Totals		**90,455**	**100.00%**	**£224,864,089**	**£2,486**

Table 3.1: Performance Banding for Asset Groups

3.1.8 The 15% of the stock in the "poor" and "very poor" performance bands has a negative worth of about £123m, and reduces the overall worth of the stock by 55%. This illustrates the opportunity to improve performance. **Appendix 10** sets out NPV graphs which set out the respective Asset Groups within each Performance Band.

3.1.9   The overall objective of this information is to give indications where more detailed work is required to identify alternative solutions for the weaker stock, to identify any trends for the better performing stock and see if these lessons can be applied elsewhere. This is all with the aim of strengthening performance across the stock as a whole.

"Excellent" Asset Groups

Asset Groups with NPVs in excess of £7,500 per unit comprise 20,252 units in 31 Asset Groups (or approximately 22% of the stock). These appear to be from a dispersed geographical base across Northern Ireland and comprises houses (which include bungalows) in its entirety. In terms of build, as one would expect, there is a predominance of modernised and post 1980 properties.

The average number of units within the Asset Groups comprises 653. The average NPV per unit sits at £10,104.

"Good" Asset Groups

There are 34 Asset Groups (20,091 units) with NPVs above £5,000 but below £7,500. This group is also characterised by modernised houses. Where age breakdowns have been provided, these indicate a significant presence within this band of pre-1980 properties. The geographical dispersion of properties is again wide.

The Asset Groups within this performance banding have an average size of 591 units and an average NPV per unit of £6,294. This performance would suggest that the units are not immediately in need of attention but that ongoing performance should be monitored.

"Average" Asset Groups

There are 45 Asset Groups with 30 Year NPVs per unit which are between £0 and £5000, representing 18,555 units. These Asset Groups require examination, given their (in many cases) marginal NPV position and the possibility that this could shift to a negative position. The make-up of this group is varied and there do not appear to be any apparent patterns in the stock

The average NPV per unit for this group stands at £2,710, with the average size of Asset Group at 412 units.

"Below Average" Asset Groups

All of these Asset Groups have a negative NPV – i.e. expenditure on the properties over the period exceeds income (again, excluding debt financing costs). Again, these Asset Groups are in a marginal position in that focused management initiatives have the potential to improve their NPVs into a positive position.

The 60 subject Asset Groups begin to feature flats and maisonettes and multi-storey blocks, although as with other groups, there is no apparent geographical concentration.

The average NPV for this performance band stands at -£1,926, with the average size of Asset Group at 288 units.

"Poor" Asset Groups

This group features 20 Asset Groups with NPVs per unit between -£5,000 and -£7,500. These comprise 4,607 units with an average NPV per unit of -£6,118. The average size of an Asset Group stands at 230 units.

Approximately 80% of the units within the group are flats and maisonettes. Average void rates increase to approximately 3.00% for these properties. Detailed analysis of these Asset Groups is required to more closely examine why they have significantly low NPVs per unit.

"Very Poor" Asset Groups

The final grouping of Asset Groups are those with an NPV per unit that sits below -£7,500. These groups are very poor performers and require detailed examination. The group comprises 9,664 units, with an average NPV per unit stands at -£9,832.

Examination of the Asset Groups within this band suggest that the East Belfast Bedsit Multi-storey Modernised properties are the worst performers, in line with our expectations for these properties. The groups include a high proportion of flats/maisonettes and bedsits.

We would attribute the very poor performance of these properties to a number of factors, including low rent levels, high maintenance and capital expenditure requirement or low demand (i.e., high voids or turnover). Interestingly, only approximately 25% (or about 2,465) of the total units within this performance band are classified as 'unmodernised'. That this represents only about 17.5% of the total list of unmodernised units would suggest that the adopted classification does not deliver the expected results. In other words, much of the property deemed to be unmodernised seems to be performing better than expected.

4.0   ANALYSIS OF NPV RESULTS

This Report sets out some basic analysis of the outputs of the asset management model. We focus on rental income, which we have determined to be the input to the model with the most significant statistical relationship with the NPV outputs. We also include an analysis of the relationship between Market Value and our NPV results.

4.1 Net Income

4.1.1 In order to understand NPV, it is important to understand the future cashflow profiles for each Asset Group in terms of surpluses and deficits. Deficits in the early years may be capable of being sustained by surpluses made elsewhere in the stock if there are longer term surpluses to be generated further down the line. Graph 4.1 below shows the overall group cashflow position over 30 years. This is an operating cashflow of the existing stock before any corporate liabilities such as bank interest are taken into consideration.

4.1.2 The graph shows cashflow surpluses in years 1-10 followed by a further ten-year period of ongoing negative cashflow (Years 11-20). Net cashflows increase to annual surpluses over Years 21 – 30, but these show steady decline (almost 60% to Year 30). The cashflows vary significantly with the adopted profile of capital investment costs. Higher net cashflow periods refer to years in which there will not be significant programmed repair programmes.
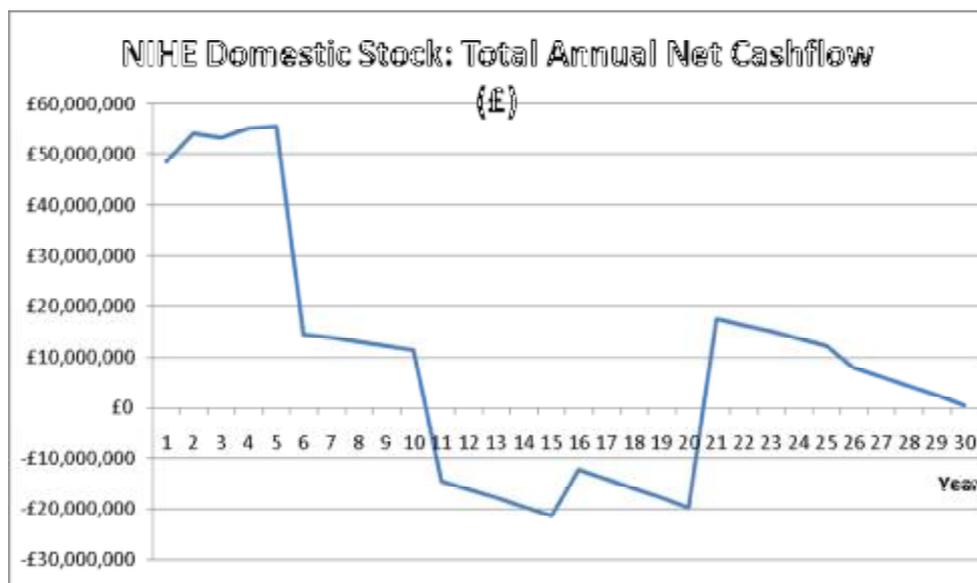
Graph 4.1: Total Annual Net Cashflow, All Domestic Stock

4.1.3 It is clear that there is a notable and ongoing decrease in net cashflow from Year 6 through to Year 20. This relates predominantly to a 60% increase in the capital expenditure liabilities that occur after Years 5-10, followed by a further increase of approximately 20% through Years 11-16. These relate to major elemental replacement costs for stock, including roofs and boilers.

4.1.4 Understanding the future cashflow profile will help in deciding whether or not investment is a viable proposition. The above profile very clearly demonstrates that surpluses associated with the domestic stock vary significantly and show a steady pattern of decline through time.

4.2 Future NPVs

4.2.1 Part of the results database measures the projected future NPVs of the Asset Groups based on the investment assumptions contained within the models.
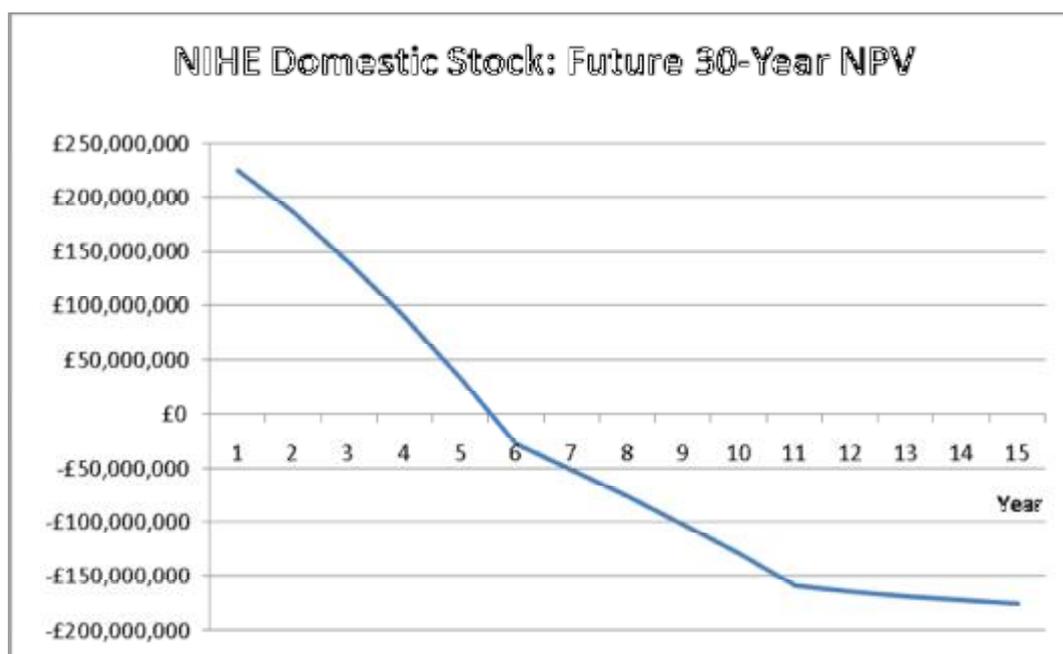
Graph 4.2: Estimates of Future NPV pu, all Domestic Stock

4.2.2 The graph demonstrates that the NIHE stock becomes less viable through time. The value of the stock is anticipated to decrease due to a number of key factors, of which we believe the level of current rent and the rent growth profiles are key (as examined below). The streams of annual income are not sufficient to mitigate the impact of the costs associated with the stock, both revenue and capital.

4.2.3 This is in line with our experience, where a significant number of RSLs have had an overall portfolio declining in value through time. The estimate for NPV growth pu across the whole stock is a -178% fall over the 15-year period.

4.3 Rent Levels

4.3.1 The graph below sets out rent levels per week on the horizontal axis and 30 Year NPV pu values for the NIHE Asset Groups on the vertical axis. There is a strong correlation between rent levels and NPV, with the exception of some outliers.
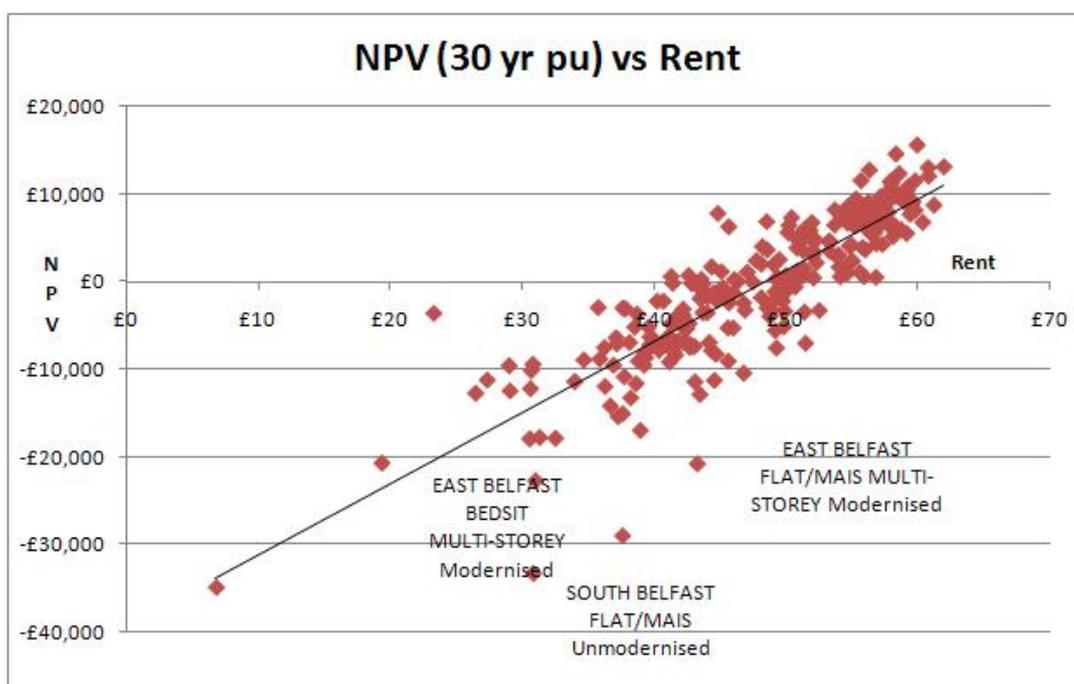
Graph 4.3: Asset Groups NPV (30 Year pu) and Average Rents

4.3.2 The relationship is captured by the line of 'best fit' shown in Graph 4.3 above. The outliers are characterised by rents that sit within the overall range of existing rents (which currently average £51.89 per unit per week) – as such, their performance is being determined by other factors.

4.3.3 There are a number of Asset Groups that have low rents and proportionally low worth. These Asset Groups may show an improved worth if the rents increase in line with other properties.

4.4 Market Values

4.4.1 The graph below plots Market Value against 30-Year NPVs per unit. Market Values have been determined for 90,072 units, with the aggregate Market Value across the domestic stock approaching £7.08 billion.
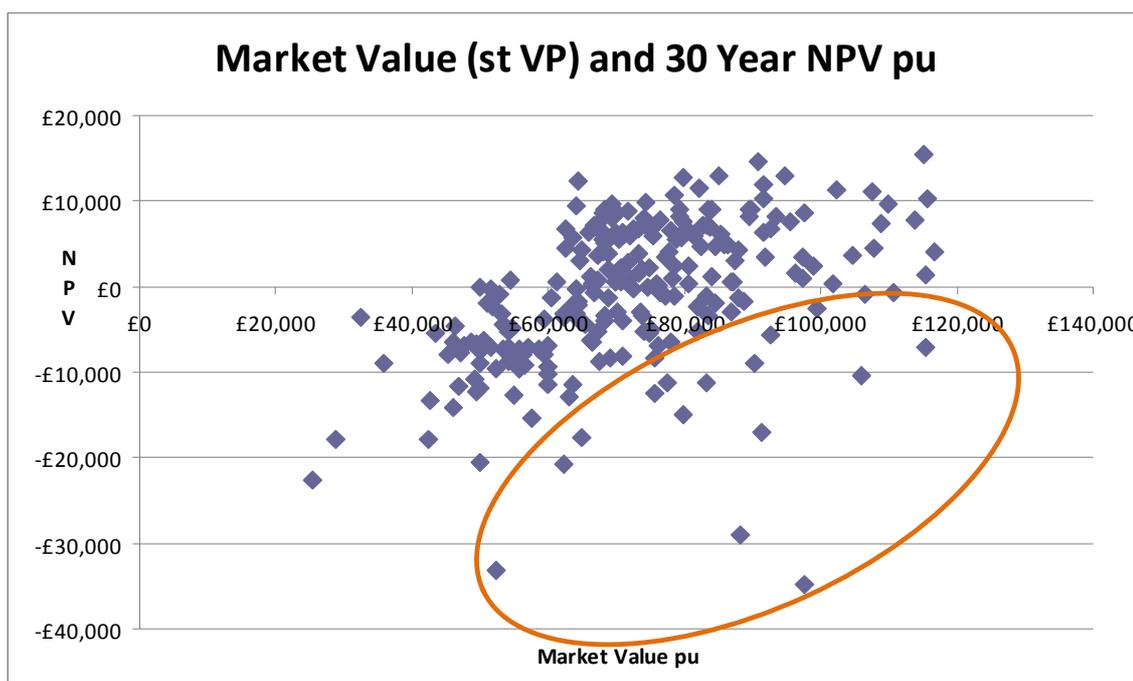
Graph 4.4: Market Values subject to Vacant Possession and 30 Year NPV per unit

4.4.2 A number of high Market Value properties are characterised by low worth, where there may be opportunities to achieve regeneration. However, lower Market Values are on the whole associated with lower worths.

5.0   APPLICATION OF POSITION STATEMENT RESULTS

5.1   Asset Group Selection

5.1.1 The initial asset modelling exercise has identified approximately 50,000 units with 30-year NPV per unit below £5,000. We believe that this is a reflection of the low current rents and predicted growth profile for these rents. For investment management purchases, this represents a high number of units which will make it difficult to target key decisions in terms of budgetary allocations.

5.1.2 As such, we would recommend that the initial focus in on the worst-performing Assets – those within the "Poor" and "Very Poor" performance bands described above. We would also recommend that those Asset Groups described in Section 2 with void rates higher than 5.00% are also examined. As such, the following criteria has been selected to identify properties requiring detailed option appraisal:

- As a priority, Asset Groups with current 30 Year NPVs pu below - £5,000;
- Asset Groups with void rates exceeding 5.00%.

5.1.3 The final stock list for further consideration under the above criteria is set out below. Prior to setting these out, a number of policies for dealing with the identified stock are put forward.

5.2   Policies for Improving Economic Performance

5.2.1. There are a number of potential policy instruments to address the problems associated with poor asset performance. These range from the improvement of an existing asset to its disposal on the open market. Prior to any decisions on any of

NIHE's units, it is necessary to appraise each property or groups of properties to determine what potential option should be implemented.

5.2.2 Key potential options for identified "candidate" stock are set out below. Clearly, in considering these options, a number of key practical issues may have to be considered, which could result in a number of properties being excluded from and / or included in the process:

- Remodelling / environmental investment in existing stock;
- Management initiatives potentially including change of use, sub-market renting and market-renting to improve financial performance;
- Transfer to another housing provider to ensure continued use as affordable housing but outside of NIHE's area of operations.
- Disposal of non-viable properties to remove onerous liabilities from NIHE's balance sheet;
- Regeneration including redevelopment.

5.2.3 The financial impact of the above options can be modelled on an Asset Group by Asset Group basis. Our Detailed Options Appraisal model is designed for this purpose. The key underlying assumption within the model is that the low worth of the Asset Group represents a Base Case that can be improved on. The model enables the user to compare the extent to which the above options could improve the NPV associated with the Asset Group.

5.2.4 If the worst performing Asset Group (East Belfast Multi-Storey Modernised) is considered (14 units with an average 30-Year NPV per unit of -£33,207), the following could be modelled:

- Remodelling of the 14 bedsits into a number of flats, with a consequent potential increase in 'lettability' implying increased income, a potential reduction in void levels and the early addressing of major repair issues;

- Disposal of the units on the open market at the level of Market Value determined within this exercise, accounting for the cost of relocating tenants. This receipt would greatly improve the overall worth of the Asset Group;

- Transfer of the units at tenanted value (which can be determined through the model) to an existing Housing Association – again, the receipts generated, although lower than Market Value receipts, would hugely improve the worth of the Group; or

- Full regeneration of the Asset Group – redevelopment to provide a mixed tenure scheme. Subject to the availability of grant to reduce rents to affordable levels this would deliver an improved worth on the 'Base Case'.

5.2.5 The option delivering the highest worth would determine, on a financial basis, the preferred option for NIHE.

5.3 Candidate List for Further Examination

5.3.1 The Asset Groups identified for further examination comprise a total of 17,474 properties within 86 Asset Groups:

- **14,271** units within 77 Asset Groups with 30 Year per unit worths lower than - £5,000 (i.e. returning a significant loss to NIHE);

- **3,203** additional units in 9 Asset Groups where voids currently exceed an established threshold level of 5.00%.

List of Asset Groups for Further Examination (Worths below -£5,000)

Asset Group	Unit Count	Worth Pu 30yr
East Belfast Bedsit Multi-Storey Modernised	14	-£33,824
South Belfast Flat/Mais Unmodernised	156	-£29,552
Lurgan Brownlow Bedsit Modernised	48	-£23,279
East Belfast Flat/Mais Multi-Storey Modernised	100	-£21,354
Banbridge Bedsit Unmodernised	18	-£21,261
Newtownabbey 1 Bedsit Multi-Storey Unmodernised	28	-£18,515
Portadown Multi-Storey Flat/Mais & 8 Bedsit Modernised + 2 Flat/Mais & 2 Bedsit Unmodernised	19	-£18,461
West Belfast Bedsit Modernised	14	-£18,360
East Belfast Flat/Mais & 7 Bedsit Unmodernised	77	-£17,563
Newtownabbey 1 Bedsit Bungalow Unmodernised	15	-£15,973
North Belfast Flat/Mais Unmodernised	130	-£15,647
Ballymena Flat/Mais Unmodernised	192	-£14,786
Omagh Flat/Mais Unmodernised	23	-£13,845
Banbridge House Modernised Pre 1945	40	-£13,461
Waterloo Place Bedsit Modernised	16	-£13,327
Shankill House Unmodernised	198	-£13,061
Waterloo Place Flat/Mais Unmodernised	65	-£12,805
Larne Flat/Mais Unmodernised	74	-£12,572
Strabane Flat/Mais Modernised & 3 Unmodernised	88	-£12,226
Fermanagh House Modernised Pre 1945	20	-£12,039
South Belfast Bedsit Bungalow Unmodernised	19	-£11,997
Shankill House Modernised Pre 1945	244	-£11,858
West Belfast Bedsit Multi-Storey Modernised	17	-£11,829
Shankill Flat/Mais Unmodernised	27	-£11,447
South Belfast House & 1 Bedsit Bungalow Modernised	79	-£11,040

Asset Group	Unit Count	Worth Pu 30yr
1945-1960		
Castlereagh Bedsit Unmodernised	21	-£10,760
Castlereagh Bedsit Multi-Storey Modernised	14	-£10,189
Portadown Flat/Mais Modernised	266	-£10,145
Newtownabbey 1 Flat/Mais & 1 Bedsit Unmodernised	181	-£10,136
Castlereagh Bedsit Modernised	18	-£10,037
Coleraine Flat/Mais Unmodernised	102	-£9,775
East Belfast House Unmodernised	143	-£9,668
Lurgan Brownlow Flat/Mais Unmodernised	48	-£9,657
Carrickfergus Flat/Mais & 7 Bedsit Unmodernised	47	-£9,544
Limavady Flat/Mais Unmodernised	41	-£9,434
West Belfast Flat/Mais Unmodernised	94	-£9,305
Newtownabbey 1 Flat/Mais Modernised	706	-£9,281
North Belfast Flat/Mais & 2 Bedsit Modernised	901	-£9,008
Dungannon House Modernised Pre 1945	78	-£8,889
Waterloo Place Flat/Mais Modernised	589	-£8,720
Downpatrick Flat/Mais Modernised	407	-£8,474
Dungannon Flat/Mais Unmodernised	14	-£8,463
North Belfast Flat/Mais Multi-Storey Modernised & 8 Flat/Mais Multi-Storey Unmodernised	499	-£8,451
Ballymena Flat/Mais & 1 Bedsit Modernised	477	-£8,337
Hostels West	38	-£8,183
Banbridge Flat/Mais Unmodernised	30	-£8,119
Dungannon Flat/Mais Modernised	169	-£8,105
Waterside Flat/Mais Modernised & 5 Unmodernised	322	-£8,003
Bangor Flat/Mais Unmodernised	71	-£7,969
Bangor Flat/Mais Modernised	821	-£7,851
Omagh Flat/Mais Modernised	248	-£7,717
Lisburn Antrim Street Flat/Mais Multi-Storey Modernised	101	-£7,710

Asset Group	Unit Count	Worth Pu 30yr
Limavady Flat/Mais Modernised	129	-£7,634
West Belfast House Modernised 1945-1960 & 6 Bedsit Bungalow Modernised	716	-£7,629
Castlereagh Flat/Mais Unmodernised	254	-£7,559
Newtownabbey 1 Flat/Mais Multi-Storey Unmodernised	233	-£7,544
Antrim Flat/Mais Unmodernised	165	-£7,515
Shankill Flat/Mais Modernised	469	-£7,374
Fermanagh Flat/Mais & 3 Bedsit Modernised & 2 Flat/Mais Unmodernised	136	-£7,211
Portadown Flat/Mais Unmodernised	20	-£7,121
Larne Flat/Mais Modernised	345	-£7,065
Castlereagh Flat/Mais Modernised 1945-1960	238	-£7,013
South Belfast Flat/Mais Multi-Storey Modernised	82	-£6,919
Armagh Flat/Mais Unmodernised	41	-£6,818
Shankill House Modernised 1945-1960	430	-£6,216
Waterloo Place House Modernised Pre 1945	16	-£6,036
Lurgan Brownlow Flat/Mais Modernised	445	-£5,985
Portadown House Modernised Pre 1945	15	-£5,900
Omagh House Modernised Pre 1945	46	-£5,896
Banbridge Flat/Mais Modernised	227	-£5,815
West Belfast Flat/Mais & 5 Bedsit Modernised	699	-£5,801
Dungannon House Modernised 1945-1960	252	-£5,746
Armagh Flat/Mais Modernised	270	-£5,442
Downpatrick Flat/Mais Unmodernised	13	-£5,412
Antrim Flat/Mais Modernised	418	-£5,318
Coleraine Flat/Mais & 4 Bedsit Modernised	433	-£5,109
Cookstown Flat/Mais Unmodernised	12	-£5,036
TOTAL	14,271	

List of Asset Groups for Further Examination (Voids above 5.00%)

Asset Group	Total Units	Average Void Rate PA	Worth Pu 30yr
Waterside House Modernised Pre 1945	10	5.05%	-£18
Castlereagh Flat/Mais Modernised 1961-1980	874	5.44%	-£3,014
Lisburn Antrim Street Flat/Mais Modernised	967	5.58%	£577
Omagh House Unmodernised	69	6.07%	-£3,286
Newtownards Flat/Mais & 1 Bedsit Modernised	706	6.31%	-£3,979
West Belfast Flat/Mais Multi-Storey Modernised	74	6.65%	-£2,958
Lisburn Antrim Street House Modernised Pre 1945	23	7.84%	£7,750
Larne Flat/Mais Multi-Storey Unmodernised	178	8.27%	-£3,559
Castlereagh Flat/Mais Multi-Storey Modernised	302	8.44%	-£3,706
Total	**3,203**		

6.0   SENSITIVITY ANALYSIS

In line with the Business Modelling exercise we have run a number of sensitivity scenarios.

6.1   Rental Growth

6.1.1   The key factor in driving the results was suggested above to be the current level of rents across the stock and the existing growth profile for these. The average level of passing rent at £51.89 per week is deemed to be comparatively low in comparison to the mainland where the DCLG rent restructuring system is in place, and has a significant influence on the present value of the stock.

6.1.2 We have therefore determined to analyse the impact on the worth of the stock by assuming three separate rental growth profiles:

- RPI + 1.0%
- RPI + 2.0%
- RPI + 3.0%

6.1.3 In each case, a base case assumption of rental growth of 2.0% in 2009/10 has been made, followed by the increased growth profile. The results of the analysis are summarised in the table below:

Scenario	30 Year Worth	30 Year Worth pu	Increase on Per Unit basis on Base Case
Base Case	£224,864,089	£2,485	
RPI + 1.0%	£657,894,986	£7,273	193%
RPI + 2.0%	£1,165,355,001	£12,883	416%
RPI + 3.0%	£1,761,831,899	£19,477	684%

Table 8.1: Real Rental Growth Sensitivity Scenarios

6.1.4 The table demonstrates at a very simple level the high sensitivity of the model to real increases in rent. However, it also serves to illustrate more clearly the most poorly performing assets. The table below sets out the performance banding of the assets under the real rental growth scenario of RPI + 2.0%:

30-Year NPV Per Unit	30-Year Worth pu Performance Band	Unit Count	Proportion	30-Year Worth	30-Year Worth pu
Greater than £7,500	Excellent	67,040	74.11%	£1,122,232,705	£16,740
Between £5,000 and £7,500	Good	6,645	7.35%	£42,052,074	£6,328
Between £0 and £5,000	Average	9,207	10.18%	£21,591,289	£2,345

30-Year NPV Per Unit	30-Year Worth pu Performance Band	Unit Count	Proportion	30-Year Worth	30-Year Worth pu
Between £0 and -£5,000	Below Average	6,212	6.87%	-£6,606,969	-£1,064
Between -£5,000 and -£7,500	Poor	524	0.58%	-£3,342,087	-£6,378
Less than -£7,500	Very Poor	827	0.91%	-£10,572,011	-£12,784
Totals		**90,455**	**100.00%**	**£1,165,355,001**	**£12,883**

Table 8.2: Performance Bands under RPI + 3.0% Rental Growth Scenario

6.1.5 In the above case, the 'Very Poor' assets (i.e. those with 30 Year Worths pu of under -£7,500) comprise the following:

Asset Group	Total Units	Worth Pu 30yr
East Belfast Bedsit Multi-Storey Modernised	14	-£27,963
South Belfast Flat/Mais Unmodernised	156	-£22,060
Banbridge Bedsit Unmodernised	18	-£17,726
Lurgan Brownlow Bedsit Modernised	48	-£17,515
East Belfast Flat/Mais Multi-Storey Modernised	100	-£12,796
Newtownabbey 1 Bedsit Multi-Storey Unmodernised	28	-£12,374
West Belfast Bedsit Modernised	14	-£12,259
Portadown Multi-Storey Flat/Mais & 8 Bedsit Modernised + 2 Flat/Mais & 2 Bedsit Unmodernised	19	-£12,100
East Belfast Flat/Mais & 7 Bedsit Unmodernised	77	-£9,922
Newtownabbey 1 Bedsit Bungalow Unmodernised	15	-£8,749
North Belfast Flat/Mais Unmodernised	130	-£8,221
Waterloo Place Bedsit Modernised	16	-£7,898
Ballymena Flat/Mais Unmodernised	192	-£7,612
Total	**827**	

Table 8.3: 'Very Poor' Asset Groups under real rental growth scenario of RPI + 2.0%

6.1.6 The other useful application of the real rental growth sensitivity analysis is to determine the impact of this on the future value of the portfolio. The graph below sets out the impact of the RPI + 2.0% real rental growth scenario on the portfolio:
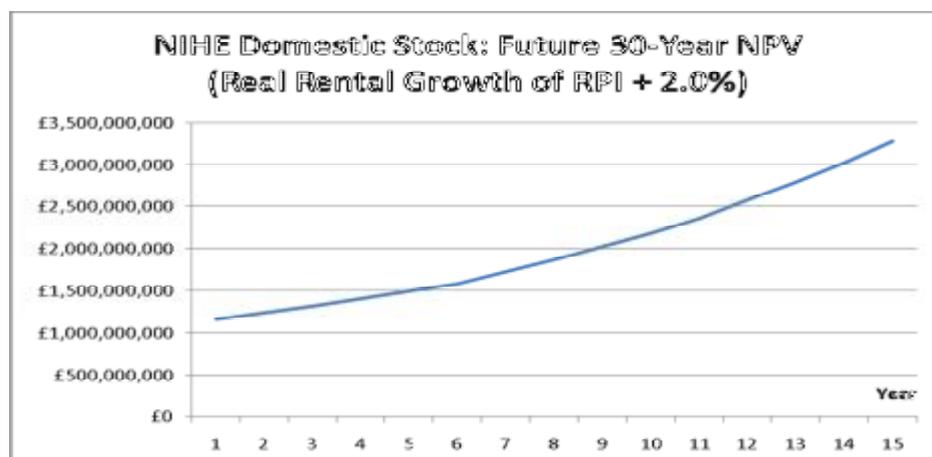
Graph 8.1: Future NIHE 30-Year Average NPV pu, all Domestic Stock

6.1.7 The graph demonstrates the positive impact of real rental growth increases on the average NPV per unit for the 247 Asset Groups.

6.1.8 The conclusion in respect of potential real rental growth modelling is that this will have a positive impact on the overall value of the portfolio. This suggests that policy for rental increases should be central in future considerations with regard to the NIHE as a financial proposition. This theme is taken up in the Business Planning section.

SECTION 3 - SUSTAINABILITY OF NIHE'S STOCK

1.0   SUMMARY

1.1   The Stock Condition Survey did not include certain works that Savills' considers essential to ensure that the stock works for landlord, tenant and the wider community in the long term, but are not required to achieve the Decent Homes Plus Standard or lie outside the landlord function. These include: -

- Investment in environmental and security works;
- Regeneration of unsustainable properties;
- Investment in amenity land;
- Expenditure on Aids and Adaptations.

1.2   In addition, provision should be considered for changes in the Decent Homes Plus Standard. These are almost certain to include enhancements to environmental performance.

1.3   On the mainland these costs would be jointly funded by landlords and other authorities out of separate resources and delivered in partnership with other public agencies and the private sector. This Chapter sets out for each element of expenditure:-

- A description of the current position;
- Best practice based on experience in the mainland;
- An evaluation of the importance of these expenditures for the sustainability of the NIHE stock;
- Recommendations for a transparent framework for funding these expenditures in future.

2.0 ENVIRONMENTAL AND SECURITY WORKS

2.1 Over the last 30 years NIHE has made a very substantial Investment in environmental works principally to improve security and manageability. These works include: -

- Replacing chain link and wooden fencing with brick walls and metal railings, to a very high standard;
- Replanning parking areas to provide easier access and improved security by giving residents the ability to overlook their vehicles;
- Replanning pathways and, in some cases, roadways to improve permeability and security.

2.2 NIHE has accessed additional funding from DSD and local authority regeneration resources to supplement funding from its landlord account. Because of the substantial expenditure in recent years the Stock Condition Survey shows limited expenditure for the next 5 years. Spend then averages £7m pa to replace elements as they come to the end of their lives.

Description	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Front fencing	£139,442	£2,357,692	£8,115,562	£10,540,920	£6,281,038	£3,669,579	£31,104,233
Rear fencing	£603,064	£8,067,467	£19,546,233	£19,455,744	£8,023,342	£9,280,720	£64,976,570
Boundary walls	£510,765	£528,537	£2,354,386	£5,915,320	£5,802,461	£2,750,190	£17,861,659
Gates	£444,445	£1,460,860	£4,171,457	£4,406,405	£2,321,303	£1,154,168	£13,958,638
Paths	£1,426,772	£2,099,239	£13,297,342	£28,790,556	£19,363,655	£7,774,189	£72,751,753
Parking areas	£337,249	£1,229,713	£1,465,165	£881,978	£595,917	£408,220	£4,918,242
Grand Total	**£3,461,737**	**£15,743,508**	**£48,950,145**	**£69,990,923**	**£42,387,716**	**£25,037,066**	**£205,571,095**
PA	**£692,347**	**£3,148,702**	**£9,790,029**	**£13,998,185**	**£8,477,543**	**£5,007,413**	**£6,852,370**

2.3 These expenditures are **not** required by the Decent Homes Plus Standard as it applies in England. They are required by the Welsh Homes Standard, which gives a higher priority to investment in the environment of estates.

2.4   The mandatory standards on the mainland are captured in Audit Commission Key Lines of Enquiry 6, "Tenancy and estate management". This emphasises access, customer care & user focus, ie responding to service users. It goes on to lay heavy emphasis on preventing and dealing with Anti-Social Behaviour. Its recommendations on the physical environment are captured under estate management:

- "Does the organisation comply with the statutory requirements and good practice in estate management?
- Are estate grounds and other communal areas kept clean, tidy and attractive by working closely with service users, other departments and external agencies?"

2.5   In relation to these activities it defines an organisation delivering an excellent service as: -

- "Ensures the most efficient use of its garages and parking areas, taking into account the needs of its services users, tenants and leaseholders, and other stakeholders, and design limitations.
- Takes a proactive approach to increasing security and 'designing out' crime to communal areas and can demonstrate clear benefits for service users."

2.6   In practice, Inspection on the mainland has increasingly focussed on these areas as service users' concerns have shifted from achieving the Decent Homes Standard to the external environment of their homes. This is strongly linked with safety and security, reflected in the "Respect" agenda.

2.7   In the context of Northern Ireland, concerns over safety and security have been pre-eminent. Heavy historic investment has resulted in assets that will not require reinvestment for many years, as reflected in the stock condition cost profile. On the other hand, where environmental and security woks have not been completed or are considered inadequate there will be substantial pressure from service users for

new investment. In those areas there is a significant risk that resident satisfaction will reduce, leading to reduced demand and hence losses to the Business Plan.

2.8   Funding for these expenditures should not fall entirely on the landlord account. On the mainland landlords fund this work "by working closely with service users, other departments and external agencies", as recommended by the Audit Commission. In other words, landlords are not expected to shoulder the responsibility for community safety alone. This is especially relevant when estates are of mixed tenure as a result of the Sales Programme, so that the responsibility should fall proportionately on the shoulders of tenants, leaseholders, home owners, Council Tax payers in general and society at large through budgets for policing. In England this is commonly organised through Community Safety Partnerships, which distribute budgets for safety and security. Major landlords are expected to participate and often match fund schemes agreed through the partnership. By working together the various agencies can assign priority to schemes irrespective of whether they are on social housing estates or in the community at large and hence achieve best value.

2.9   It is recommended that:

- DSD and NIHE explore the quantum of discretionary investment in Environmental and Security Works that is likely to be required going forward;
- Mechanisms for joint funding with Central Government and Local Authorities are explored;
- A transparent framework for public support to Environmental and Security Works is established against which NIHE as a landlord may bid on an annual basis, in competition with other landlords and agencies, hence demonstrating value for money.

3.0 REGENERATION

3.1 The Stock Condition Survey, Asset Model and Base Business Plan are founded on the assumption that NIHE retains its entire current stock for the next 30 years and maintains it to the Decent Homes Plus Standard. Disposals under the Sales Scheme are treated as a scenario test, to reflect current uncertain market conditions. In practice the NIHE has in the past redeveloped properties that suffer from anti-social behaviour leading to low demand despite continuing high demand for social housing as a whole. Typically these are otherwise sound properties that meet the DHS but are rendered unsustainable because of: -

- Block layout – eg flats under maisonettes;
- Estate layout – eg outmoded Radburn layouts which do not provide "defensible space" for residents;
- Hot spots for Anti-Social Behaviour - eg parking areas close to major thoroughfares used for drug-dealing or petty crime;
- In the recent past, proximity to boundaries between communities causing flash-points for inter-communal violence.

3.2 The practical solution to these problems has in the past generally been demolition followed by development of new social housing on a modern estate plan. The Asset Management Model reveals some Asset Groups where the issues are reflected in the performance of asset groups. (This may miss Asset Groups that **only** exhibit social and community issues.)

3.4 On the mainland a great deal of attention has been focussed on the need to regenerate dysfunctional social housing estates. A large body of experience of "what works" has been built up. A brief summary of the fundamental features of the highly complex process of successful estate regeneration is as follows:

- Involvement of all residents of all tenures from the outset;

- Redevelopment to deliver mixed tenure housing to break up mono-tenure neighbourhoods;
- Investment in community development;
- Investment in associated assets, such as shops, workplaces, education and training, health, leisure etc
- Delivery through Joint Venture arrangements involving landlords, local authorities, private developers and community organisation.

3.5   Funding has been provided through:

- Private finance raised by landlords and private developers;
- Cross-subsidy between market housing and affordable housing;
- HAG on a "Works Only" basis through the Housing Corporation (now the Homes and Communities Agency) or occasionally PFI credits;
- Non-housing funding provided by local authorities or regeneration programmes.

3.6   In Key Line of Enquiry 3, Stock Investment and Asset Management, the Audit Commission defines an organisation delivering an excellent service and achieving value for money as:

- "Has undertaken a thorough assessment of the resources required and potentially available, to support investment in the DHS, including (where appropriate) private finance, social housing grant, recycled grant funds, proceeds from the disposal of properties and regeneration resources (for example, Market Renewal Fund (MRF) as well as Single Regeneration Budget (SRB), Neighbourhood Renewal Fund (NRF) and European Union (EU) funding), as well as internal budgets."

3.7   Following the creation of the HCA, regeneration schemes in England will become part of the "single conversation" with local stakeholders. The HCA will advance housing and regeneration finance simultaneously and may take an equity stake in

schemes.   It will hold a national budget for regeneration and allocate it on transparent criteria. It will arrange competitions for funding and apply standardised social and economic appraisals to ensure that best value is achieved.

3.8   It is recommended that: -

- DSD and NIHE explore the quantum of discretionary investment in estate regeneration that is likely to be required going forward;
- Mechanisms for joint funding with private developers, Central Government and Local Authorities are explored;
- A transparent framework for public support to regeneration is established against which NIHE as a landlord may bid on an annual basis, in competition, hence demonstrating value for money.

4.0   AMENITY LAND

4.1   NIHE has inherited exceptionally large areas of amenity land that it has an obligation to maintain and invest in. The Stock Condition Survey provide for £9m pa for Grounds Maintenance / Tree Surgery, or approximately £100pa for each resident. This is based on current patterns of expenditure. It is extraordinarily high and is way above any of Savills' benchmarks

4.2   The area of amenity land is enormous with almost 70,000 separate parcels of land and over 140,000 trees across the whole province. This is in excess of anything necessary for the discharge of landlord functions, which is limited to those areas enjoyed exclusively by the residents of estates. It includes large areas created by demolition of homes exposed to security threats and other areas originally transferred from local authorities. The land provides "amenity" for the whole community, not just NIHE's tenants and leaseholders. NIHE is therefore providing a community service in excess of its landlord function and incurring expenditures that are unnecessary for the sustainability of the stock.

4.3   On the mainland local authorities transferring their stock are obliged to discriminate between land for public benefit and land proving amenity for tenants and leaseholders. The more enlightened local authorities retain land for community benefit and maintain it out of Council Tax resources.

4.4   Changing the position will be difficult in a Northern Ireland context. Local authorities have proved reluctant to accept responsibility for maintaining community facilities forming part of the NIHE estate. Nevertheless it is essential that NIHE takes a tougher line on this area of expenditure, giving priority to meeting its landlord obligations. It should also seek to achieve equity between tenants and leaseholders who enjoy these amenities and those who don't be implementing a new service charges regime (see section on Rents).

5.0   AIDS AND ADAPTATIONS

5.1   NIHE's 2009/10 Budget includes capital expenditure of £4.6mm on Disabled Adaptations, principally extensions. In addition, it plans to incur revenue spend of £10.5m on new installations and £2.4m on maintaining existing installation. This totals £17.5m, which represents over £194 per unit pa. An average of £20 pu pa would be more normal on the mainland.

The capital expenditure covers 150-200 units pa with adaptations in excess of £25,000 pu, including the creation of ground floor extensions to houses to make them suitable for residents with severe physical disabilities. These expenditures are not planned; they are driven by resident expectations and the recommendations of Occupational Therapists, who hold no budgetary responsibility.

5.2   On the mainland the Audit Commission emphasises the importance of a positive approach to Aids and Adaptations. In Key Line of Enquiry 3, Stock Investment and Asset Management. It asks: -

- "Does the organisation enable service users with disabilities to continue to live in their homes, if they want to?"

5.3 In relation to these activities it defines an organisation delivering an excellent service as:

- "Has good relationships with other stakeholders, including Health and Social Service specialists, enabling service users to receive aids and adaptations as part of appropriate support packages.
- Promotes adaptations for service users with disabilities and provides them quickly and to a high standard."

5.4 The emphasis here and in the case studies is on joint working to make the most of cash-limited budgets for Disabled Facilities Grant and HAG from the HCA. There is also encouragement to achieve the efficient use of existing adapted stock by maintaining records of historic investment in adaptations and, where appropriate, to incentivise tenants to move to new homes that better meet their needs. Good examples are as follows:

"Somer Community Housing Trust

As part of the planning process of its major works programmes, the Trust actively seeks out residents who have disability needs. It has developed an approach with the local authority to fast track assessments by OTs and arrange for its own contractors to amend planned work in line with recommendations from OTs. It has also agreed financial arrangements with the local authority in respect of Disabled Facilities Grants.

Sovereign Housing Association

SHA provide their own resources of up to £2,500 per property for tenants that need minor aids and adaptations, that has allowed more needy tenants with facilities to

remain in their own home, a reduction of the waiting list for Disabled Facilities Grant and high levels of satisfaction. They have also worked with a local authority to ensure they prioritise DFG applications so that the most needy are dealt with first. Further information from the body of the report: SHA have a user focused and proactive approach to providing aids and adaptations. As a result of delays and under-funding by local authorities in dealing with Disabled Facilities Grants (DFGs), they have increased their aids and adaptations budget for 2004/05 by £175,000 to £225,000 and they fund works up to £2,500 on any one property, without the need for the tenant to apply for DFG. Working closely with West Berkshire District Council, SHA's DFG work has been prioritised to ensure the most urgent cases are dealt with first and SHA used resident feedback to get West Berkshire to simplify their DFG application form. Satisfaction with this service since April when the funding increased is 98 per cent and the adaptations we saw were of high quality. Where a property becomes empty, adaptations that are not required are removed and are recycled. Adapted properties which are not recorded on the stock database are being identified through the stock condition surveys."

5.5   The common theme is a pragmatic approach to minor aids and adaptations ("up to £2,500 per property"), which are seen as landlord obligations, and then a more strategic approach to making major investments shared with the other stakeholders who would otherwise have to shoulder the burden of caring for persons with more severe disabilities. In practice, the provision of house extensions is limited to very few cases of younger wheelchair–bound residents who are likely to be long-term residents of adapted accommodation. Even then this is likely to be a last resort.

5.6   In an ageing society, households in all sectors will require aids and adaptations. Limited public funds should, in principle, be allocated fairly so that households have an equal chance of support according to need rather than tenure. Part of NIHE's landlord function should be to enable residents with disabilities to have their needs met. It should exercise reasonable limits on expenditure through its landlord account but should not cover expenditure that should be met through central resources. DSD should ensure an equal allocation of funds to all sectors.

5.7   It is recommended that:

•   DSD and NIHE explore a strategic approach to investment in Aids and
     Adaptations;

•   NIHE should reconsider its approach to funding extensions and other very
     expensive adaptations; they should only be considered if there is no
     alternative;

•   Mechanisms for joint funding with Central Government and Local Authorities
     are explored;

•   A transparent framework for public support for Aids and Adaptations is
     established against which NIHE as a landlord may bid on an annual basis, in
     competition with other landlords and agencies, hence demonstrating value
     for money.

6.0   ENVIRONMENTAL SUSTAINABILITY

6.1   The DHS in England is currently under review. Whilst no new standard has yet
       been published DSD and NIHE may wish to make provision for changes in the
       future.

6.2   As an example, the stock includes 31 multi-storey blocks. NIHE is of the view that
       the great majority of these blocks need to be overclad which will have the benefit of
       protecting the structure of the blocks and improving the thermal performance. This
       work is not essential in terms of the current Decent Homes Plus Standard but may
       become mandatory in future.

6.3   Another example is the stock of flat roofed properties. Again, there is no evidence
       of a lack of structural integrity but introducing pitched roofs will improve thermal
       performance.

6.4   No provision has been made for these factors, and are reported on to note only.

7.0   CONCLUSION

7.1   The are four lines of expenditure currently in NIHE's landlord account that, in full or in part, lie outside the strict definition of the landlord function. These activities are considered essential to the proper functioning of housing in Northern Ireland and the health of the local communities. They would benefit from greater transparency. In each case, on the mainland the costs would be jointly funded by landlords and other authorities out of defined resources and delivered in partnership with other public agencies and the private sector. Resources would be competed for on an annual basis to ensure value for money.   There would be an independent assessment against a standard appraisal model to ensure economy and efficiency.

7.2   **It is recommended that** a framework for support for investment in sustainability should be considered for the next Comprehensive Spending Review. The budgets should not be held by NIHE as landlord but by one or more other agencies. The total resources required are likely to be of the order of: -

Expenditure	Estimated Volume	Included or Excluded in Base Case
Investment in environmental and security works	Up to £10m pa, plus other community safety initiatives	Included at a reduced level to maintain existing investment
Regeneration of unsustainable properties	Budget for HAG to regenerate properties at "Works Only" grant rates	Excluded
Investment in amenity land	C £8m pa	Included, but considered excessive
Expenditure on Aids and Adaptations	C £5m pa	Included, but considered excessive
Future enhancements to thermal performance	TBA on conclusion of the new DHS	Excluded

SECTION 4 - RENT AND SERVICE CHARGE SETTING

1.0   THE APPROACH TO RENT SETTING

1.1   The approach to rent setting in Northern Ireland mirrors what existed in England prior to the introduction of the Rent Convergence regime in 2000. There is a points system to work out the amount of rent to charge. Points are awarded according to the age and type of property, number and size of rooms and facilities such as heating. Points are deducted if a dwelling lacks certain basic amenities or has an unusual type of access.

1.2   The value of a point is revised each year and this amount, multiplied by the number of points allocated to a property gives the amount of rent to be charged. Currently, this is in the region of £1.47 per rent point. When improvements are made, the rent can be adjusted to reflect any increase in points but not the value of the work. This means that there is little return on the investment in the modernisation works that have been carried out.

2.0   OTHER APPROACHES

2.1   The rent convergence approach was adopted in **England** with the intent of making social housing rents fair, affordable and less confusing to tenants. It was also hoped to develop a closer link between rents and the qualities that tenants saw as being important and to remove the rent differentials between Housing Association and Local Authority rents.

2.2   The Government wanted social rents to reflect:

- condition and location of properties, and other qualities that tenants value;
- local earnings, so as to take account of affordability;
- property size.

2.3   It was believed that property values provided a simple and transparent way of reflecting the relative attractiveness of properties to tenants. Local earnings moderate the impact of property values on rent levels, ensuring that rents reflect local incomes and remain affordable. Property size helps to ensure a sensible pattern of rent differentials between properties with different numbers of bedrooms.

2.4   In **Holland,** rents were originally based on providing a subsidy to the property. However, this approach changed in the 1990's to subject subsidies, and the responsibility for setting rents switched to the Corporations (similar in structure to Housing Associations), following the movement of property from Government control to the Corporations.

2.5   It is important to note that rent levels in the Netherlands are reflective of the quality of the property. Therefore, the higher the rent, the better the location, space, standards, etc.

2.6   In **France**, the system is similar to that of Northern Ireland where the HLMs (*Habitat a Loyer Modere Union*) semi-public companies, set rents. The principle of *surface corrigee* was established in 1948 with a law covering the fixing of rents for private accommodation. This law took account of the surface area of rooms, what they were like: for example, whether they receive sunlight, the view from the windows; the fixtures and fittings and the general comfort; the state of repair of the building and communal areas; and the characteristics of the neighbourhood.

2.7   Again, the advent of personal subsidies as against property subsidies has meant changes to this specific approach. However, rents are still calculated by using a points system, which reflects the original approach. A base rent is calculated that is increased according to criteria such as type of property, whether it has central heating or not, fixtures and fittings and so on.

2.8   All of these approaches attempt to link back the level of the rent to the benefit that the tenants gains from that rent. However, the significant difference is the use of

location, and value, in both Holland and England to partly determine the total rent. The location element is further enhanced in England, by the use of local average earnings to temper the local effects of property values.

3.0 COMPARATIVE FIGURES

3.1 The table below is taken from the "Ford Report" and demonstrates the proportion of average earnings that is spent on rent in both England and Northern Ireland. This suggests that the relative proportion of earnings spent on rent is similar between the two. Increasing the NI costs to match the 10% proportion in England would generate an additional £1.45 per week (at that point in time) roughly around £6.7m per year.

Relative rent levels in England and Northern Ireland

Year	England			Northern Ireland		
	Average Earnings (£)	Average Rent (£)	%	Average Earnings (£)	Average Rent (£)	%
2000/01	471.00	45.62	9.7	393.30	39.18	10.0
2001/02	498.30	47.72	9.6	409.20	40.34	9.9
2002/03	521.30	49.42	9.5	422.50	41.53	9.8
2003/04	533.50	51.26	9.6	437.70	42.88	9.8
2004/05	559.40	52.78	9.4	463.50	44.19	9.5
2005/06	578.70	55.11	9.5	486.50	45.73	9.4
2006/07	602.40	60.53	10.0	502.30	48.82	9.7

Source: Ford Report sourced from a NIHE Board paper 31/1/07

3.2 Average rents for 2008/09 for Northern Ireland are in the region of £51.87 per week, a rise of around 6.25% over two increases and with an increase of only 1.95% in 2009/10. In England, the increases have been 4.1% and 4.4%, with an average increase of 3.1% for 2009/10, a compound increase over the three years of 12%.

Assuming that the average earnings increased by a similar percentage in each, then at 4% although the English proportion would remain at around 10% the NI proportion would be maintained at around 9.7%. This suggests that the divergence is maintained and the proportion of average earnings spent on rent will continue to be lower in Northern Ireland.

3.3   Interestingly although the Ford report looked at NIHE and whether a greater level of debt could be serviced from its existing rents it did not discuss whether there was room for a relatively small increase in rent to assist in reducing subsidy.

3.4   Within the Associations operating in Northern Ireland, the average rent for a 2 Bed property (decontrolled rehab) for 2007/08 is £51.10 and £59.36 for a similar 3 Bed *(source: DSD website).* This suggests two things; that the average rents are higher within the Association sector and that there is a more significant difference between bedsizes than can be found in the NIHE stock. Each additional bedroom adds either 2 or 3 points (single or double) to the rental cost so currently only an increase of just under £3.00 or just over £4.00.

4.0   TENANTS' SERVICE CHARGES

4.1   The majority of the Housing Associations in Northern Ireland (and England) charge for some additional services provided. Traditionally, Local Authorities in England have carried service costs within the rent costs but in recent years this has changed as they have been encouraged by Government to "de-pool" service costs from rents.

4.2   This is an important point for tenants, in that where service costs are simply met from total rental income, they have little say in the services that they receive and what they pay for them. It also means that those who do not receive services are subsidising those who do. This is particularly the case in such areas as caretaking, grounds maintenance etc.

4.3   Our view is that a move towards transparent independent charging for services should be adopted in its entirety and that tenants should be involved in determining the services that they receive and what they are willing to pay for them. This is now seen as good practice in England.

5.0   CONCLUSIONS AND RECOMMENDATIONS

5.1   A complete examination of the rent system was beyond the terms of our brief. However, judging by the above figures, our view is that there is sufficient headroom to be able to increase rents within NIHE stock while keeping them affordable. Given the scale of the NIHE, each £1 per week increase (albeit phased in over a number of years) would generate around £4.5m. Naturally this would also increase the Housing Benefit bill for the stock.

5.2   Therefore we would recommend that:

- a complete review of the rental system be carried out for both NIHE and Housing Associations with the aim of producing a transparent and comprehensive methodology for future increases, with a view to adopting a system that links to property values and local earnings
- a new service charge regime be adopted that allows charges to be levied that are reasonable, transparent and do not allow a profit to be made

SECTION 5 - BUSINESS PLANNING

The purpose of this Chapter of the Report is to place the results of the Stock Condition survey into the context of the Operating results of the Landlord function of the Northern Ireland Housing Executive (NIHE) and, in particular, to measure the effects on the level of subsidy required to sustain social housing within the Province

1.0 CURRENT TRADING POSITION

1.1 The foundation of any Business Plan has to be the current operating performance of the organisation. We have therefore reviewed and analysed the NIHE Capital and Revenue Budgets that were published as at November 2008 and have used the Budget, which is set out in that document, as the current Operating position. It is understood that this version of the Budget reflected the amendments agreed by DSD in the September 2008 Monitoring Round.

1.2 The total Subsidy expected to be paid to the NIHE in 2008/9 can be broken down as follows:

	Landlord	Non- Landlord	Total
	£'m	£'m	£'m
Capital	92	225	317
Revenue	(63)	101	38
	29	326	355
Sale of Properties	(5)	-39	(44)
Funding Costs	184	0	184
Subsidy	**208**	**287**	**495**

1.3   A simple explanation of the Subsidy paid for the Landlord function is therefore:

"The net Operational costs of the Landlord service, reduced by the sale proceeds..

In addition, a subsidy is given to cover funding costs, which includes the repayment of capital principle of the historic loans".

1.4   The Landlord section of the table above could therefore be re-stated as:

	Landlord £'m
Operational costs	(29)
Less :Sale of Properties	5
	(24)
Interest	(87)
Operating Deficit	**(111)**
Loan Repayment	(97)
Cash deficit requiring Subsidy	208

1.5   In the later stages of our investigations, NIHE indicated that the following four areas previously treated as part of the Landlord Function should no longer be treated as such:

- Travellers Accommodation
- Asylum Seekers
- Waiting List Management
- Property Sales

1.6   The effect of this change in the NIHE classification is that the total Supervision and Management Costs allocated to the Landlord Function would reduce from £43.3m to £31.9m.

1.7 We have considered these proposals as follows:

Travellers Accommodation (apportioned management costs £167k) - As the assets and maintenance costs for this is included in the other landlord costs, we consider that these should be retained as part of the Landlord function

Asylum Seekers (apportioned management costs £176k) - We agree that these should not be part of the Landlord function.

Waiting List Management (apportioned management costs £9,027k) - In the England, it is common that these functions have been taken over by the Local Authority as a Strategic Function. However, as it is also usual that the participating Housing Association's would contribute towards the cost of this service, there is no doubt that at least 90% of these costs would be re-charged back to the Landlord. For the purposes of the base model, we have decided to retain the costs.

Property Sales (apportioned management costs £2,037k) - As the Landlord function takes the benefit of sales, then obviously some costs should be also attributed to that income. The base apportionment already allocates some of the costs to the Non Landlord function against the income from Land sales, so the only doubt is whether the base apportionment is fair. We have decided at this stage not to challenge the method of apportionment and retain these costs as part of the Landlord function.

1.8 The effect of the NIHE proposal is clearly to make the Landlord function more attractive, by reducing the level of subsidy required from the £208m shown above to £197m. As this is only an apportionment of real costs, it should however be noted that the overall subsidy paid by the Department would not alter but remain as £495m.

1.9 As this suggested re-allocation has been made at a late stage of our work, and is only partly accepted, no adjustments have been made to the original established classification.

2.0   30 YEAR CASH FLOW MODEL

2.1 Using the Operating information detailed above, we have prepared a basic 30 years Cash Flow Business Plan making the assumption that the current income and expenditure will simply grow by inflation and be unfettered by budgetary constraints.

2.2 The inflation assumptions that have been used in all our modelling is:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 +
Retail Price Index Projections	-1.00%	2.00%	2.50%	2.50%	2.50%	2.50%
Rental Growth Projections	2.00%	2.00%	2.50%	2.50%	2.50%	2.50%
Capital Works Cost Inflation Real (% pa)	1.00%	-2.00%	-2.50%	0.00%	0.00%	0.00%
Maintenance Cost Inflation Real (% pa)	0.00%	3.70%	0.70%	0.50%	0.50%	0.50%
Management Costs Inflation Real (% pa)	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Programmed Repair On-Costs	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
No VAT assumed						

3.0   BASE MODEL

3.1 The resulting model shows that the level of annual subsidy required decreases over the next 30 years, as illustrated in the following table:

	Annual Subsidy £M
1	202
5	146
10	100
20	82
30	126

3.2 The cumulative effect of the Subsidy can be illustrated by the graph below:
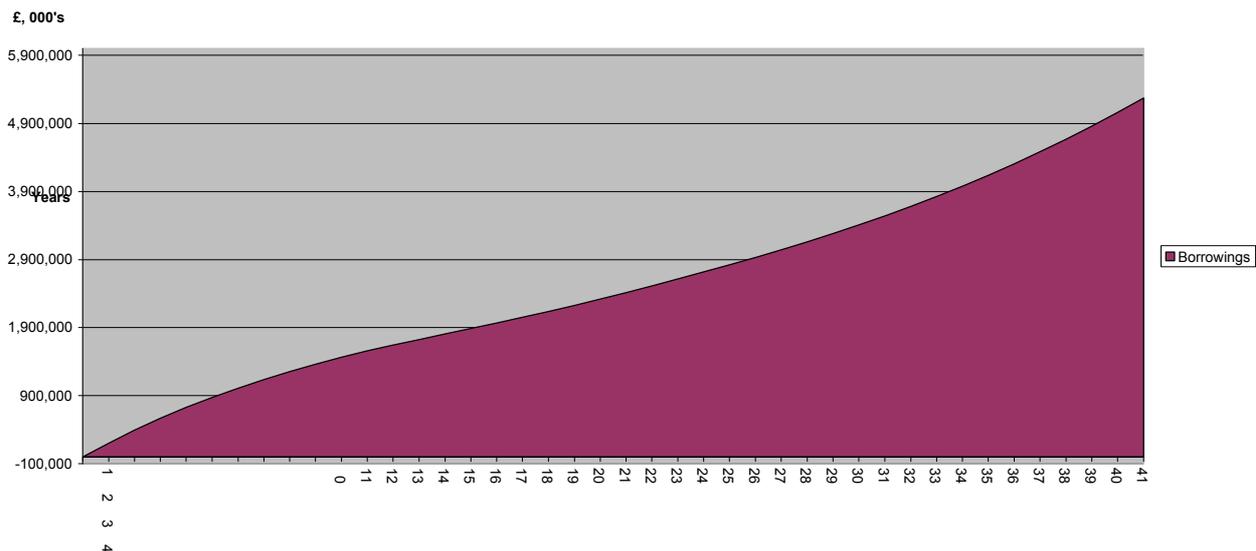
3.3 This Business Plan has been compared and reconciled with a 10 year projection that was prepared at current prices by NIHE. The main differences between the two Plans being:

- NIHE assumed a 20% reduction in Responsive and Cyclical Maintenance in years 7 to 10
- NIHE assumed a 60% reduction in Stock Investment Programmes in years 7 to 10
- NIHE assumed a 5% decrease in Supervision & Management in 2009/10 and 2010/11 (years 1 and 2)

3.4 Given the Budget constraints that are being introduced in 2009/10, it is recognised that this Base model is a highly theoretical projection. It does however serve as a basis against which the Savills' Stock Condition programme can be measured.

4.0   SAVILLS STOCK CONDITION PROGRAMME

4.1   The next stage in our analysis has been to amend the Base Business Plan by adopting the expenditure that has been recommended as a result of the Stock Condition Survey.

4.2   The revised model shows that the level of annual subsidy will initially be lower, but does exceed the base model amounts in the period from 10 to 25 years. It can be shown from the following comparison:

Year	Base Case £M	Revised Case £M
1	202	157
5	146	105
10	100	104
20	82	112
30	126	101

4.3   The cumulative effect can be illustrated as follows:
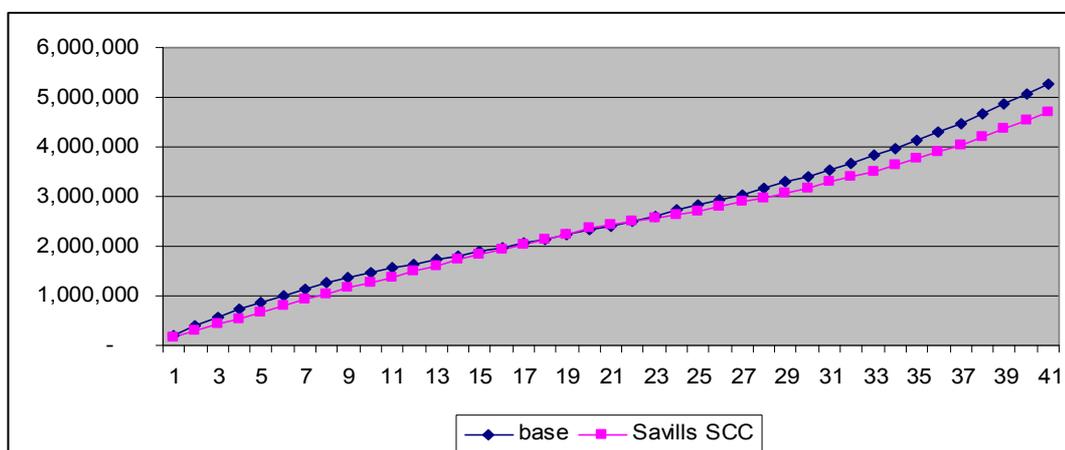
5.0 ALTERNATIVE SCENARIOS

5.1 As part of the Business Planning, we have examined a number of different scenarios in order to examine how the level of Subsidy being paid could be varied.

a) Increased Rents

As described elsewhere in this report, the current rents are low compared with the Housing Association rents being charged in Northern Ireland and against the Target Rents that are used in England.

We have therefore modelled the effect of increasing rents at RPI +1%, +2% +3% each year for 5 years and the following table shows the corresponding reduction in the annual subsidy levels.

Year	Revised £M	RPI +1% £M	RPI+2% £M	RPI+3% £M
1	157	157	157	157
5	105	94	84	73
10	104	89	74	58
20	112	94	74	54
30	101	77	52	27

5.2 The graph below shows the cumulative effect of the lower annual subsidies
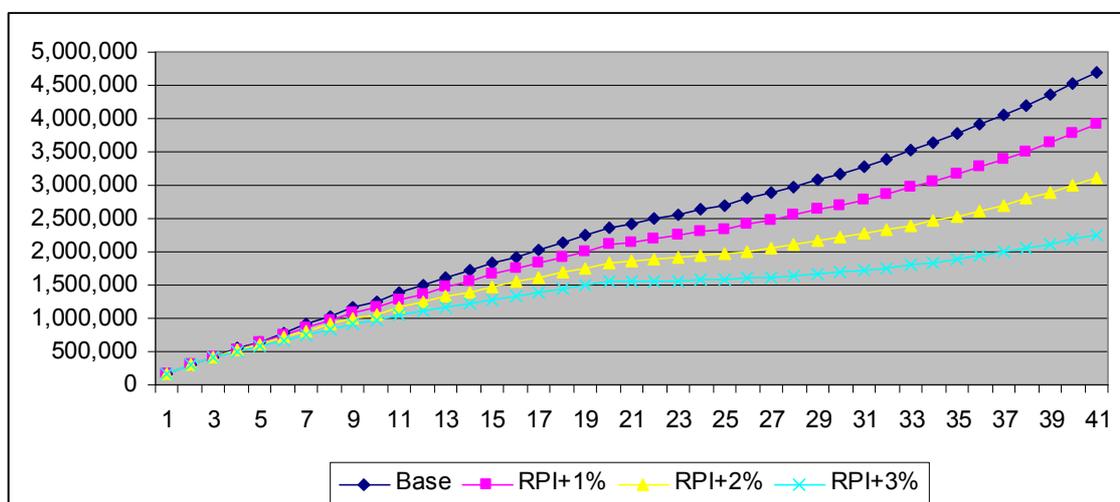
b)   Introduction of Service charges

A strategy that can be used as an alternative or in combination with increasing rents, would be to introduce service charges. As this will have similar effect to rent increases (i.e. increased income) to this section above, this has not been modelled separately.

c)   Write off of Loan Debt

The base model includes the payment of interest on the historic debt plus the repayment of the loans over 30 years. The subsidy from the Government therefore is used for repaying itself!

We have considered two alternatives to rent increases , being

*   to waive the interest charge
*   totally write off loans so there is no need to either pay interest or repay principle.

The table below shows the reduction in the annual subsidy for each of the alternatives:

Year	Revised £M	No repayments £M	No funding costs £M
1	157	65	0
5	105	37	0
10	104	67	45
20	112	101	94
30	101	101	100

5.3   The cumulative effect can be seen from the Graph below:
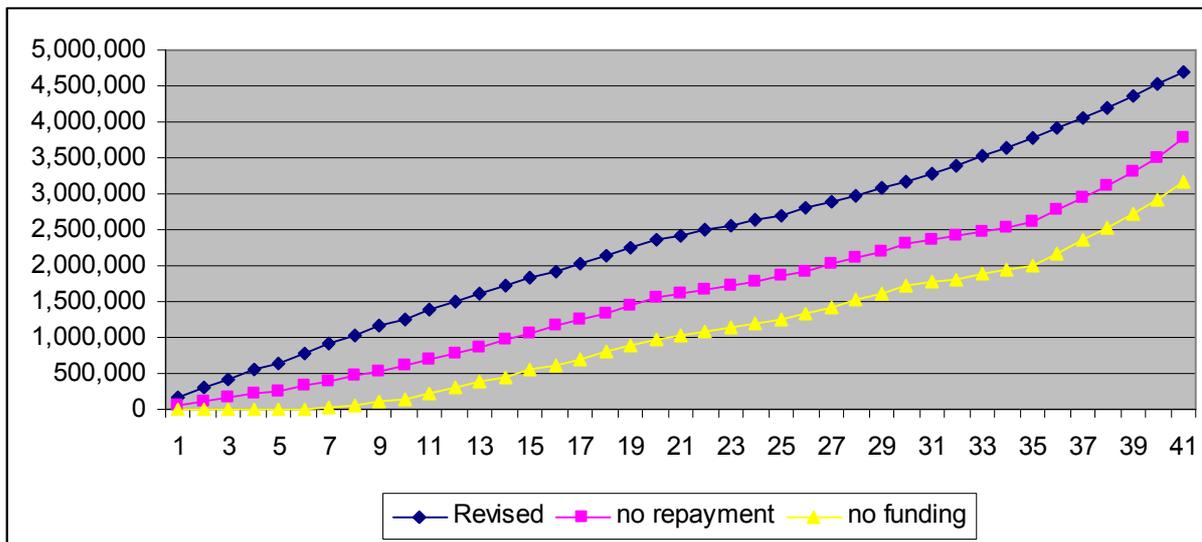
d)   Transfer to a new independent entity

5.4   The final strategy that has been tested is to treat the Landlord function as a separate entity with access to external funding.

5.5   The first scenario tested is that the new entity will be obliged to repay the current historic loans. It has been assumed that a dowry will be paid on the creation of the new entity which will be equal to the total amount due to be repaid (£874k) by the NIHE over the next 30 years.

5.6   With the assumption that the current RSL Funding market conditions apply, i.e. 30 year loans with an all-in funding cost of 7%, the new entity would need to increase rents by RPI+6.5% for the first 6 years. Thereafter it could charge rents at RPI only.

5.7   The following illustrates the debt curve in these circumstances:
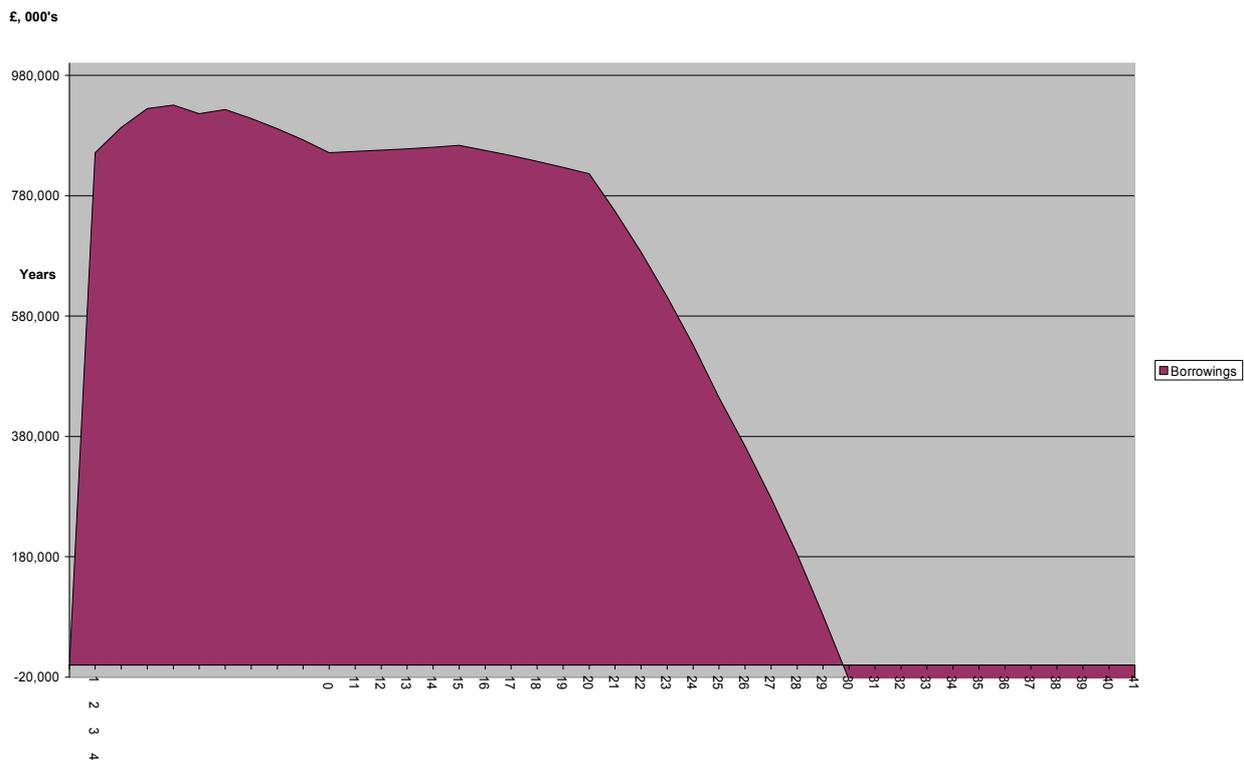
5.8   The second scenario is that no dowry is required with the historic debt either being written off or retained but charged against the non-Landlord function.

5.9   Using the same funding assumptions, the new entity would need to increase rents as follows:

2.5% for 1 year	
2% for 5 years	
1% for 4 years	

5.10   The Plan then shows that the new RSL would create surpluses for the first 15 years, but then require a loan facility of £120m which could be repaid in 17 years, as illustrated in the following graph.

£, 000's
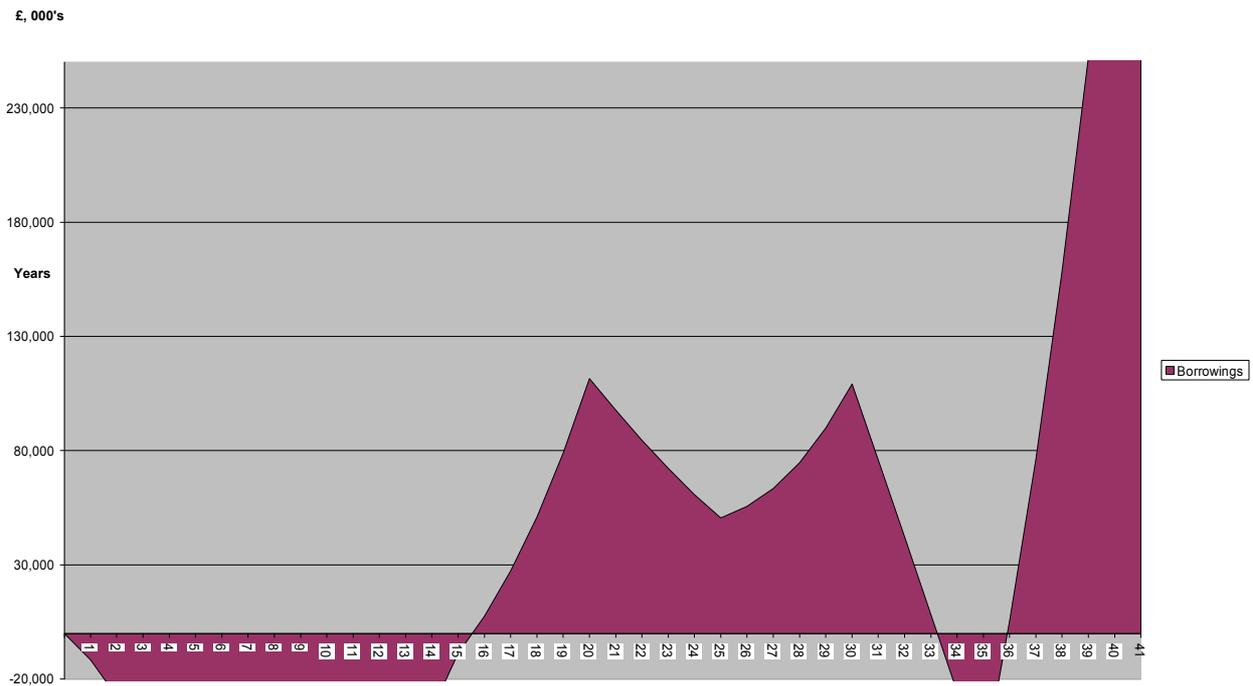
5.11   At this stage of the testing, no investigation has been carried out into the likely income and expenditure beyond the 30 years of the Stock condition Survey report. The assumption in the tests above has been simply that the expenditure pattern for the first 30 years will be repeated.

APPENDIX 1

BRIEF TO CONSULTANTS

CENTRAL PROCUREMENT DIRECTORATE

**CONSULTANCY AND
RELATED PROFESSIONAL SERVICES**

FOR THE PROVISION OF A STOCK CONDITION SURVEY OF THE NORTHERN IRELAND HOUSING EXECUTIVE (NIHE) HOUSING STOCK, INCLUDING MAINTENANCE INVESTMENT STRATEGY DEVELOPMENT, WITH ASSET/BUSINESS PLANNING/FINANCIAL MODELLING

REFERENCE CPD 02048/08

SECTION D

PROFESSIONAL SERVICES CONTRACT

SCOPE OF WORKS

Contents

1.   Part One – Background/Overview

Department for Social Development Northern Ireland (DSD) requires a suitably qualified and experienced organisation to undertake a comprehensive Stock Condition Survey of a sample of the Northern Ireland Housing Executive (NIHE) housing stock consisting of approximately 86,000 dwellings. The survey will be based on an external and internal sample (20%* = 17,200 dwellings approximately) and will include determining whether the properties meet the **Decent Homes*= Standard where 'fitness' is defined under HHSRS (Housing Health & Safety Rating System)**. The organisation will also be expected to provide; a) Asset management modelling and develop a proposed Maintenance Investment Strategy, b) Business Planning and Financial Modelling.
* = Tenderer's will also submit representative costs/modelling options for the survey sample up to 15% (12,900 dwellings) and 10% (8,600).

The objectives of the survey are:

To support DSD's strategic planning in relation to the future investment requirements and day-to-day repair needs of the NIHE housing stock.

To enable DSD to direct Capital and Revenue resources to best effect the repair, maintenance and improvement of the stock at dwelling, block, estate and area levels.

To provide the information to enable achievement and maintenance of the Decent Homes* Standards and any DSD Standard yet to be specified, within a five year future business plan Maintenance Investment Strategy.

To deliver a repairs & maintenance schedule that is necessary to keep the units in tenantable condition with the rents flowing, and consider the minimum investment requirements as part of a comprehensive review of the current NIHE Maintenance Investment Strategy, along with presentation of a proposed five year Maintenance Investment Strategy.

The information is to be provided in accordance with the **Department of Communities and Local Government** (DCLG) and **Audit Commission** guidance on the collection, management and usage of stock condition data.

Information derived from the survey will be modelled to assist in the valuation of the stock (anticipated Tenanted Market Value), to develop reasonable expected management on-costs for proposed maintenance/ improvement expenditure, and to budget for future needs. Therefore, the survey results must be robust to withstand scrutiny and should provide accurate statistically reliable information for repairs, maintenance and improvement over a 30 year term, to support the requirements of the Departmental business planning processes. The Asset management modelled results of the survey will form the basis for a new five year future business plan Maintenance Investment Strategy for the entire stock.

The survey results shall also be prepared and presented in accordance with the directions, recommendations and intent of the following DCLG guides (including former DETR and DTLR publications):

- Collecting, Managing and Using Housing Stock Information, DETR 2000;

- The Decent Homes Standard, including Feb 2004 update;

- A New Financial Framework for Local Authority Housing: Guidance on Business Plans, DETR 2000, and supplements*;

- The 2007 HIP (Housing Investment Programme) Guidance Notes for Local Authorities*;

* = Local Authority documents/ publications while not specified within the Department's Management Statement and Financial Control Documents, however are both useful source information for Asset Management & Business/Financial modelling, and Maintenance Investment Strategy development.

Information derived from the survey will in addition be used by DSD/ NIHE for the preparation of detailed planned maintenance programmes. These are required to inform business-planning decisions, as well as to facilitate effective, easily up-dateable maintenance management systems.

The survey shall cover the entire existing NIHE housing stock together with related housing assets, including leasehold interests.

Details of all property types can be found at Annex A.

2. Part Two – Specification

2.0 EXTENT OF SURVEYS*

■ Impressionistic Study;

■ Desk Top Study;

■ Sample Frame Selection;

■ Sample Survey;

■ Project Management;

■ Business Planning & Financial modelling – Asset Management modelling, to develop a new Maintenance Investment Strategy.

   * = The proposed physical survey is not a Stock Transfer Condition Survey.

2.1 Impressionistic Study

The Surveyor shall undertake an impressionistic study of all housing to obtain a broad profile of the NIHE's housing stock. It shall analyse the stock into appropriate categories, as described below. Each main estate shall be visited and the extent of common areas and related housing assets will be noted. The impressionistic survey should be used to inform the process of defining stock strata and selecting a sample for the later stages of the survey. The information collected will be used for future maintenance planning. The impressionistic survey must be completed prior to the choice of sample properties for the main survey.

At the end of the impressionistic study a preliminary report is to be prepared which summarises findings, including estate summary appraisals of dwelling types encountered, features and general text concerning internal and external area condition as observed. The report is to clearly detail the stratification proposed; proposed method of extrapolation and statistical accuracy achievable for the agreed sampling rate.

Calculations concerning stock numbers are to be based on agreed stock numbers prevailing upon commencement of the survey and are to include for modification of stock numbers resulting from the on-site investigation, clarification by DSD, or analysis of documentation provided.

Any gaps or omissions in data found at this stage are to be collected by the Surveyor during the sample main survey. All data arising shall be validated during the sample survey stage.

A classification system with associated data, structured in a relational format is to be developed with DSD and/or it's appointed agent.

2.2 Desk Top Analysis

The Surveyor shall research and analyse the NIHE's existing data and consider the NIHE's past, current and anticipated future activities as part of the survey process. All data not ascertainable as part of the 'on-site' sample survey shall be collected in this way. The survey report must clearly identify any data collected from the desk analysis and shall state how any allowances are derived. It is likely that this work will be conducted alongside the impressionistic survey.

All necessary information shall be sought and analysed to allow the Surveyor to analyse, validate and provide a commentary upon the allowances included for response and void repairs, cyclical maintenance, exceptional extensive works and contingencies. A summary table of allowances under each of these headings shall be provided in the survey report, together with a commentary on the completeness and accuracy of available data.

This exercise shall also address any major issues or areas of concern that should be accounted for and examined in further detail during the on site survey stage, for example the results of any previous asbestos testing or sampling, or CCTV drainage inspections not otherwise required by this Brief. The Surveyor shall analyse and review these NIHE information sources and make appropriate allowances in the survey report if appropriate. Any allowances derived from this source must be accompanied by a clear statement of how they were calculated, along with clear cross references to any applicable data sources.

A risk assessment report shall be prepared, detailing the findings of the desktop review of potential structural and environmental issues affecting the stock.

2.3   Sample Frame Selection

The Surveyor is to select the sample frame and any associated stratification of the sample to ensure maximum statistical accuracy. It is the responsibility of the Surveyor to ensure that a sufficient number of dwellings are surveyed to achieve a statistical confidence level of at least 95%, within a precision not worse than plus or minus 4% in each reporting category.

The stock may be stratified according to archetype, age and location factors, although the approach to be adopted must be agreed with DSD and must be considered carefully when populating the database via 'cloning' methodology. The Surveyor must confirm, in writing, at the end of the impressionistic study whether or not the proposed method of sample selection is the most appropriate and whether or not maximum statistical accuracy will be attained for the sample size proposed. Alternative sample sizes and their respective accuracy forecasts should also be proposed in order to assist DSD in assessing whether any variation in the sample size (increase or decrease) should occur.

 Once drawn, the detailed survey schedule is to be reviewed in consultation with DSD to ensure that dwellings are representative of their type. Once agreed the NIHE and Surveyor shall issue covering letters to tenants/leaseholders informing them of the forthcoming survey subject to the text being agreed with DSD and NIHE beforehand. Access to the NIHE postal database will be provided.

2.4   Sample Surveys

The survey is to comprise a thorough visual inspection (with digital photographic elevations of the front and rear of each archetype properties on each estate and any major variants), undertaken with due diligence and care to fully assess and report upon the current attributes and condition of the stock. Forecasts of required expenditure are to be given for a period of 30 years from the agreed base date of the survey. All major defects and their suspected causes are to be reported along with any minor defect or want of repair.

Whilst intrusive structural surveys, specialist testing and opening up of the structure are not required (unless so specified), inspections of all accessible voids must be carried out, including roof spaces. The survey report should contain recommendations for further exploration where significant defects are observed (with photographic reference) or suspected e.g. the need to test

for asbestos. Where the Surveyor has identified the need for a more detailed investigation, this is to be reported to DSD at the earliest opportunity.

Where the Surveyor identifies specific risks during the survey a risk assessment report shall be carried out by the Surveyor and shall include but shall not be limited to:-

Deleterious materials

- Calcium silicate bricks

- Asbestos

Lead products in contact with potable water

Sulphate attack

Concrete carbonation

Cavity walls ties

Fire stopping between compartmental walls and floors where such is easily accessible

Damp proof courses and damp proof membranes

Mechanical and electrical installations

- Tanks

- Services and supplies

- Wastes

- Refuse disposal installations

- Above ground drainage

- Below ground drainage

- Lightening protection

- Entry control systems

- Gas services and installations

- Ventilation

- Visual Inspection of electrical installations

Balconies and balustrades

Foundations and footings

Stairs and staircases

Installation, both thermal and acoustic

The risk assessment report shall address each key issue as identified by the Surveyor and shall include:

- A description of the potential risk;

- A recommendation for future action. This may include the recommendation for a detailed specialist survey.

- An estimate of the cost of remedial works.

Sample dwellings, blocks and other property assets are to be inspected internally and externally utilising survey forms that are to be agreed in advance with DSD prior to their use. DSD wishes to ensure that data definitions are comparable between proposed Maintenance Investment Strategy and the NIHE Maintenance Investment Strategy (a copy of the NIHE strategy will be made available for reference).

The condition assessment of property is to have regard to appropriate British and European Standards and established means of surveying practice. The standards and methods used, together with any limitations shall be described within the submitted proposal.

For each cost significant component, Surveyors are to identify:

- Measured quantities;

- The cost of catch up repairs;

- Whether repairing action required is classified as renewals or improvements necessary to achieve the Decent Homes Standard;

- The age of the component surveyed;

- Estimated period of use life left in years;

- List of Improvements required to achieve Benchmark Standard;

- Any other information required to complete the survey effectively.

Surveyor's estimates of the useful life of components shall be based on the observed condition of the component, together with the professional judgement of the surveyor as to the remaining useful life, with due regard to:-

- Component quality;

- Component complexity

- The workmanship in installing the component;

- The exposure of the component (generally external components);

- The usage of the component (generally internal components);

- The maintenance regime to which the component has been subjected.

The Surveyor shall be expected to identify how each of these factors affects the lifecycle and costs of the material components.

Each property surveyed shall be assessed for compliance with the Fitness Standard defined under the Housing Health and Safety Rating System (HHSRS) introduced a part of the England Housing Act 2004 as amended/ implemented from the 6th April 2006. For each property surveyed, the Surveyor shall identify:

- Compliance/ non-compliance with each of the 29 risk criteria (Category 1 & 2 hazards)

- The reason for failure against the above criteria, and the cost of remedying the hazard

2.5 Related Housing Assets

A survey of related assets is to be carried out on an estate by estate basis. The survey shall included for each identified related asset:

■ Measured quantities;

■ Repair/ replacement costs;

■ Identification of catch-up repairs;

■ Response repairs;

■ Component age;

■ Remaining life of components;

■ Other planned repair action;

■ Recommended costs;

■ Other relevant information.

Typical assets related to the housing stock include:

■ Common areas within blocks and associated service;

■ Garage blocks and access ways;

■ Un-adopted roads and pathways;

■ Un-adopted sewers and drains;

■ Community homes/ hall facilities;

■ Play equipment ;

■ Fences, walls and boundaries;

■ Landscaped areas;

- Leased property;

- Drying areas;

- Pump stations;

- Shops

- Other relevant assets. NIHE will provide a full & complete schedule of **all** the current property types (and property percentages) to accurately reflect their managed housing stock.

2.6   Categories

The proposed Maintenance Investment Strategy (MIS) assessment of future liabilities, responsibilities for the continuing repair, maintenance and improvements must cover the following categories:

- Catch-up repairs; *for NIHE MIS works definition refer to Appendix C.*

- Future major works (planned maintenance); *for NIHE MIS works definition refer to Appendix C.*

- Estate works; *for NIHE MIS works definition refer to Appendix C.*

- Response repairs; *for NIHE MIS works definition refer to Appendix C.*

- Void repairs; *for NIHE MIS works definition refer to Appendix C.*

- Cyclical maintenance; *for NIHE MIS works definition refer to Appendix C.*

- Contingent major repairs; *for NIHE MIS works definition refer to Appendix C.*

- Exceptional extensive works; *for NIHE MIS works definition refer to Appendix C.*

- Dwelling improvements; *for NIHE MIS works definition refer to Appendix C.*

- Block improvements; *for NIHE MIS works definition refer to Appendix C.*

- Estate improvements; *for NIHE MIS works definition refer to Appendix C.*

- Disabled Adaptations

A definition of these categories is included within the tender document at Appendix C

All works to leasehold dwellings or premises and related assets must be shown separately.

2.7   Reports

The Surveyor shall provide the following forms of reporting:

a)   Weekly written reports indicating progress to date, proportion of surveys and other tasks completed with revised estimates for completion of each survey stage;

b)   A written report summarising the methodology adopted and the findings of the impressionistic survey stage, including an assessment of the sample selection process and a calculation of the statistical accuracy to be obtained;

c)   An interim/ draft report concerning all aspects of this Brief including but not limited to:
- An index or summary of contents;
- A description of the survey task, aims and objectives;
- A statement of the systems and procedures employed throughout the process by the Surveyor;
- A copy of the impressionistic survey results and report;
- An executive summary as to the overall survey findings and general condition of the stock;
- Tabular and graphical illustrations of the summary findings;
- A clearly defined base date for the survey information, and for the survey price base;
- Details of any assumptions made or areas requiring further work or investigations;
- Detailed summaries of each reporting category, making reference to the schedule of cost estimates and other standard tables and providing full analysis, comments and supporting information to substantiate the allowances made (e.g. a full list of the cyclical allowances in tabular form, reference to their source, a description of their extent, observation as to the levels of service or rates contained therein or any perceived deficiencies);
- Tabular and graphical illustrations of the detailed summaries;
- Fully completed schedules of cost estimates and other standard tables in the format given in Section F Tender document;
- A full listing of the properties surveyed, by UPRN (Unique Property Reference Number), and of all identified related assets by address, with an indication of those surveyed;
- A full listing of the archetype photographs referenced by UPRN;
- A full listing of any scaled archetype house type floor plans (where available and supplied by NIHE) referenced by UPRN, any site/block plans;
- A description of and reference to the full data source (i.e. the electronic database) and details of how any 'cloning' or 'grossing up' has been undertaken to populate the database;
- A copy of the schedule of rates and schedule of lifecycles employed, together with a description of how they were derived.

d)   Further interim/ draft written reports as may be required by DSD (up to three further versions may be necessary), that take account of the comments and observations raised at report review meetings;

e)   A final written and bound report;

f)   A draft five year Maintenance Investment Strategy plan and programme (developed from the Asset Management Modelling);

g)   A final five year Maintenance Investment Strategy plan and programme;

h)   A written report summarising the methodology adopted for the survey data validation quality assurance, computerised programme output checks, and calculation of the statistical accuracy;

i) An interim/ draft written report on Asset Management Modelling, identifying any part of the stock exerting undue influence over the viability of the stock as a whole, and presentation of the range of appropriate property options. Model to determine degree of variability's between house types/locations, to categorise individual asset groups identifying/grading viability, cash flow profile for example.

j) An interim/ draft written report on Business Planning and Financial Modelling, identifying a comprehensive baseline 30 year investment model taking account of the stock condition information and all income and expenditure on the stock and will provide the anticipated tenanted market value of the stock across various categories

k) A final written and bound report for; a) Business Planning and Financial Modelling, & b) Asset Management Modelling.

All report sections, tables and graphs must be clearly cross referenced. Summary tables should equip the reader with an overview of findings in each area.

Electronic data will be downloaded directly into the Surveyor's database, which will be provided to DSD.

The Surveyor's tender costs shall include for providing the following number of copies:

- ■ One electronic and five hard copies of the draft report, plan and programme;
- ■ One electronic and 10 hard copies of the final report, plan and programme;
- ■ A CD/ DVD data copy of the final report, plan and programme in MS Word/Excel/Access/other format as agreed;
- ■ One copy of the database and computer software (which reproduces all cost reports) on CD/ DVD;
- ■ Three copies of the database and complete software user guides.
- ■ In addition the Surveyor shall present and provide the report's findings in presentational format using Microsoft Powerpoint that is in plain English and capable of being delivered by DSD Managers to a wide variety of audiences.

DSD reserves the right to make further photocopies of the original reports and database for their own purposes.

Any and all Intellectual Property Rights developed by staff supplied by the Consultant during the provision of the Services shall become or, as the case may be, remain the property of the Department and be delivered up to the Department on completion or termination of the Contract, subject to the retention of proper professional records. Where the Department has agreed to accept modern storage media, photographs, drawings and other documents they shall be supplied by the Contractor in an agreed form (as noted above).

2.8   Liaison and conduct of the survey

During the preparatory stages for the survey and the subsequent calculation and reporting stages, liaison will be with the officer and/or agent as specified by DSD at the set-up meeting.

NIHE will, on request, inform all tenants of the proposed survey and send a letter to all specific survey tenants to explain the purpose of the survey and to introduce the Surveyor. Information concerning expected dates of surveys may be included in the correspondence if requested by the Surveyor.

After the initial NIHE introduction, the Surveyor is responsible for specific access arrangements. DSD and NIHE does not undertake to guarantee access and no claim for additional costs will be entertained arising from failure to gain access. The sample percentage specified must be met in full.

Surveys shall be conducted by the Surveyor in a professional manner and must be carried out with due regard to tenants quiet enjoyment of their homes. Access arrangements should not be sought before 8.30 am or after 8.30 pm or on Sundays. The Surveyor may arrange access on Saturdays provided it is with the tenant's agreement. There shall be no extra cost to DSD for Saturday working. Should tenants decline to allow access to their home, their wish is to be respected and the surveyor should move on to a similar contingency property. Following lifting of carpets or moving of furniture, surveyors must reinstate fittings and furnishing to their original position.

Due care shall always be taken of the property and of tenants goods; any damage caused by surveyors during the inspection process is to be the responsibility of the Surveyor. Any claims or other matters arising must be dealt with promptly, directly and in full by the Surveyor. Any claim or settlement of a claim must be made known to DSD and NIHE.

The Surveying consultant is required to be a Registered Body with **AccessNI**, for physical survey staff clearance.
AccessNI helps organisations in Northern Ireland to make more informed recruitment decisions, by providing criminal history information about anyone working in defined areas, such as working with children or vulnerable adults. AccessNI operates under the provisions of Part V of the Police Act 1997. Refer to www.accessni.gov.uk
The registration process takes about 4 weeks and no applications can be processed until the registration is complete. The Surveying consultant will have to submit their AccessNI Registration number in their tender return as a requirement of tender document Section E Part 7.2b) Quality Questionnaire.
The Departmental Security Officer has identified the Standard Disclosure check as the minimum acceptable for staff involved in the survey process. The Surveying consultant as the Registered Body (RB) will get their employee's to complete Parts A, B & C of the Disclosure Application Form. The RB verifies the applicant's identity, completes Parts E, F & G, and then forwards the completed Form to AccessNI ensuring payment details are completed.
AccessNI aim to deliver Standard Disclosure check's within 3 weeks.
Due to the urgency of this project (refer to Part 2.9 Project Management), on receipt of the successful tender Notice of Award letter, the successful RB will be expected to immediately submit the completed Disclosure forms with payment to AccessNI. Standard Disclosure clearance must be received for the relevant staff, prior to physical survey commencement. Delays to physical survey due to untimely AccessNI applications will not be accepted.
The name of each surveyor is to be provided to DSD and NIHE prior to commencement of the survey.

The Surveyor must equip surveyors with any necessary access and personal protective equipment, together with a photo-identity security pass that is to be accompanied by authorisation from NIHE. These details must be presented to tenants prior to commencing a

survey inspection. The Surveyor must also notify the local police in advance of the survey commencement.

The Surveyor shall maintain any necessary confidentiality. The wording of an appropriate explanation for the survey visit shall be agreed in advance with DSD and NIHE.

DSD reserves the right to request the removal of any person from the survey at any time, if in the opinion of DSD any person does not conduct himself or herself in a professional manner, or if the person cannot adequately demonstrate adequate qualifications or experience in this type of work. The removal of any surveyor from the survey by DSD shall not obviate or diminish the Surveyor's responsibility to complete the survey within the agreed timescale.

The Surveyor shall provide DSD with all relevant contact details and phone numbers, including an emergency telephone number which is to be available for any 'out of normal office hours' communication. DSD reserves the right to pass these details to other parties, including NIHE, tenants, and shall publish a main contact name and number for communication with tenants.

If, during the course of the survey, any deleterious materials or repairs requiring urgent attention or further investigation are discovered or suspected, the Surveyor shall notify DSD immediately by telephone. A written memorandum listing the key issues and any recommendations shall be issued within 48 hours of the telephone notification.

Under no circumstances shall the Surveyor advise the tenant or occupant of a property that any repairs or improvements will be undertaken. If specific repairs are requested the tenant should be referred to the NIHE's usual routes of repairs reporting.

If any complaints from tenants or other persons arise in respect of the survey, they should be addressed to the Surveyor or NIHE, who must notify DSD immediately by telephone and follow this notification by a written memorandum listing the issues and any actions taken within 48 hours of the complaint.

Regular progress meetings are to be held with DSD and their Client Advisor's. The Surveyor shall submit weekly reports that outline progress, information requirements and similar matters.

The Surveyor should allow for the following meetings at the DSD offices, as a minimum**:**
- Appointment Interview (1 day);
- Survey award contract set-up meeting and project briefing (1 day);
- Surveyor training/briefing session (must be attended by all staff to be involved on the survey and to be presented by the Surveyor's project manager (1 days);
- Project Management up to submission of draft report (0.5 day per week);
- Draft report review (2 days);
- Final report review and presentations (4 days);
- Initial IT/Database training (1 day);
- NIHE post report review and consultations (10 days)

Information requests from the Surveyor shall be presented to DSD in a format agreed with DSD. Targets for responding to information requests will be agreed and monitored throughout the programme.

The Surveyor will retain hard copy survey sheets or their electronic equivalent for a minimum of five years following payment of final invoice. The surveyor will undertake to provide any requested sample of these original surveys as shall reasonably be required for the purpose of subsequent validation surveys.

Electronic format scanning and validation of the survey forms is required. Modelling Contractor to undertake quality assurance checks on the data using a computerised validation programme checking for range errors, inconsistencies in the data between sections

and missing data. Where possible, missing data should be completed by using appropriate data from the form, or by consulting the original survey team. Missing data may need capture in subsequent validation surveys.

2.9   Project Management

Due to DSD's urgent need to complete maintenance investment appraisal to determine future business planning, there is a specific requirement for the lead Contractor to project manage the delivery of this requirement within a specified timescale.

The proposed delivery programme is;

1	Impressionist study, desk top/ existing data analysis, the undertaking/ completion of the physical stock condition survey*, draft reporting – 22 weeks after date of appointment (the survey period shall not exceed 22 weeks regardless of sample size in the 10 – 20% range)	22 weeks
2	Interim reports on Asset Management, Business Planning and Financial modelling required by -	19 Dec 08 (or 12 weeks after the appointment)
3	Maintenance Investment Strategy, Asset Management, Business Planning and Financial modelling final reports - within 4 weeks of completion of the physical stock condition survey.	4 weeks

Total programme completion – 26 weeks after appointment

To assist the Contractor in determining its capability to meet this requirement, detailed below are key dates extracted from the Contracting Authority proposed procurement programme.

The Contractor is advised that the programme dates may be subject to change and shall be considered indicative only.

Return of expressions of interest	July 2008
Issue of invitations to tender	August 2008
Tender return	September 2008
Appointment	October 2008

* = **The proposed physical survey is <u>not</u> a Stock Transfer Condition Survey**

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The procurement timetable has been defined in Section E of the Tender documents and DSD will endeavour to adhere to this timetable.

The project management of the survey and modelling consultancy team and all related inputs/ outputs will be the responsibility of the lead Contractor.

The lead Contractor must bear in mind this information when responding to this tender.

2.10   Data Retention

NIHE currently uses PRAWL Housing Management System (intend to move to an Orchard Information System) and MIS (Management Information System - Microsoft Access based) Asset Management System. These Surveyor systems proposed for holding, modelling and reporting on current and future asset investment plans must be compatible with the aforementioned NIHE systems.

Therefore DSD requires the Contractor upon completion of the Contract to supply the data collected in an electronic format which is suitable for loading into the above systems.

The Contractor will be required to provide a contact following completion of the project to respond to any queries regarding the data or associated software used in the data's production.

2.11   Provision of Suitable Software for Data Analysis

Following the completion of the Contract in addition to supplying DSD with the relevant reports as detailed within the specification, there is a need to provide DSD with the data collected.

This can be in two formats.

- The first format is for you to supply DSD with the data and your computerised system on which you recorded the data and produced the reports.
- The second format is for you to produce the data in Microsoft Excel or CSV (Comma Separated Value) format. A sample set of data must be presented within two weeks of contract commencement.

Whichever method is chosen DSD will require full documentation stating the functionality of all tables / files, field definitions and linkages between the tables.

In addition to any standard reports that the software will produce, it should also be able to provide any individual analyses required by DSD. The system should be capable of representing data graphically, e.g. histograms, pie charts, etc as well as in tabular format.

The Contractor will be required to provide training for DSD Officers in the use of the software at no extra cost, and to provide a contact following completion of the project to respond to any queries regarding the data or software.

2.12   Asset Management modelling –

Asset Management modelling is required to develop a new 5 year Maintenance Investment Strategy. This may include but not necessarily be restricted to;

- The development of a detailed understanding of the relative financial performance of different parts of the stock, to understand how each part impacts on the performance of the whole and hence the most appropriate option for that part of the stock.
- The identification of any part of the stock exerting an undue influence over the viability of the stock as a whole and where a range of property options including demolitions, retention, refurbishment and regeneration, together with more appropriate alternatives advised by the consultant.
- The development of model operating cash flows into small scale asset groups aggregated to represent the stock as a whole. Individual asset groups designed to represent the actual performance of those properties within it. The choice of asset group size and scale determined by the degree of variability between house archetype, locations based on various factors including; geographical boundaries and perceptions; management and service delivery costs; financial performance, voids etc; planned and cyclical repairs/maintenance costs; investment and improvement costs; responsive and tenancy turnover costs; and the availability of NIHE data.
- The production of a position statement, including a database of results for each individual asset group, identifying and grading stock against various criteria such as viability, and cash flow profile. The categorisations of the stock into a number of groups according to value, viability, risk, anticipated future performance, and thus identify alternative maintenance policy options.
- Modelling to be carried out in parallel to the stock condition surveys, but would depend on having survey results available before models could be finalised.

2.13   Business Planning & Financial modelling –

Business Planning and Financial Modelling is required to identify a comprehensive baseline 30 year investment model taking account of:

- The status quo
- Stock condition information
- Any variations needed to reflect obsolescence
- All income and expenditure on the stock
- Capital and revenue resources required

The model will show a series of scenarios including sensitivities and as a minimum will include the following outputs:

- Anticipated tenanted market value for the different property archetypes
- Management on costs for maintenance/improvement
- Budgeted investment and maintenance costs over a 30 year period by property archetypes, geographical location, property age profile, and reporting categories.

3. Part Three – Method Statements

The Department requires specific information to enable it to evaluate the criteria set out in Section E of the Tender Document's. Tenderer's will be expected to incorporate within the Quality Questionnaire submissions a range of Method Statements as set out below, to address the specific evaluation criteria.

Tenderer's need to consider the evaluation criterion set out in Section E when formulating their method statements together with the requirements laid out in Part 2 'Specification' of this Section E document.

For each method statement, the Department has presented a synopsis of the detail required or states the concerns it has in that area. The length of the method statement should address the Department's detail required maximum (noted in Section E at end of each question), they are to be succinct and not contain any promotional material.

3.1 Understanding and approach

The Tenderer must demonstrate their interpretation and understanding of the Contract, and provide a full description of how they would approach compliance with the requirements. This methodology is to include a sample survey form and a schedule of anticipated data collection descriptions.

3.2 Statistical Accuracy

The Tenderer must demonstrate their approach to statistical sampling methods, and how they can achieve the levels of accuracy specified in the Pricing Schedule.

3.3 Project Management

The Tenderer should propose a programme that demonstrates that they have the capacity to complete the requirements of this Contract within the timescale set out in Part 2.9 of this Tender document.

3.4 Customer Care

Given the sensitive nature of this work the Tenderer must demonstrate their approach to customer liaison and in particular state the methodology for arranging appointments etc.

3.5 Quality Assurance

The Tenderer must provide a description of the quality assurance systems and procedures they will employ to ensure that the information presented is accurate, consistent, validated and in accordance with the requirements of the Tender.

3.6   Information

The Tenderer should provide a schedule of information that they will require from DSD or NIHE that will enable them to commence the surveys in an expedient manner.

3.7   Software

The Tenderer must describe the computer software options upon which the survey results will be made available to DSD or NIHE and whether they are compatible with the information presented in Part 2.10 of this Tender document.

3.8   Modelling

The Tenderer must provide a description of the data profiling/comparative analysis/optional appraisal proposed for the Asset Management Modelling process required to develop a new Maintenance Investment Strategy, in accordance with the Tender Specification requirements of Part 2.12.

The Tenderer must provide a description of their approach to calculating the anticipated tenanted market value and the development of a comprehensive investment and maintenance budget proposed for the Business Planning and Financial Modelling process, in accordance with the Tender Specification requirements of Part 2.13.

3.9   Statement of Non Compliance

The Tenderer must provide a method statement that details any non-compliance with any of the requirements or conditions of this Tender. Where possible the Tenderer should state the reason for the non-compliance together with any alternative action proposed.

APPENDIX A - STOCK BREAKDOWN

1.0   <u>BREAKDOWN BY PROPERTY TYPE</u>

1.1   The breakdown of NIHE managed stock is as follows:

PROPERTY ARCHETYPE	ACCOMMODATION	NO OF PROPERTIES	% OF PROPERTIES
BUNGALOW	0 BED 1 PERSON	68	0.08%
	1 BED 1 PERSON	914	1.01%
	1 BED 2 PERSON	3957	4.38%
	2 BED 2 PERSON	364	0.40%
	2 BED 3 PERSON	10525	11.65%
	2 BED 4 PERSON	622	0.69%
	3 BED 3 PERSON	42	0.05%
	3 BED 4 PERSON	602	0.67%
	3 BED 5 PERSON	1203	1.33%
	3 BED 6 PERSON	25	0.03%
	4 BED 5 PERSON	7	0.01%
	4 BED 6 PERSON	37	0.04%
	4 BED 7 PERSON	25	0.03%
	4 BED 8 PERSON	5	0.01%
	5 BED 6 PERSON	1	0.01%
	5 BED 8 PERSON	5	0.01%
	5 BED 9 PERSON	1	0.01%
	6 BED 8 PERSON	1	0.01%
FLAT - LOW RISE	0 BED 0 PERSON	1	0.01%
	0 BED 1 PERSON	85	0.09%
	1 BED 1 PERSON	313	0.35%
	1 BED 2 PERSON	4525	5.01%

	2 BED 2 PERSON	93	0.10%
	2 BED 3 PERSON	7352	8.14%
	2 BED 4 PERSON	544	0.60%
	3 BED 4 PERSON	154	0.17%
	3 BED 5 PERSON	52	0.06%
	3 BED 6 PERSON	1	0.01%
	4 BED 5 PERSON	2	0.01%
	9 BED 14 PERSON	1	0.01%
FLAT - MEDIUM RISE	0 BED 1 PERSON	107	0.12%
	1 BED 1 PERSON	160	0.18%
	1 BED 2 PERSON	897	0.99%
	2 BED 2 PERSON	15	0.02%
	2 BED 3 PERSON	1717	1.90%
	2 BED 4 PERSON	287	0.32%
	3 BED 3 PERSON	1	0.01%
	3 BED 4 PERSON	115	0.13%
	3 BED 5 PERSON	144	0.16%
	3 BED 6 PERSON	1	0.01%
	4 BED 7 PERSON	5	0.01%
FLAT - MULTI STOREY	0 BED 1 PERSON	82	0.09%
	1 BED 1 PERSON	6	0.01%
	1 BED 2 PERSON	198	0.22%
	2 BED 2 PERSON	1	0.01%
	2 BED 3 PERSON	134	0.08%
	2 BED 4 PERSON	1210	1.34%
	3 BED 5 PERSON	40	0.04%
	3 BED 6 PERSON	58	0.06%

HOUSE	0 BED 0 PERSON	6	0.01%
	1 BED 1 PERSON	4	0.01%
	1 BED 2 PERSON	56	0.06%
	2 BED 2 PERSON	175	0.19%
	2 BED 3 PERSON	8463	9.37%
	2 BED 4 PERSON	1900	2.10%
	3 BED 3 PERSON	218	0.24%
	3 BED 4 PERSON	11678	12.93%
	3 BED 5 PERSON	22809	25.25%
	3 BED 6 PERSON	1332	1.47%
	4 BED 4 PERSON	4	0.01%
	4 BED 5 PERSON	534	0.59%
	4 BED 6 PERSON	2102	2.33%
	4 BED 7 PERSON	1092	1.21%
	4 BED 8 PERSON	109	0.12%
	5 BED 5 PERSON	1	0.01%
	5 BED 6 PERSON	9	0.01%
	5 BED 7 PERSON	205	0.23%
	5 BED 8 PERSON	104	0.12%
	5 BED 9 PERSON	30	0.03%
	6 BED 10 PERSON	9	0.01%
	6 BED 11 PERSON	1	0.01%
	6 BED 8 PERSON	3	0.01%
	6 BED 9 PERSON	8	0.01%
	7 BED 12 PERSON	1	0.01%
	8 BED 11 PERSON	1	0.01%
	8 BED 13 PERSON	1	0.01%

	8 BED 9 PERSON	1	0.01%
	9 BED 12 PERSON	1	0.01%
MAISONETTE	1 BED 2 PERSON	2	0.01%
	2 BED 2 PERSON	38	0.04%
	2 BED 3 PERSON	532	0.59%
	2 BED 4 PERSON	208	0.23%
	3 BED 4 PERSON	188	0.21%
	3 BED 5 PERSON	348	0.39%
	3 BED 6 PERSON	1	0.01%
	4 BED 6 PERSON	15	0.02%
	4 BED 7 PERSON	9	0.01%
OTHER	0 BED 0 PERSON	2	0.01%
RURAL COTTAGE	1 BED 1 PERSON	2	0.01%
	1 BED 2 PERSON	2	0.01%
	2 BED 2 PERSON	21	0.02%
	2 BED 3 PERSON	301	0.33%
	2 BED 4 PERSON	177	0.20%
	3 BED 3 PERSON	33	0.04%
	3 BED 4 PERSON	119	0.13%
	3 BED 5 PERSON	138	0.15%
	3 BED 6 PERSON	13	0.01%
	4 BED 4 PERSON	1	0.01%
	4 BED 5 PERSON	3	0.01%
	4 BED 6 PERSON	9	0.01%
	4 BED 7 PERSON	2	0.01%
	4 BED 8 PERSON	1	0.01%
	5 BED 6 PERSON	1	0.01%

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	5 BED 7 PERSON	2	0.01%
	5 BED 9 PERSON	1	0.01%
	6 BED 8 PERSON	1	0.01%
SPLIT LEVEL	2 BED 4 PERSON	9	0.01%
	3 BED 4 PERSON	51	0.06%
	3 BED 5 PERSON	288	0.32%
	3 BED 6 PERSON	130	0.14%
	4 BED 5 PERSON	35	0.04%
	4 BED 6 PERSON	56	0.06%
	4 BED 7 PERSON	11	0.01%
	8 BED 12 PERSON	1	0.01%
TRAVELLERS DWELLING	0 BED 0 PERSON	1	0.01%
TRAVELLERS PITCH	0 BED 0 PERSON	28	0.03%
	Total:	**90342***	**100%**

* = The above noted figure includes all NIHE properties (including community/ outside body/ hostel lettings etc see Appendix B), however the 10-20% sample selections shall be limited to the NIHE tenanted properties at approx. 86000 - 87000 up to March 2008.

1.2   In terms of simple property types, the figures are as follows:

Property type	No. of properties	% of properties
Houses	50857	56.29%
Bungalows	18404	20.37%
Flats	18301	20.26%
Maisonettes	1343	1.49%
Cottages	827	0.92%
Split Level	581	0.64%
Travellers	29	0,03%
Total:	**90342***	**100%**

* = The above noted figure includes all NIHE properties (including community/ outside body/ hostel lettings etc see Appendix B), however the 10-20% sample selections shall be limited to the NIHE tenanted properties at approx. 86000 - 87000 up to March 2008.

APPENDIX B – OTHER RELATED PROPERTY ASSETS

1.1   A comprehensive schedule of all the other related property assets NIHE manage, such as garages, shops, community homes/hostels etc will be available for the Impressionistic Study stage. Refer to Part 2.5 for definition of Related Housing Assets.

However for the purpose of the Tender process;

a -   The schedule below does not include/ listed associated un-adopted roads/ pathways, un-adopted sewers/ drains, fences, walls and boundaries

b -   Only play ground areas have been included/ listed, not equipment

c -   Only gross landscape areas have been identified for grass, paving, tarmac, drying areas etc.

1.2   In terms of simple other related property assets, the figures are as follows:

Property assets	No. of properties/ units/ area
Community lettings	402
Lettings to outside bodies	365
Hostels (purpose built)	82 (251 beds)
Garages	7557
Commercial properties	445
Grounds: soft open space	1375 ha
Grounds: hard open space	70 ha

1.3   In terms of non-traditional construction stock (noted properties are already accounted for within the 90342 total), the figures are as follows:

Non-traditional construction method	No. of properties/ units
No Fines	5173
Timber Framed	2312
Orlit	711
Easiform	608
Aluminium Bungalow	437
Wilson Masonry	80
Cross Wall Construction	15

APPENDIX C - DEFINITION OF REPORTING CATEGORIES

The definitions of reporting categories, into which the survey shall be divided, are as follows:-

Catch Up Repairs *(NIHE defined as - Multi Element Improvement programme: pre 1974 stock improvement, - External Cyclic Maintenance programme: outside 7 year cycle, - Revenue Replacement programme: kitchens outside 20 year cycle & bathrooms outside 30 year cycle).*

Catch-up repairs are defined as "..*the backlog of repairs needed to make good observable defects in a dwelling, usually works which ought to have been done in the past under cyclical or responsive repairs or where planned maintenance has not been carried out….*" (DTLR 2002)

The standard of repair to be achieved following completion of a catch-up programme is to be:

■ to a good standard consistent with statutory responsibility including repairs to fittings and furnishings provided by the NIHE but noting that internal decorations are the tenants' responsibility; and

■ to a standard whereby, once the programme of catch-up repairs is complete, a normal cyclical and planned maintenance process (plus any improvements to amenities) would keep the dwelling in a satisfactory condition.

Catch-up repairs should include the replacement of elements, sub-elements or components where their useful life has been exceeded. For example: roof covering replacement should be assumed in situations where the integrity of the existing covering is being sustained by more than a usual volume of routine repairs; rewiring where electrical installations are older than approximately thirty years. The full repairing element of a comprehensive refurbishment for any system-built or designated statutory defective dwellings would be regarded as 'catch-up' repairs.

Catch-up repairs are to exclude the improvement element of future improvement programmes but improvement programmes may also include a repair element as defined above. Improvements required to meet a statutory obligation or standard should be included as a catch-up repair. Therefore, some aspects of improvement will contain a repair element that may be described as either catch-up or programmed repairs according to the existing, as-found condition.

The survey should identify any catch-up action required in painting, pre-painting repairs or cyclical servicing programmes where any delay has occurred in a normal cyclical programme. For example, where the cycle of painting is outstanding beyond a level of approximately 20% of the stock assuming a five year repainting cycle and where from visual inspection, repainting is required.

A logical basis is to be advanced for a catch-up repair implementation programme over a period of five years which recognises priorities for action and a cost effective method of implementation. The analysis is required by coded dwelling type, estate and the stock as a whole. The term of years for implementation may be varied at draft report stage.

Future Major Works (Planned Maintenance) *(NIHE defined as - External Cyclic Maintenance programme: on a 7 year cycle including painting, - Revenue Replacement programme: Kitchens on a 20 year cycle & bathrooms on a 30 year cycle).*

Future Major Works (Planned Maintenance) is defined as *"….replacements/major overhauls necessary once catch-up repairs have been completed…..."* (DTLR 2002).

This category is specifically concerned with repairs and renewals that have a

reasonably predictable life, at the end of which replacement is required and during their lifetime they will require predictable maintenance. Cyclical painting and servicing, catch-up repairs and improvements are to be excluded from this category.

Any allowance made for disabled adaptations should be included under this category but must be presented as a separate reporting cost.

The assessment of the demand for planned, programmed repairs for the first 10 years following the base date is to be drawn from the stock condition survey by means of assessing the remaining life of components and elements on a 'just in time' renewal basis. Predictions for years 11 to 30 may be calculated statistically providing that predictions are based upon a stated recognisable and authoritative basis, assessed with direct regard to each component and sub-component included in the survey.

If a life-cycle method of calculation is proposed, the assessment should recognise:

■ The probable age (year installed) of component and the approximate year in which the component will need renewal;

■ Life cycles as experienced by the NIHE based on analysis of a sample of repair history;

■ The probability that failure or end of a component's useful life may occur prior to or beyond the average lifetime. The process of grossing up sample survey results should not overstate the probable repair demand in any year by failing to distribute costs according to the probability of failure. The Surveyor's methodology for avoiding this failing should be discussed in the Surveyor's proposal;

■ The reality that not all components require 100% replacement as repairing action.

Output reports are required in tabular and graphic form showing a 30 year profile by: dwelling type and estate but not sub-divided by components; the stock as a whole sub-divided by components. Further analysis should be readily available to the DSD by means of menus set up within the computer software programme.

Following the abstraction of raw survey data and once the cost of planned repairs is ascertained, a logical basis is to be advanced for a simplified implementation programme which aims to reduce overall costs and takes account of the catch-up programme.

Contingent Major Repairs *(NIHE defined as - Multi element Improvement programme: structural defective stock - Special Capital programme - Special Revenue programme - Asbestos programme).*

Contingent major repairs are defined as "works which could be reasonably anticipated but for which there is no direct evidence of a problem in the properties concerned" (DTLR 2002).

Typical examples of contingent major repairs may therefore include, but not be limited to:

■   cavity wall tie failure;

■   subsidence/structural failure;

■   below ground services repair/renewal (lead pipework etc);

■   asbestos removal;

■   defects known to occur within any "non standard" or PRC (Precast Reinforced Concrete) types of construction.

With reference to the findings of the stock survey the Surveyor's report should appraise:

■   the potential exposure to risk of contingent major repairs;

■   a reasoned basis for budgetary provision which takes account of the inclusion of other repairing budget categories.

Prior to completion of the final survey report the Surveyor's initial views on this subject are to be presented to, discussed and agreed with the DSD and their consultants.

Cost projections are required for a period of 30 years beyond the base date.

Cyclical Maintenance *(NIHE defined as - Heating Replacement programme - Smoke Alarm Replacement programme - Electrical Inspection programme - Heat Servicing programme).*

Cyclical maintenance is defined as "cyclical work on an annual or longer-term cycle, such as servicing central heating and repainting." (DTLR 2002). It may include:

■   Cyclical painting comprising but not limited to:
-     External decorative surfaces including prior to painting repairs;

-     Common parts;

■   Cyclical servicing comprising but not limited to:
-     Gas appliances;

- Mechanical extract fan cleaning and servicing;

- Mechanical and electrical installations; including quinquennial inspections of electrical installations;

- District or grouped heating plant and systems;

- Lifts (including stair lifts);

- Warden call and alarm installations;

- Washing machine and kitchen equipment servicing in Sheltered Schemes;

- Fire precaution and detection equipment;

- Common parts window cleaning;

- Entry-phones;

- Lightening conductor inspection;

- Smoke & Heat detectors;

- Solid fuel appliance servicing;

- Oil fired appliance servicing;

- PVC servicing;

- Water treatment plants.

- Cess pits

The assessment of each of the above categories is to be calculated with reference to:

■ Attributes discovered during the sample survey, for example, numbers of installations requiring servicing, number of dwellings requiring painting and extent of painted surfaces;

■ The current experience of the NIHE based upon information which is available.

Projections are required for a period of 30 years beyond the base date and should take into account the effects of a catch-up repair programme and the implementation of a programme of planned repairs. For example, the unit cost of cyclical maintenance might be projected to decrease over time following the installation of low maintenance components during the catch-up or improvement programmes.

Responsive and Void Property Repairs *(NIHE defined as - Response Repairs programme - Change of Tenancy programme).*

The costs of responsive and void repairs may be "derived from records of responsive repairs in the past" (DTLR 2002).

It should be noted that the NIHE's current experience of responsive maintenance costs may not be a reliable guide to the future repairing costs. The Surveyor's assessment must take into account the future implementation of a catch-up repair programme, cyclical maintenance programme and a programme of planned repairs. Therefore, examination of the NIHE's past expenditure must take into account the deduction of repairs that can more accurately, be allocated to other budget categories.

In addition to examining historic expenditure profiles, evidence must be collected from the sample survey to guide the calculation of future expenditure.

Void property repairs are to be budgeted to achieve a specified standard of repair and further information on this standard will be provided. Costings for void property repairs are to reflect the estimated number of voids arising in the future compared with the number of voids arising in recent years. Historical and forecast data will be provided by the NIHE.

Expenditure projections for a future period of 30 years may be reduced to an annual cost per unit type basis recognising, in early years, a potential lower demand for repairs in phase with the completion of a catch-up repairs programme and the impact of the proposed planned repair programme.

Estate Works *(NIHE defined as - Grounds Maintenance programme - Commercial Property Repair programme - Septic Tank Replacement programme - Environmental Improvement programme).*

Estate works may be defined as "repair works connected to the related assets of estates, such as those to communal buildings and garages." (DTLR 2002).

Any 'Catch-up' to Estate Works should be shown under this heading, in years 1 to 5 only. Similarly any Future Major Works should be shown in years 5 to 30.

Cyclical and Responsive allowances (such as landscape maintenance, maintenance of unadopted pumping stations or sewerage treatment plant and equipment) and any other similar works to related assets should be included in this category. Historical and forecast data will be provided by the NIHE.

A clear statement as to what is included under this heading must be made in the report (for example, if responsive repairs to Estate Works cannot be split from the main Responsive heading then this must be stated).

Exceptional extensive works

Exceptional extensive works may be defined as "works required to remedy particular significant defects and falling outside the definition of routine repairs and maintenance

(usually works needed to provide the most effective technical solutions which will reduce future repair and maintenance costs, such as overcladding)." (DTLR 2002).

Improvements *(NIHE defined as - Health & Safety programme - 'One bed' Improvement programme - Single Element Improvement programme - Rewiring programme).*

Improvements may be defined as "works which increase the standard of the accommodation either by providing something which did not exist, upgrading an element to be replaced or replacing an element well before the end of its life." (DTLR 2002)

Improvements will fall into one of the following three sections:

■ **Dwelling**

Dwelling improvements are "works which will improve the standard of an individual identified dwelling, above a 'decent' standard" (DTLR 2002)

■ **Block**

Block improvements are "works which improve the standard of a block, such as installation of entry phones, improved lift security or new doors and windows" (DTLR 2002)

■ **Estate**

Estate improvements are "works which increase the standard of the facilities provided on the estate, such as additional parking facilities" (DTLR 2002)

The survey should identify the need for, and cost of, a programme of improvements within each representative dwelling type in order to bring dwellings up to a minimum benchmark standard. Improvements may generally be regarded as work which improves amenities for tenants and which may justify a higher rent (for the terms of this condition survey, minimum is defined as *'that necessary to keep the units in tenantable condition with the rents flowing'*). Raising heating standards (in compliance with Decent Homes* criteria – fitness defined as HHSRS) to whole house central heating would be an improvement, but rewiring a dwelling to identical standards would not.

Typical programmes and a benchmark standard for improved dwellings are to be agreed in advance of the survey with the DSD. The standard should address benchmarks including, for example:

a) installation of whole dwelling central heating;

b) extending central heating to whole dwelling;

c) enlarged and re-planned kitchens extra over the cost of replacing kitchen units as a catch-up repair;

d) fully fitted kitchens as an extra-over cost of replacing existing non-fitted kitchen units;

e) enlarged and re-planned bathrooms as an extra over cost of catch-up repairs;

f) installing double glazing where windows are not otherwise replaced due to their condition, i.e. secondary double glazing to current security standards;

g) improved security measures:

■ in flats, ground floor windows to be lockable;

■ door viewers for elderly person dwellings;

■ new secure front doors with multi-point locking and caller viewing;

■ new secure high quality PVCu rear doors;

h) improved thermal and sound insulation to roof and walls beyond existing standards where the work is not otherwise required to solve a repair problem such as condensation:

■ roof space minimum 200mm thick;

■ cavity external walls - fill insulation;

■ solid external walls - solid external insulation where achievable;

i) installing door entry systems to blocks of flats and improving amenities within common access areas;

j) complete programme of mains wired smoke & heat detectors all dwellings;

k) installing additional electrical power points beyond existing provision to achieve:

■ kitchen minimum 4 double socket outlets;

■ living room minimum 3 double socket outlets;

■ dining room - 2 double socket outlets;

■ bedroom - 2 double socket outlets;

l) environmental improvements to external/common areas and within curtilage of houses including fencing and seek to resolve groundwater issues in selected areas;

m) improved car parking facilities:

■ additional facilities within curtilage or nearby where space is very limited;

■ fitting gates to existing within curtilage spaces where open;

■ improvements to individual garages will be part of the other assets work in this survey;

■   including the provision of off street car parking.

n) health and safety improvements:

■   works not included within items a) – m), which would be defined as a Category 1 hazard under the HHSRS criteria.

During the preliminary survey stages a methodology for recording the existing dwelling standard of improvement is to be agreed. This standard may vary within each dwelling type category. Costings for improvement to the benchmark standard are required, analysed by dwelling type, estate and the stock as a whole. The basis for costing improvements shall be agreed in advance with the DSD and their consultants.

A logical basis is to be advanced for an implementation programme for each improvement category and consultation will be required with the DSD and its consultants and agreement sought prior to report finalisation.

Disabled Adaptations *(NIHE defined as - Major capital adaptations programme - Minor revenue adaptations programme).*

An adaptation is a modification to a disabling environment in order to restore or enable independent living, privacy, confidence and dignity for individuals and their families - providing an individualised solution to the problems of people experiencing a disabling environment.

Adaptations are split into three categories – **minor, intermediate** and **major.** These distinctions are based on the nature of the work required in order to implement the adaptation and do not correspond to the impact the adaptation will have on the individual requiring such work. It is understood that both minor and major adaptation work can impact significantly on an individual's quality of life.

Below are examples of the types of work categorised as either minor or major:

Minor adaptations: (typically under £1000) include the provision of ramps, handrails, grab rails and lever taps.

Intermediate adaptations: (typically between £1000 - £7,000) require more extensive and complex work and include the installation of stair lifts and showers

Major adaptations: (Over £7000) require most extensive and complex work and include the installation of stair lifts and showers; bathroom and kitchen conversions; access alterations.

The **Disability Discrimination (Northern Ireland) Order 2006** defines a **disabled person** as:
'Someone with a physical or mental impairment which has a substantial and long-term diverse effect on his / her ability to carry out normal day to day activities.' This adverse effect is both substantial and long term.

Additions

Schedule of rate costs may include preliminaries, and if this is the preferred approach, should be made explicit in the report. Alternatively, preliminaries may be identified and presented as a separate cost, for all categories, with the percentage at which they are applied made clear. In these circumstances every effort must be made to ensure that schedule of rate prices are truly net of preliminaries.

APPENDIX 2

SAMPLE DESIGN

Strata Name	District Code	District	Total Stock	Achieved Sample	Sample %
House/Bungalow Pre 1960	01	ANTRIM	100	7	7.00%
House/Bungalow Pre 1960	02	ARMAGH	424	45	10.61%
House/Bungalow Pre 1960	03	BALLYCASTLE	197	23	11.68%
House/Bungalow Pre 1960	04	BALLYMENA	257	25	9.73%
House/Bungalow Pre 1960	05	BALLYMONEY	497	49	9.86%
House/Bungalow Pre 1960	06	BANBRIDGE	270	27	10.00%
House/Bungalow Pre 1960	07	BANGOR	222	19	8.56%
House/Bungalow Pre 1960	08	CARRICKFERGUS	230	15	6.52%
House/Bungalow Pre 1960	09	CASTLEREAGH	513	50	9.75%
House/Bungalow Pre 1960	10	COLERAINE	579	52	8.98%
House/Bungalow Pre 1960	11	COLLON TERRACE	27	6	22.22%
House/Bungalow Pre 1960	12	COOKSTOWN	163	18	11.04%
House/Bungalow Pre 1960	13	DOWNPATRICK	369	36	9.76%
House/Bungalow Pre 1960	14	DUNGANNON	337	29	8.61%
House/Bungalow Pre 1960	15	EAST BELFAST	986	88	8.92%
House/Bungalow Pre 1960	16	FERMANAGH	122	11	9.02%
House/Bungalow Pre 1960	17	LARNE	386	44	11.40%
House/Bungalow Pre 1960	18	LIMAVADY	217	16	7.37%
House/Bungalow Pre 1960	19	LISBURN ANTRIM STREET	639	38	5.95%
House/Bungalow Pre 1960	21	LURGAN BROWNLOW	265	24	9.06%
House/Bungalow Pre 1960	22	MAGHERAFELT	267	25	9.36%
House/Bungalow Pre 1960	23	NEWRY	430	29	6.74%
House/Bungalow Pre 1960	24	NEWTOWNABBEY 1	472	46	9.75%
House/Bungalow Pre 1960	25	NEWTOWNABBEY 2	185	21	11.35%
House/Bungalow Pre 1960	26	NEWTOWNARDS	573	36	6.28%
House/Bungalow Pre 1960	27	NORTH BELFAST	1275	104	8.16%
House/Bungalow Pre 1960	28	OMAGH	217	24	11.06%
House/Bungalow Pre 1960	29	PORTADOWN	268	25	9.33%
House/Bungalow Pre 1960	30	SHANKILL	800	74	9.25%
House/Bungalow Pre 1960	31	SOUTH BELFAST	1096	90	8.21%
House/Bungalow Pre 1960	32	STRABANE	289	28	9.69%
House/Bungalow Pre 1960	33	WATERLOO PLACE	753	79	10.49%
House/Bungalow Pre 1960	34	WATERSIDE	242	22	9.09%
House/Bungalow Pre 1960	35	WEST BELFAST	746	74	9.92%
House/Bungalow Post 1960	01	ANTRIM	1419	133	9.37%
House/Bungalow Post 1960	02	ARMAGH	1235	135	10.93%
House/Bungalow Post 1960	03	BALLYCASTLE	617	71	11.51%
House/Bungalow Post 1960	04	BALLYMENA	1792	151	8.43%
House/Bungalow Post 1960	05	BALLYMONEY	855	90	10.53%
House/Bungalow Post 1960	06	BANBRIDGE	1255	133	10.60%
House/Bungalow Post 1960	07	BANGOR	1455	156	10.72%
House/Bungalow Post 1960	08	CARRICKFERGUS	816	95	11.64%
House/Bungalow Post 1960	09	CASTLEREAGH	1461	159	10.88%
House/Bungalow Post 1960	10	COLERAINE	1809	172	9.51%

NIHE Stock Condition Survey
Sample Analysis

Strata Name	District Code	District	Total Stock	Achieved Sample	Sample %
House/Bungalow Post 1960	11	COLLON TERRACE	1748	178	10.18%
House/Bungalow Post 1960	12	COOKSTOWN	747	86	11.51%
House/Bungalow Post 1960	13	DOWNPATRICK	1610	176	10.93%
House/Bungalow Post 1960	14	DUNGANNON	1209	131	10.84%
House/Bungalow Post 1960	15	EAST BELFAST	1495	143	9.57%
House/Bungalow Post 1960	16	FERMANAGH	1722	165	9.58%
House/Bungalow Post 1960	17	LARNE	459	48	10.46%
House/Bungalow Post 1960	18	LIMAVADY	1090	101	9.27%
House/Bungalow Post 1960	19	LISBURN ANTRIM STREET	1983	242	12.20%
House/Bungalow Post 1960	20	LISBURN DAIRYFARM	1370	126	9.20%
House/Bungalow Post 1960	21	LURGAN BROWNLOW	1484	151	10.18%
House/Bungalow Post 1960	22	MAGHERAFELT	907	104	11.47%
House/Bungalow Post 1960	23	NEWRY	2290	211	9.21%
House/Bungalow Post 1960	24	NEWTOWNABBEY 1	462	45	9.74%
House/Bungalow Post 1960	25	NEWTOWNABBEY 2	1357	159	11.72%
House/Bungalow Post 1960	26	NEWTOWNARDS	2527	276	10.92%
House/Bungalow Post 1960	27	NORTH BELFAST	2885	300	10.40%
House/Bungalow Post 1960	28	OMAGH	1294	135	10.43%
House/Bungalow Post 1960	29	PORTADOWN	906	87	9.60%
House/Bungalow Post 1960	30	SHANKILL	1543	162	10.50%
House/Bungalow Post 1960	31	SOUTH BELFAST	1747	181	10.36%
House/Bungalow Post 1960	32	STRABANE	1816	189	10.41%
House/Bungalow Post 1960	33	WATERLOO PLACE	773	84	10.87%
House/Bungalow Post 1960	34	WATERSIDE	1870	199	10.64%
House/Bungalow Post 1960	35	WEST BELFAST	3018	255	8.45%
Flat/Mais Pre 1960	01	ANTRIM	33	5	15.15%
Flat/Mais Pre 1960	02	ARMAGH	87	7	8.05%
Flat/Mais Pre 1960	04	BALLYMENA	119	17	14.29%
Flat/Mais Pre 1960	05	BALLYMONEY	15	4	26.67%
Flat/Mais Pre 1960	06	BANBRIDGE	36	3	8.33%
Flat/Mais Pre 1960	07	BANGOR	119	13	10.92%
Flat/Mais Pre 1960	08	CARRICKFERGUS	255	21	8.24%
Flat/Mais Pre 1960	09	CASTLEREAGH	356	38	10.67%
Flat/Mais Pre 1960	10	COLERAINE	133	14	10.53%
Flat/Mais Pre 1960	11	COLLON TERRACE	12	5	41.67%
Flat/Mais Pre 1960	12	COOKSTOWN	18	3	16.67%
Flat/Mais Pre 1960	13	DOWNPATRICK	76	8	10.53%
Flat/Mais Pre 1960	14	DUNGANNON	19	4	21.05%
Flat/Mais Pre 1960	15	EAST BELFAST	203	23	11.33%
Flat/Mais Pre 1960	16	FERMANAGH	1	1	100.00%
Flat/Mais Pre 1960	17	LARNE	202	20	9.90%
Flat/Mais Pre 1960	18	LIMAVADY	46	6	13.04%
Flat/Mais Pre 1960	19	LISBURN ANTRIM STREET	397	43	10.83%
Flat/Mais Pre 1960	21	LURGAN BROWNLOW	40	6	15.00%

NIHE Stock Condition Survey
Sample Analysis

Strata Name	District Code	District	Total Stock	Achieved Sample	Sample %
Flat/Mais Pre 1960	23	NEWRY	76	10	13.16%
Flat/Mais Pre 1960	24	NEWTOWNABBEY 1	512	57	11.13%
Flat/Mais Pre 1960	25	NEWTOWNABBEY 2	32	0	0.00%
Flat/Mais Pre 1960	26	NEWTOWNARDS	107	9	8.41%
Flat/Mais Pre 1960	27	NORTH BELFAST	288	32	11.11%
Flat/Mais Pre 1960	28	OMAGH	15	2	13.33%
Flat/Mais Pre 1960	29	PORTADOWN	37	7	18.92%
Flat/Mais Pre 1960	30	SHANKILL	80	7	8.75%
Flat/Mais Pre 1960	31	SOUTH BELFAST	210	25	11.90%
Flat/Mais Pre 1960	32	STRABANE	1	1	100.00%
Flat/Mais Pre 1960	33	WATERLOO PLACE	94	7	7.45%
Flat/Mais Pre 1960	35	WEST BELFAST	139	15	10.79%
Flat/Mais Post 1960	01	ANTRIM	341	25	7.33%
Flat/Mais Post 1960	02	ARMAGH	224	20	8.93%
Flat/Mais Post 1960	03	BALLYCASTLE	22	7	31.82%
Flat/Mais Post 1960	04	BALLYMENA	470	51	10.85%
Flat/Mais Post 1960	05	BALLYMONEY	119	15	12.61%
Flat/Mais Post 1960	06	BANBRIDGE	241	17	7.05%
Flat/Mais Post 1960	07	BANGOR	586	45	7.68%
Flat/Mais Post 1960	08	CARRICKFERGUS	280	17	6.07%
Flat/Mais Post 1960	09	CASTLEREAGH	1416	141	9.96%
Flat/Mais Post 1960	10	COLERAINE	379	31	8.18%
Flat/Mais Post 1960	11	COLLON TERRACE	299	29	9.70%
Flat/Mais Post 1960	12	COOKSTOWN	124	15	12.10%
Flat/Mais Post 1960	13	DOWNPATRICK	350	34	9.71%
Flat/Mais Post 1960	14	DUNGANNON	153	16	10.46%
Flat/Mais Post 1960	15	EAST BELFAST	741	79	10.66%
Flat/Mais Post 1960	16	FERMANAGH	104	9	8.65%
Flat/Mais Post 1960	17	LARNE	347	22	6.34%
Flat/Mais Post 1960	18	LIMAVADY	124	18	14.52%
Flat/Mais Post 1960	19	LISBURN ANTRIM STREET	812	90	11.08%
Flat/Mais Post 1960	20	LISBURN DAIRYFARM	210	19	9.05%
Flat/Mais Post 1960	21	LURGAN BROWNLOW	489	42	8.59%
Flat/Mais Post 1960	22	MAGHERAFELT	117	8	6.84%
Flat/Mais Post 1960	23	NEWRY	294	32	10.88%
Flat/Mais Post 1960	24	NEWTOWNABBEY 1	540	62	11.48%
Flat/Mais Post 1960	25	NEWTOWNABBEY 2	589	56	9.51%
Flat/Mais Post 1960	26	NEWTOWNARDS	524	46	8.78%
Flat/Mais Post 1960	27	NORTH BELFAST	1232	126	10.23%
Flat/Mais Post 1960	28	OMAGH	256	20	7.81%
Flat/Mais Post 1960	29	PORTADOWN	217	24	11.06%
Flat/Mais Post 1960	30	SHANKILL	371	38	10.24%
Flat/Mais Post 1960	31	SOUTH BELFAST	711	69	9.70%
Flat/Mais Post 1960	32	STRABANE	80	5	6.25%

Strata Name	District Code	District	Total Stock	Achieved Sample	Sample %
Flat/Mais Post 1960	33	WATERLOO PLACE	581	44	7.57%
Flat/Mais Post 1960	34	WATERSIDE	322	31	9.63%
Flat/Mais Post 1960	35	WEST BELFAST	743	77	10.36%
Non Trad House/Bungalow	01	ANTRIM	367	36	9.81%
Non Trad House/Bungalow	02	ARMAGH	10	0	0.00%
Non Trad House/Bungalow	04	BALLYMENA	111	10	9.01%
Non Trad House/Bungalow	06	BANBRIDGE	6	0	0.00%
Non Trad House/Bungalow	07	BANGOR	185	19	10.27%
Non Trad House/Bungalow	08	CARRICKFERGUS	294	33	11.22%
Non Trad House/Bungalow	09	CASTLEREAGH	43	4	9.30%
Non Trad House/Bungalow	10	COLERAINE	167	18	10.78%
Non Trad House/Bungalow	11	COLLON TERRACE	208	28	13.46%
Non Trad House/Bungalow	13	DOWNPATRICK	7	0	0.00%
Non Trad House/Bungalow	14	DUNGANNON	66	12	18.18%
Non Trad House/Bungalow	15	EAST BELFAST	4	1	25.00%
Non Trad House/Bungalow	16	FERMANAGH	62	9	14.52%
Non Trad House/Bungalow	17	LARNE	23	7	30.43%
Non Trad House/Bungalow	19	LISBURN ANTRIM STREET	493	42	8.52%
Non Trad House/Bungalow	20	LISBURN DAIRYFARM	158	17	10.76%
Non Trad House/Bungalow	21	LURGAN BROWNLOW	386	36	9.33%
Non Trad House/Bungalow	22	MAGHERAFELT	17	0	0.00%
Non Trad House/Bungalow	23	NEWRY	14	3	21.43%
Non Trad House/Bungalow	24	NEWTOWNABBEY 1	158	17	10.76%
Non Trad House/Bungalow	26	NEWTOWNARDS	66	9	13.64%
Non Trad House/Bungalow	27	NORTH BELFAST	646	62	9.60%
Non Trad House/Bungalow	28	OMAGH	88	8	9.09%
Non Trad House/Bungalow	29	PORTADOWN	150	20	13.33%
Non Trad House/Bungalow	30	SHANKILL	765	61	7.97%
Non Trad House/Bungalow	31	SOUTH BELFAST	166	21	12.65%
Non Trad House/Bungalow	32	STRABANE	36	9	25.00%
Non Trad House/Bungalow	33	WATERLOO PLACE	104	8	7.69%
Non Trad House/Bungalow	34	WATERSIDE	19	6	31.58%
Non Trad House/Bungalow	35	WEST BELFAST	474	38	8.02%
Non Trad Flat/Mais	01	ANTRIM	224	25	11.16%
Non Trad Flat/Mais	04	BALLYMENA	85	11	12.94%
Non Trad Flat/Mais	07	BANGOR	187	23	12.30%
Non Trad Flat/Mais	08	CARRICKFERGUS	59	6	10.17%
Non Trad Flat/Mais	09	CASTLEREAGH	4	3	75.00%
Non Trad Flat/Mais	10	COLERAINE	23	5	21.74%
Non Trad Flat/Mais	11	COLLON TERRACE	98	7	7.14%
Non Trad Flat/Mais	14	DUNGANNON	11	2	18.18%
Non Trad Flat/Mais	15	EAST BELFAST	61	9	14.75%
Non Trad Flat/Mais	16	FERMANAGH	31	5	16.13%
Non Trad Flat/Mais	17	LARNE	48	9	18.75%

NIHE Stock Condition Survey
Sample Analysis

Strata Name	District Code	District	Total Stock	Achieved Sample	Sample %
Non Trad Flat/Mais	19	LISBURN ANTRIM STREET	58	8	13.79%
Non Trad Flat/Mais	20	LISBURN DAIRYFARM	126	10	7.94%
Non Trad Flat/Mais	21	LURGAN BROWNLOW	12	3	25.00%
Non Trad Flat/Mais	23	NEWRY	3	2	66.67%
Non Trad Flat/Mais	24	NEWTOWNABBEY 1	95	11	11.58%
Non Trad Flat/Mais	26	NEWTOWNARDS	136	15	11.03%
Non Trad Flat/Mais	27	NORTH BELFAST	27	6	22.22%
Non Trad Flat/Mais	29	PORTADOWN	51	8	15.69%
Non Trad Flat/Mais	30	SHANKILL	45	3	6.67%
Non Trad Flat/Mais	31	SOUTH BELFAST	59	6	10.17%
Non Trad Flat/Mais	32	STRABANE	7	3	42.86%
Non Trad Flat/Mais	35	WEST BELFAST	16	6	37.50%
		Total	90,364	9,041	10.01%

APPENDIX 3

DETAILS OF SURVEY ELEMENTS, UNIT RATES AND LIFE CYCLES

Survey Type	Element	Sub-Element	Unit	Life Cycle	House	Bungalow	Flat
Internal	Kitchen		Per Property	20	£3,850	£3,850	£3,850
Internal	Bathrooms		Per Property	30	£1,350	£1,350	£1,350
Internal	Central heating boiler	Gas boiler	Per Property	15	£1,500	£1,500	£1,500
Internal	Central heating boiler	Oil boiler	Per Property	15	£3,500	£3,500	£3,500
Internal	Central heating boiler	Solid fuel boiler	Per Property	15	£1,800	£1,800	£1,800
Internal	Central heating boiler	Communal gas boiler	Per Property	15	£1,500	£1,500	£1,500
Internal	Central heating boiler	Communal oil boiler	Per Property	15	£2,500	£2,500	£2,500
Internal	Central heating boiler	Communal solid fuel boiler	Per Property	15	£1,800	£1,800	£1,800
Internal	Central heating carcass	Radiators	Per Property	30	£2,000	£1,750	£1,750
Internal	Central heating carcass	Electric	Per Property	15	£2,000	£1,800	£1,800
Internal	Central heating carcass	Communal	Per Property	30	£2,000	£1,750	£1,750
Internal	Room heating	Gas fires	no	15	£350	£350	£350
Internal	Room heating	Elec fires	no	15	£350	£350	£350
Internal	Electrics CCU		Per Property	30	£500	£500	£500
Internal	Electrics wiring		Per Property	30	£2,000	£2,000	£2,000
Internal	Front / Back doors	Composite	Per Property	30	£600	£600	£600
Internal	Entry phone		Per flat	15	-	-	£300
Internal	Extract fan kitchen		no	15	£150	£150	£150
Internal	Extract fan bathroom		no	15	£150	£150	£150
Internal	Smoke detectors	Mains wired	No	10	£75	£75	£75
External	Pitched roof	Concrete tiles	M2	60	£75	£75	£75
External	Flat roof	Felt	M2	15	£50	£50	£50
External	Flat roof	Asphalt	M2	20	£50	£50	£50
External	Chimney	Pointing / Render	No	50	£750	£750	£750
External	Fascia/soffit/barge		lin m	30	£39	£39	£39
External	Rainwater goods		lin m	20	£30	£30	£30
External	Wall finish	Pointed	M2	40	£35	£35	£35
External	Wall finish	Rendered	M2	30	£50	£50	£50
External	Wall finish	Tile hung	M2	30	£50	£50	£50
External	Wall finish	Timber shiplap	M2	25	£50	£50	£50
External	Wall finish	PVC shiplap	M2	30	£50	£50	£50
External	Wall finish	Metal panel	M2	25	£50	£50	£50
External	Wall finish	Concrete panel	M2	25	£50	£50	£50
External	Windows	Double glazed	No	30	£350	£350	£350
External	Porch	flat roof	M2	20	£50	£50	£50
External	Soil Vent Pipe		lin m	30	£40	£40	£40
External	Fencing		lin m	20	£25	£25	£25
External	Boundary walls	Brick	M2	50	£80	£80	£80
External	Boundary walls	Block	M2	50	£50	£50	£50
External	Gates		No	25	£65	£65	£65
External	Paths	Concrete	M2	25	£25	£25	£25
External	External lighting front		No	30	£150	£150	£150
External	External lighting rear		No	30	£150	£150	£150
External	External store doors		No	30	£100	£100	£100
Communal	External Communal Doors		No	20	£600	£600	£600
Communal	Balcony finish		M2	25	£100	£100	£100
Communal	Balcony rail/guard		M2	40	£100	£100	£100
Communal	Stairs finish		M2	10	£100	£100	£100
Communal	Walkways finish		M2	10	£100	£100	£100
Communal	Bin store doors		No	30	£100	£100	£100
Communal	Bin store roof		M2	50	£100	£100	£100
Communal	Bin store walls		M2	50	£100	£100	£100
Communal	Parking areas		M2	30	£30	£30	£30

APPENDIX 4

SUMMARY OF ALL COSTS

30 Year Costs

Whole Stock = 90,364 properties

	Summary of All Costs						
Description	**Years 1-5**	**Years 6-10**	**Years 11-15**	**Years 16-20**	**Years 21-25**	**Years 26-30**	**Total**
Major Works	£287,233,201	£487,621,626	£601,230,383	£562,437,514	£408,938,493	£453,582,092	£2,801,043,309
Structural Works	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£30,000,000
Asbestos	£8,500,000	£8,500,000	£8,500,000	£8,500,000	£0	£0	£34,000,000
Reactive / Response / Void Maintenance	£192,362,500	£192,362,500	£192,362,500	£192,362,500	£192,362,500	£192,362,500	£1,154,175,000
Cyclical Maintenance	£124,422,375	£124,422,375	£124,422,375	£124,422,375	£124,422,375	£124,422,375	£746,534,250
Grounds Maintenance / Tree Surgery	£45,000,000	£45,000,000	£45,000,000	£45,000,000	£45,000,000	£45,000,000	£270,000,000
Related Assets	£10,876,125	£13,729,131	£12,156,069	£11,472,995	£9,985,136	£10,781,319	£69,000,775
Grand Total	**£673,394,201**	**£876,635,632**	**£988,671,327**	**£949,195,384**	**£785,708,504**	**£831,148,286**	**£5,104,753,334**
Total Per Annum	**£134,678,840**	**£175,327,126**	**£197,734,265**	**£189,839,077**	**£157,141,701**	**£166,229,657**	**£170,158,444**

Cost Per Property   **£56,491**

All costs are exclusive VAT and are based on today's prices. Costs are inclusive of preliminaries.
Costs assume all properties are retained for the next 30 years
Costs for Major Works, Structural Works, Asbestos and Related Assets are exclusive of all fees, management and administration costs
Costs for Reactive/Response/Void maintenance, Cyclical Maintenance and Grounds Maintenance/Tree Surgery are based on NIHE existing costs and include fees

APPENDIX 5

BREAKDOWN OF MAJOR WORKS COSTS

Northern Ireland Housing Executive
30 Year Elemental Cost Report
Whole Stock = 90,364 properties

			Programmed Renewals				
Description	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Kitchens	£59,709,250	£70,924,700	£75,098,100	£142,681,000	£59,197,600	£70,924,700	£478,535,350
Bathrooms	£26,534,650	£21,971,250	£21,771,450	£18,975,600	£17,568,900	£18,350,550	£125,172,400
Central heating boiler	£31,559,200	£66,762,900	£91,932,600	£51,835,000	£66,762,900	£91,932,600	£400,785,200
Central heating carcass	£25,184,000	£27,145,050	£17,617,550	£22,968,000	£25,990,800	£46,631,800	£165,537,200
Room heating	£3,099,500	£9,022,650	£12,439,350	£4,996,600	£8,929,900	£12,755,400	£51,243,400
Electrics Consumer Unit	£8,526,000	£3,762,500	£5,972,000	£5,880,000	£7,491,500	£11,309,000	£42,941,000
Electrics Wiring	£38,714,350	£40,154,000	£27,216,000	£20,412,000	£21,916,000	£26,852,000	£175,264,350
External entrance doors	£9,079,950	£11,552,650	£16,798,450	£17,690,450	£20,637,500	£19,604,900	£95,363,900
Entry phone	£673,500	£1,072,500	£1,054,800	£855,300	£1,072,500	£1,054,800	£5,783,400
Extract fan kitchen	£2,300,300	£2,035,050	£2,800,650	£2,884,200	£2,035,050	£2,800,650	£14,855,900
Extract fan bathroom	£2,204,600	£1,712,850	£2,293,050	£2,698,650	£1,712,850	£2,293,050	£12,915,050
Smoke detectors	£1,779,325	£6,742,950	£3,434,100	£6,742,950	£3,434,100	£6,742,950	£28,876,375
Pitched Roofs	£16,399,078	£78,902,591	£89,702,888	£47,475,762	£29,897,102	£25,950,395	£288,327,816
Flat Roofs	£1,129,214	£3,344,005	£2,313,104	£1,038,508	£1,954,622	£1,953,016	£11,732,469
Chimneys	£1,302,149	£2,957,866	£3,778,248	£3,152,760	£1,523,801	£1,569,862	£14,284,686
Fascia/soffit/bargeboards	£5,648,782	£15,280,370	£17,940,572	£7,580,696	£1,772,802	£1,533,231	£49,756,453
Rainwater goods	£8,377,017	£18,390,298	£17,582,866	£8,226,912	£9,362,382	£17,539,425	£79,478,900
Wall finish 1	£4,933,981	£34,168,248	£69,494,212	£57,670,056	£20,952,535	£9,004,394	£196,223,426
Wall finish 2	£1,256,215	£4,878,102	£7,196,499	£5,831,701	£2,120,319	£1,970,010	£23,252,846
Windows	£23,302,488	£28,232,995	£37,836,123	£41,436,703	£45,715,231	£39,212,013	£215,735,553
Porch	£262,946	£583,930	£985,883	£1,343,508	£1,049,359	£867,728	£5,093,354
Soil Vent Pipes	£1,239,057	£3,518,217	£6,922,474	£4,298,236	£1,915,257	£1,201,751	£19,094,992
Front fencing	£139,442	£2,357,692	£8,115,562	£10,540,920	£6,281,038	£3,669,579	£31,104,233
Rear fencing	£603,064	£8,067,467	£19,546,233	£19,455,744	£8,023,342	£9,280,720	£64,976,570
Boundary walls	£510,765	£528,537	£2,354,386	£5,915,320	£5,802,461	£2,750,190	£17,861,659
Gates	£444,445	£1,460,860	£4,171,457	£4,406,405	£2,321,303	£1,154,168	£13,958,638
Paths	£1,426,772	£2,099,239	£13,297,342	£28,790,556	£19,363,655	£7,774,189	£72,751,753
External lighting front	£777,193	£722,932	£1,048,019	£1,108,024	£1,253,113	£1,502,196	£6,411,477
External lighting rear	£1,065,342	£1,103,675	£1,946,096	£1,741,171	£2,187,499	£2,212,686	£10,256,469
External store doors	£804,183	£1,066,147	£1,103,371	£766,139	£689,992	£564,627	£4,994,459
External store roof	£1,265,457	£1,489,068	£1,314,574	£1,085,746	£1,460,661	£935,112	£7,550,618
External store walls	£351,181	£1,677,693	£3,312,810	£2,436,131	£843,876	£1,196,097	£9,817,788
Garage doors	£93,293	£114,544	£108,822	£38,584	£57,872	£49,200	£462,315
Garage roof	£206,520	£262,594	£228,974	£165,399	£360,427	£167,832	£1,391,746
Garage walls	£72,190	£103,456	£296,832	£241,831	£81,697	£27,030	£823,036
External Communal Doors	£305,737	£891,569	£1,037,547	£500,845	£378,856	£891,569	£4,006,123
Balcony structure	£18,818	£42,631	£55,147	£111,688	£152,968	£75,201	£456,453
Balcony finish	£458,766	£1,994,097	£590,436	£161,063	£455,759	£1,757,810	£5,417,931
Balcony rail/guard	£258,761	£1,254,778	£1,113,781	£300,543	£127,736	£297,906	£3,353,505
Lifts	£3,210,148	£3,210,148	£3,210,148	£3,852,177	£3,565,514	£3,852,177	£20,900,312
Stairs finish	£293,895	£960,846	£970,106	£816,385	£422,593	£698,780	£4,162,605
Walkways finish	£1,306,783	£2,322,088	£2,548,555	£2,013,778	£1,359,184	£1,750,374	£11,300,762
Communal doors	£20,600	£1,372,569	£1,044,884	£265,402	£120,519	£472,435	£3,296,409
Bin store doors	£15,067	£52,812	£52,813	£17,385	£4,981	£2,520	£145,578
Bin store roof	£0	£74,306	£8,544	£14,553	£0	£36,280	£133,683
Bin store walls	£31,978	£46,493	£107,810	£135,155	£14,520	£969	£336,925
Parking areas	£337,249	£1,229,713	£1,465,165	£881,978	£595,917	£408,220	£4,918,242
Grand Total	**£287,233,201**	**£487,621,626**	**£601,230,383**	**£562,437,514**	**£408,938,493**	**£453,582,092**	**£2,801,043,309**
Total Per Annum	**£57,446,640**	**£97,524,325**	**£120,246,077**	**£112,487,503**	**£81,787,699**	**£90,716,418**	**£93,368,110**

All costs are exclusive of Professional Fees, VAT, management and administration costs and are based on today's prices. Costs are inclusive of preliminaries.
Costs assume all properties are retained for 30 years

APPENDIX 6

RELATED ASSETS EXPENDITURE

Northern Ireland Housing Executive
Garages
Total Stock = 7,480

Garages						
Description	**Years 1-5**	**Years 6-10**	**Years 11-15**	**Years 16-20**	**Years 21-25**	**Years 26-30**	**Total**
Walls structure	£33,327	£190,909	£278,463	£432,836	£58,260	£42,461	£1,036,256
Walls finish	£163,762	£291,251	£357,156	£196,323	£103,848	£136,681	£1,249,021
Roof	£859,789	£1,146,522	£460,938	£867,236	£1,189,312	£804,079	£5,327,876
Fascia/soffit/barge	£132,953	£227,041	£79,737	£70,365	£59,552	£93,331	£662,979
Rainwater goods	£109,246	£122,140	£38,215	£9,183	£93,216	£127,382	£499,382
Doors	£980,876	£1,218,689	£971,001	£1,096,079	£156,348	£824,528	£5,247,521
Hardstanding	£558,367	£2,126,904	£1,005,315	£119,812	£154,085	£551,372	£4,515,855
Grand Total	**£2,838,320**	**£5,323,456**	**£3,190,825**	**£2,791,834**	**£1,814,621**	**£2,579,834**	**£18,538,890**
Total Per Annum	**£567,664**	**£1,064,691**	**£638,165**	**£558,367**	**£362,924**	**£515,967**	**£598,029**

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

Northern Ireland Housing Executive
Hostels
Total Stock = 204 units

	Programmed Renewals							
Description	**Years 1-5**	**Years 6-10**	**Years 11-15**	**Years 16-20**	**Years 21-25**	**Years 26-30**		**Total**
Kitchen	£81,150	£130,900	£227,150	£334,950	£92,400	£130,900		£997,450
Bathroom	£32,850	£51,300	£70,200	£56,700	£35,100	£37,800		£283,950
Central heating boiler	£124,200	£127,800	£102,600	£136,800	£127,800	£102,600		£721,800
Central heating carcass	£129,450	£180,000	£10,000	£153,000	£174,500	£69,500		£716,450
Room heating	£7,350	£15,750	£9,100	£7,700	£15,750	£9,100		£64,750
Electrics CCU	£10,800	£0	£29,500	£16,000	£13,000	£31,500		£100,800
Electrics wiring	£62,100	£38,000	£118,000	£68,000	£62,000	£56,000		£404,100
Ext ent doors 01	£1,200	£17,400	£29,400	£33,000	£27,000	£10,800		£118,800
Ext ent doors 02	£3,500	£15,950	£22,550	£4,950	£9,350	£4,950		£61,250
Entry phone	£10,500	£8,700	£10,200	£10,500	£8,700	£10,200		£58,800
Extract fan kitchen	£7,450	£6,750	£10,350	£7,950	£6,750	£10,350		£49,600
Extract fan bathroom	£6,200	£3,900	£10,500	£6,300	£3,900	£10,500		£41,300
Smoke detectors	£11,250	£19,800	£13,425	£19,800	£13,425	£19,800		£97,500
Pitched roof	£0	£56,025	£94,725	£59,175	£0	£0		£209,925
Flat roof	£0	£0	£22,800	£0	£0	£22,800		£45,600
Chimney	£1,200	£900	£1,200	£500	£400	£600		£4,800
Fascia/soffit/barge	£0	£22,425	£33,774	£29,016	£0	£0		£85,215
Rainwater goods	£10,510	£14,970	£19,590	£17,190	£10,410	£14,970		£87,640
Wall finish 1	£850	£7,700	£143,305	£52,405	£9,930	£19,380		£233,570
Wall finish 2	£0	£6,090	£9,800	£2,040	£800	£0		£18,730
Windows	£1,500	£20,650	£226,100	£63,350	£21,700	£44,800		£378,100
Porch	£0	£780	£260	£0	£260	£130		£1,430
SVP	£0	£3,360	£11,720	£10,800	£2,280	£0		£28,160
Front fencing	£1,190	£2,435	£36,395	£3,485	£1,190	£2,655		£47,350
Rear fencing	£960	£8,120	£18,430	£12,920	£5,095	£9,880		£55,405
Boundary walls	£600	£1,550	£5,050	£28,500	£11,550	£0		£47,250
Gates	£195	£2,670	£4,845	£995	£570	£95		£9,370
Paths	£0	£7,300	£25,515	£17,025	£12,855	£1,975		£64,670
Ext lighting front	£400	£450	£4,500	£1,350	£450	£1,200		£8,350
Ext lighting rear	£0	£450	£6,000	£1,350	£600	£2,400		£10,800
Ext store doors	£0	£300	£500	£0	£200	£0		£1,000
Ext store roof	£0	£150	£0	£0	£150	£300		£600
Ext store walls	£0	£0	£1,040	£500	£0	£0		£1,540
Garage doors	£0	£0	£0	£0	£0	£0		£0
Garage roof	£0	£0	£0	£0	£0	£0		£0
Garage walls	£0	£0	£0	£0	£0	£0		£0
Ext com doors	£0	£19,600	£6,000	£3,600	£0	£19,600		£48,800
Balcony structure	£0	£0	£0	£0	£0	£0		£0
Balcony finish	£0	£20,400	£0	£0	£0	£20,400		£40,800
Balcony rail/guard	£0	£20,400	£0	£0	£0	£0		£20,400
Stairs finish	£5,800	£5,100	£30,800	£2,100	£600	£7,300		£51,700
Walkways finish	£26,600	£43,400	£44,300	£4,200	£1,800	£29,000		£149,300
Com doors	£0	£24,000	£24,400	£11,400	£0	£0		£59,800
Bin store doors	£0	£200	£100	£0	£0	£0		£300
Bin store roof	£0	£0	£0	£0	£0	£0		£0
Bin store walls	£0	£0	£0	£1,300	£0	£0		£1,300
Parking areas	£0	£0	£31,120	£2,310	£0	£0		£33,430
Grand Total	**£537,805**	**£905,675**	**£1,465,244**	**£1,181,161**	**£670,515**	**£701,485**		**£5,461,885**
Total Per Annum	**£107,561**	**£181,135**	**£293,049**	**£236,232**	**£134,103**	**£140,297**		**£182,063**

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

Northern Ireland Housing Executive
Leasehold Properties
Total Stock = 6183

	Programmed Renewals						
Description	**Years 1-5**	**Years 6-10**	**Years 11-15**	**Years 16-20**	**Years 21-25**	**Years 26-30**	**Total**
Kitchen	£0	£0	£0	£0	£0	£0	£0
Bathroom	£0	£0	£0	£0	£0	£0	£0
Central heating boiler	£0	£0	£0	£0	£0	£0	£0
Central heating carcass	£0	£0	£0	£0	£0	£0	£0
Install full heating	£0	£0	£0	£0	£0	£0	£0
Room heating	£0	£0	£0	£0	£0	£0	£0
Electrics CCU	£0	£0	£0	£0	£0	£0	£0
Electrics wiring	£0	£0	£0	£0	£0	£0	£0
Ext ent doors 01	£0	£0	£0	£0	£0	£0	£0
Ext ent doors 02	£0	£0	£0	£0	£0	£0	£0
Entry phone	£0	£0	£0	£0	£0	£0	£0
Extract fan kitchen	£0	£0	£0	£0	£0	£0	£0
Extract fan bathroom	£0	£0	£0	£0	£0	£0	£0
Smoke detectors	£0	£0	£0	£0	£0	£0	£0
Pitched roof	£359,558	£2,456,038	£2,171,461	£894,986	£611,423	£648,628	£7,142,094
Flat roof	£179,461	£942,454	£818,120	£130,405	£507,877	£367,436	£2,945,753
Chimney	£22,924	£73,708	£67,846	£25,239	£21,679	£13,615	£225,011
Fascia/soffit/barge	£102,342	£395,191	£417,563	£229,379	£45,382	£102,282	£1,292,139
Rainwater goods	£246,646	£660,093	£583,145	£279,485	£309,851	£589,729	£2,668,949
Wall finish 1	£184,768	£1,810,706	£2,173,769	£1,588,146	£876,879	£424,994	£7,059,262
Wall finish 2	£132,610	£414,605	£550,541	£395,632	£86,268	£238,853	£1,818,509
Windows	£1,312,469	£1,171,533	£4,672,887	£2,938,796	£1,421,202	£1,810,884	£13,327,771
Porch	£2,277	£22,985	£33,527	£43,760	£26,446	£33,778	£162,773
SVP	£22,343	£183,376	£429,802	£173,422	£60,187	£80,366	£949,496
Front fencing	£2,457	£44,685	£261,433	£425,308	£464,421	£120,516	£1,318,820
Rear fencing	£13,928	£102,398	£449,224	£702,481	£234,325	£152,744	£1,655,100
Boundary walls	£11,314	£6,406	£101,511	£281,282	£245,925	£118,678	£765,116
Gates	£4,875	£26,642	£93,512	£96,278	£72,416	£23,422	£317,145
Paths	£32,084	£63,901	£661,337	£789,492	£655,843	£332,206	£2,534,863
Ext lighting front	£22,775	£42,189	£46,468	£35,262	£24,881	£42,090	£213,665
Ext lighting rear	£63,881	£46,657	£98,006	£43,912	£27,804	£43,340	£323,600
Ext store doors	£18,721	£114,091	£107,128	£16,531	£37,962	£44,636	£339,069
Ext store roof	£29,701	£110,627	£19,399	£36,146	£32,704	£83,551	£312,128
Ext store walls	£7,608	£110,124	£101,277	£97,377	£9,919	£35,072	£361,377
Garage doors	£2,943	£4,075	£12,903	£6,202	£2,037	£0	£28,160
Garage roof	£2,547	£17,519	£5,987	£4,788	£22,458	£10,292	£63,591
Garage walls	£0	£2,415	£2,037	£15,468	£2,022	£0	£21,942
Ext com doors	£88,934	£308,844	£387,554	£170,904	£120,373	£308,844	£1,385,453
Balcony structure	£5,131	£15,446	£15,023	£33,233	£60,237	£20,724	£149,794
Balcony finish	£166,487	£655,365	£177,548	£56,807	£166,976	£612,070	£1,835,253
Balcony rail/guard	£70,846	£352,728	£423,108	£116,065	£39,696	£104,170	£1,106,613
Lifts	£875,265	£875,265	£875,265	£1,050,318	£771,649	£1,050,318	£5,498,080
Stairs finish	£99,720	£368,835	£302,612	£351,468	£162,737	£305,449	£1,590,821
Walkways finish	£410,380	£725,994	£763,390	£658,134	£503,631	£578,286	£3,639,815
Com doors	£5,881	£377,608	£263,418	£101,668	£36,189	£132,965	£917,729
Bin store doors	£4,254	£18,670	£19,642	£4,818	£1,358	£514	£49,256
Bin store roof	£0	£33,957	£1,725	£6,808	£0	£17,537	£60,027
Bin store walls	£8,633	£13,155	£34,157	£24,948	£2,881	£264	£84,038
Parking areas	£90,277	£378,649	£412,786	£299,331	£169,043	£110,247	£1,460,333
Grand Total	**£4,604,040**	**£12,946,934**	**£17,555,111**	**£12,124,279**	**£7,834,681**	**£8,558,500**	**£63,623,545**
Total Per Annum	**£920,808**	**£2,589,387**	**£3,511,022**	**£2,424,856**	**£1,566,936**	**£1,711,700**	**£2,120,785**

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

Northern Ireland Housing Executive
Commercial Properties
Total Stock = 431

	Programmed Renewals					
Description	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Roof	£141,400	£322,090	£123,825	£233,105	£295,435	£205,235	£1,321,090
Chimney	£300	£850	£0	£200	£0	£200	£1,550
Fascia/soffit/barge	£48,533	£36,255	£13,615	£29,873	£14,402	£4,403	£147,081
Rainwater goods	£57,659	£44,748	£36,448	£18,895	£47,886	£44,728	£250,364
Wall finish 1	£35,550	£143,970	£228,220	£75,910	£9,510	£8,040	£501,200
Wall finish 2	£19,600	£36,100	£30,200	£65,875	£13,500	£8,435	£173,710
Aircon units	£18,800	£65,500	£7,500	£18,500	£65,500	£7,500	£183,300
Windows 01	£99,750	£11,960	£13,780	£19,760	£17,940	£13,260	£176,450
Windows 02	£5,720	£0	£260	£2,600	£4,420	£0	£13,000
Glazed screens	£56,205	£67,200	£136,080	£60,480	£23,520	£8,925	£352,410
Shutters	£35,840	£87,840	£114,840	£56,040	£21,540	£11,400	£327,500
External doors	£318,400	£340,800	£135,000	£68,200	£287,800	£340,800	£1,491,000
Porch	£1,290	£0	£650	£3,155	£1,450	£15,630	£22,175
Fencing	£11,815	£79,835	£40,800	£9,170	£11,415	£79,835	£232,870
Boundary walls	£14,650	£30,840	£14,150	£19,580	£4,150	£600	£83,970
Retaining walls	£5,500	£1,700	£2,650	£2,500	£3,600	£0	£15,950
Gates	£5,090	£6,250	£5,180	£2,605	£1,055	£4,290	£24,470
Paths	£47,820	£179,365	£65,120	£19,215	£5,135	£46,070	£362,725
Ext store doors	£3,900	£3,500	£900	£1,800	£300	£600	£11,000
Ext store roof	£12,755	£8,190	£0	£4,710	£3,930	£2,490	£32,075
Ext store walls	£1,975	£6,300	£2,400	£5,000	£300	£2,220	£18,195
Com doors	£0	£7,500	£1,200	£4,800	£0	£0	£13,500
Bin store doors	£0	£1,300	£100	£0	£0	£0	£1,400
Bin store roof	£0	£0	£120	£0	£0	£0	£120
Bin store walls	£0	£450	£300	£0	£0	£0	£750
Parking areas	£48,440	£171,090	£97,590	£38,040	£4,170	£0	£359,330
Grand Total	**£990,992**	**£1,653,633**	**£1,070,928**	**£760,013**	**£836,958**	**£804,661**	**£6,117,185**
Total Per Annum	**£198,198**	**£330,727**	**£214,186**	**£152,003**	**£167,392**	**£160,932**	**£203,906**

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 7

LIMITATIONS

LIMITATIONS OF SURVEY

1.1 Repairs and replacements have been costed on a "like for like" replacement basis, with improvements and contingency works dealt with as a separate exercise where they do not clearly form part of the repair process. In the event of remedial works requiring vacation of the property, no allowance has been made in the costings for such relocation.

1.2 Savills have not undertaken structural surveys of the properties and have not inspected woodwork or other parts of the structure, which were covered, unexposed or inaccessible. It is therefore not possible to report that such parts are free from defects.

1.3 Inspections have not been made of flues, ducts, voids or any similarly enclosed areas, access to which was not readily available at the time of our inspection and we are therefore unable to report that such areas remain free from defect.

1.4 No specific inspection or specialist testing has been undertaken to establish whether high alumina cement concrete, calcium chloride additives, woodwall slab permanent formwork construction, asbestos or other deleterious materials are present within the construction.

1.5 No samples have been taken nor any analysis made of the sulphate content of the load bearing sub-soil adjacent to the foundations.

1.6 No testing of electrical, mechanical, water, drainage, air conditioning, lifts or other services have been undertaken by Savills.

1.7 Savills have not made any formal enquiries in respect of existing user rights, town planning and road widening, legal interests, fire certificates, effluent agreements, party wall agreements, prescriptive rights, easements, wayleaves, statutory consents or contaminated land.

1.8 We have not included in our calculations any costs or fees incurred which might arise from the application of the Party Wall Act 1996.

APPENDIX 8

ASSET MODEL INPUT ANALYSIS

Rental Income

1.   According to the rental income position as at December 2008 derived from the MIS system e average level of rent per unit of across the domestic stock is approximately £52.00 per week. The variation in rent levels across Asset Group is shown in the graph below.
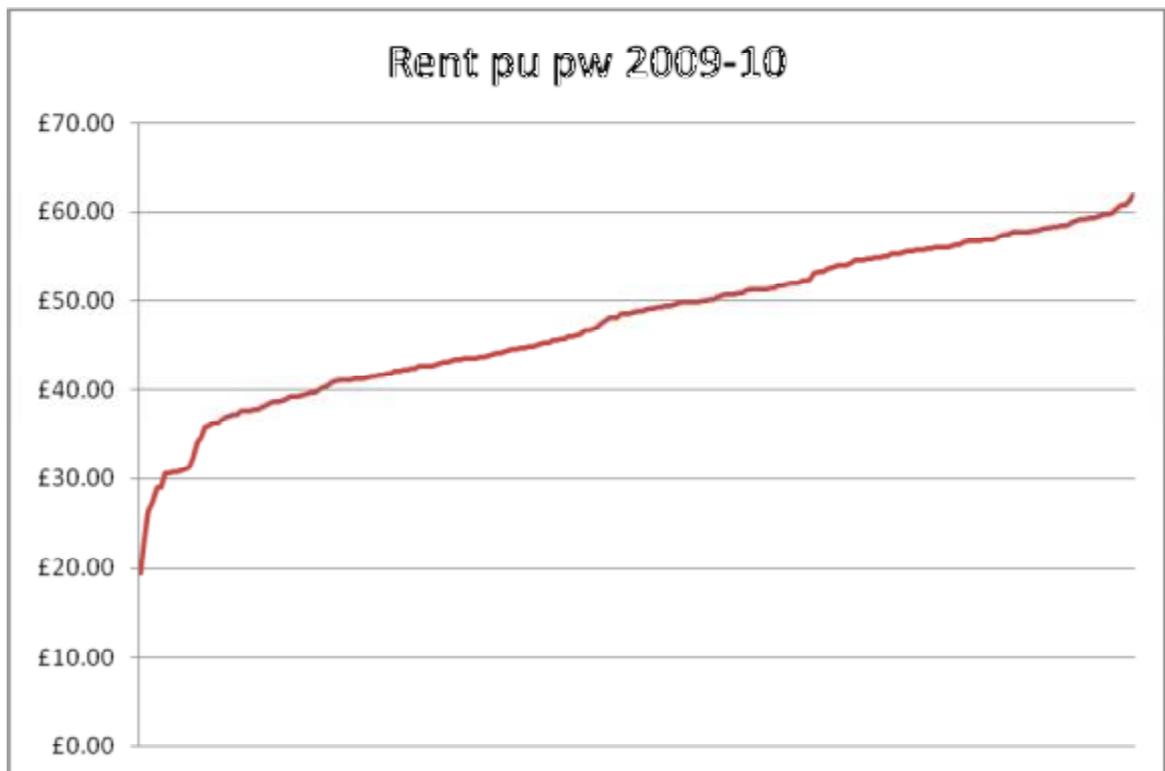
Graph 1: Rents Per Unit Per Week, 2009/10

2.   The graph shows that a number of Asset Groups are characterised by low levels of rent pw. The group with the lowest rental income pw includes unmodernised bedsits in Banbridge.

3.   The low gradient on the graph reflects NIHE's rent policy, which does not reflect property size or market value to the extent common on the mainland.

4.   We understand that the rental growth profile is politically driven and has traditionally followed increases in RPI. Our modelling is based on a Day 1 position as at the 2009/2010 financial year. The rental increase on the 2008/09 financial year has been specified by the Minister as a nominal full increase of 1.95%. We understand that for business planning purposes, the NIHE have applied a rate of 2.0% for the financial years 2010/11 and 2011/12.

5.   We have made an allowance against bad (or written-off) debt of £1,056,000 per annum. This accurately levels existing levels of write-offs as set out in NIHE's accounts.

Void Rate Analysis

6.   We have undertaken an analysis of annual void levels from data provided at a UPRN level for the past four financial years (from 2004/05 to 2007/08). We have effectively calculated the level of rent days lost within each financial year to derive a void rate (rent days lost / rent days available) for each financial year. We then average these over the period to derive a forecast void rate for the whole of the stock and therefore for Asset Groups.

7.   The graph below sets out average void rates per Asset Group for the period.
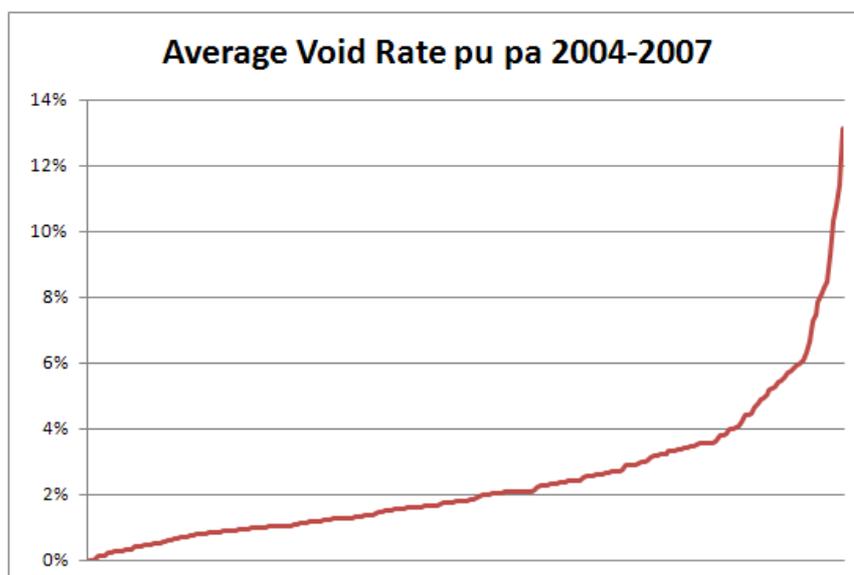
Graph 2: Average Void Rates Per Unit Per Annum for Period 2004- 2007

8. There are two principal factors that may be driving voids: existing management issues and demand-driven issues. It is the latter that must be addressed as it clearly indicates properties that are incurring outgoings with no corresponding income. The table below sets out those Asset Groups with void rates above 5.0%, which require further investigation:

ASSET GROUP	Unit Count	Void Rate per Annum
WATERSIDE HOUSE Modernised Pre 1945	10	5.05%
OMAGH FLAT/MAIS Modernised	248	5.19%
BANBRIDGE HOUSE Modernised Pre 1945	40	5.21%
LARNE FLAT/MAIS Unmodernised	74	5.29%
NEWTOWNABBEY 1 BEDSIT BUNGALOW Unmodernised	15	5.43%
CASTLEREAGH FLAT/MAIS Modernised 1961-1980	874	5.44%
LISBURN ANTRIM STREET FLAT/MAIS Modernised	967	5.58%
LARNE FLAT/MAIS Modernised	345	5.71%
BANGOR FLAT/MAIS Modernised	821	5.76%
BANBRIDGE BEDSIT Unmodernised	18	5.84%
EAST BELFAST BEDSIT MULTI-STOREY Modernised	14	5.94%
NORTH BELFAST FLAT/MAIS & 2 BEDSIT Modernised	901	5.99%
OMAGH HOUSE Unmodernised	69	6.07%
NEWTOWNARDS FLAT/MAIS & 1 BEDSIT Modernised	706	6.31%
WEST BELFAST FLAT/MAIS MULTI-STOREY Modernised	74	6.65%
LURGAN BROWNLOW BEDSIT Modernised	48	7.26%
DUNGANNON FLAT/MAIS Unmodernised	14	7.47%
LISBURN ANTRIM STREET HOUSE Modernised Pre 1945	23	7.84%
CASTLEREAGH BEDSIT MULTI-STOREY Modernised	14	8.04%
LARNE FLAT/MAIS MULTI-STOREY Unmodernised	178	8.27%
CASTLEREAGH FLAT/MAIS MULTI-STOREY Modernised	302	8.44%
WATERSIDE FLAT/MAIS Modernised & 5 Unmodernised	322	9.26%
SHANKILL FLAT/MAIS Unmodernised	27	10.33%
STRABANE FLAT/MAIS Modernised & 3 Unmodernised	88	10.77%
OMAGH FLAT/MAIS Unmodernised	23	11.39%
SOUTH BELFAST BEDSIT BUNGALOW Unmodernised	19	13.11%
TOTAL	6,234	

Table 1: Asset Groups with Void Rates Exceeding 5.00% pa

Management Costs

9. We have worked with NIHE to determine an overall picture of total management costs associated with its landlord function, working with the organisation's management accounts.

10. The data suggests an overall cost (based on the 2008/09 budget) of approximately £43.3 million across the whole of the domestic stock. This accounts for 63.3% of all management costs that NIHE incurs on an annual basis, with approximately £25.1 million being spent on non-landlord functions.

11. Management and supervision costs have been estimated at a District level, which is the level at which they have been allocated to Asset Groups. We believe that this is the lowest realistic level of aggregation for this data.

12. We have also included allowances for office accommodation improvements (£1,065,000 pa), building insurance (£1,283,400 pa) and IT support costs (£3,950,000) to more accurately capture further NIHE landlord functions. **The average management cost per unit per annum stands at approximately £565 per unit**. The table below sets out the average level of management cost by Asset Group:
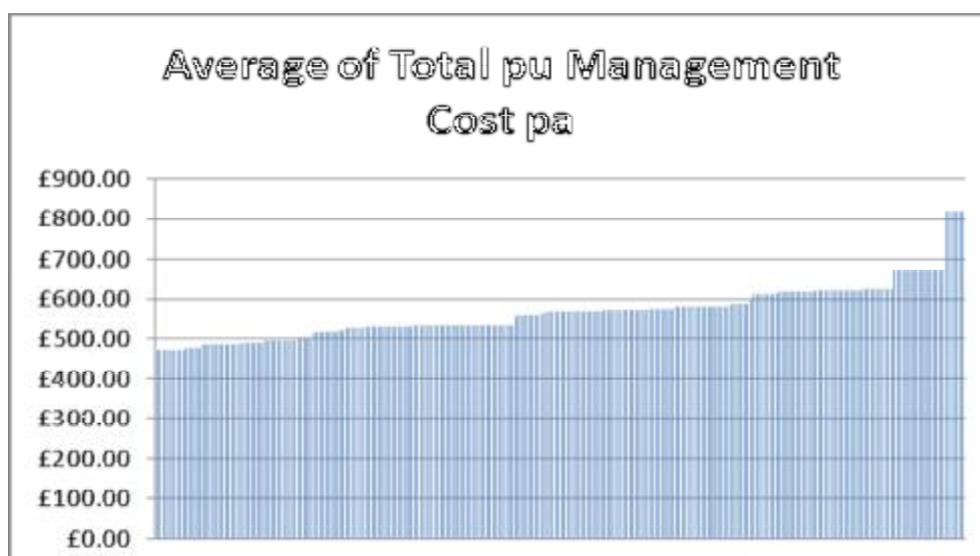
Graph 3: Average Management Costs per Unit per Annum

13.   The results suggest variance in these costs between £400 pu pa and just over £800 pu pa. The differentials, and the higher levels of cost for certain groups is driven by Management and Supervision costs per unit at a District level. The is the lowest level of aggregation that has been achieved for these costs. These costs are shown in the graph below. Account has been taken in calculated levels of costs for consolidation of NIHE management areas merging comprising:

   ▪ Banbridge and Armagh;
   ▪ Lurgan Brownlow and Portadown;
   ▪ Limavady and Magherafelt;
   ▪ Omagh and Cookstown.
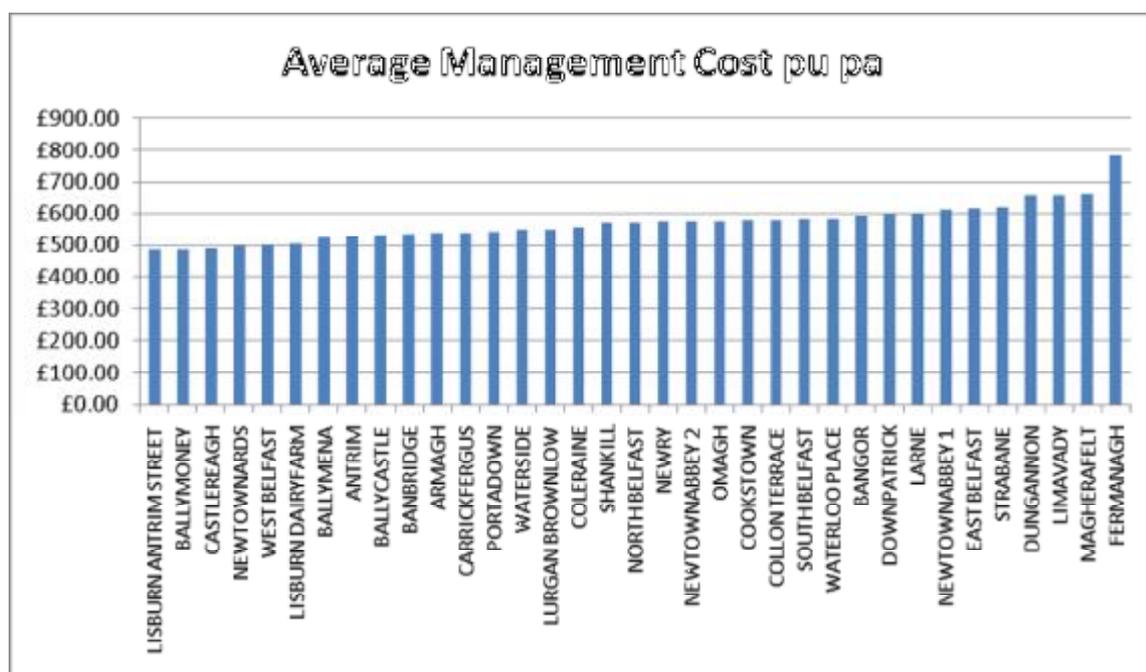
Graph 4: Average Management Cost per District per Unit per Annum

14.   The graph shows that a comparatively higher levels of cost is incurred in the Fermanagh District, at approximately £786 pu pa.

15. Ideally we would seek to identify more specific geographical areas in which management time is more heavily focussed, which would provide a more accurate range of costs. However, this has not been possible as a result of a realistic inability to break costs down further at District level.

16. The cost of providing services has not been made available at a detailed level of scale.   We have assumed that the rental charge will cover any service costs payable and therefore the outcome will be neutral.

Response and Void Maintenance Costs

17. We have calculated the gross response maintenance costs across all Asset Groups at approximately £38,500,000 per annum. This equates to costs of approximately £425 per unit per annum.

18. In calculating our overall figure, we have analysed total maintenance costs incurred over the period 2004/05 to 2007/08. We determined from this an average cost per annum per unit figure, which served as an indicative cost projection for modelling purposes. We then adjusted this figure to ensure that it compared to relevant RSL benchmarks.
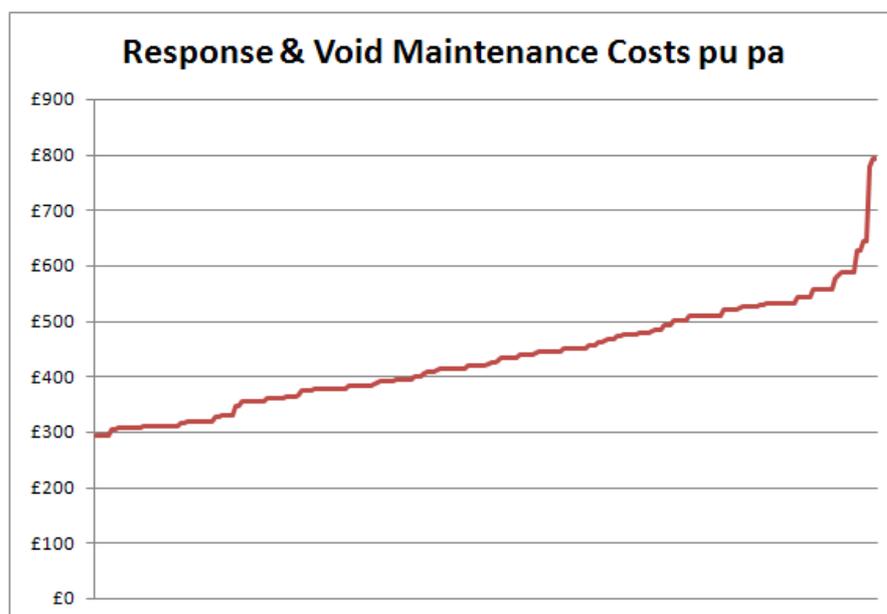
Graph 3.5: Response and Void Maintenance Costs pu pa

19.   The graph demonstrates that a small number of Asset Groups appear to be 'outliers' at the upper end of the cost range. These all comprise 'unmodernised' properties and a Hostel Asset Group.

Planned and Cyclical Maintenance Costs

20.   Our calculation of planned maintenance costs has focused on the following elements of cost:

- External Cyclical Maintenance;
- Grounds responsive and cyclical maintenance;
- General Maintenance (which includes an element of service costs);
- Planned revenue costs – "Special Revenue" element

21.   As with response and void maintenance, we have worked with historical averages to derive an appropriate baseline for NIHE's annual expenditure. We have then used our judgement to determine the rate that should apply. The total annual liability for the stock stands at £33,884,475. This equates to approximately £375 per unit. As such, joint annual costs per unit for both response and planned maintenance costs come an average of £800, which we believe to be appropriate.

Programmed Repair Costs

22.   The DSD has commissioned Savills to produce a stock condition survey across all NIHE housing stock. The survey determines the minimum level of investment required to meet the Decent Homes Standard. A full report on the survey will be issued separately.

23. **The costs provided in the survey exclude professional fees, management and administration costs. We have made an assumption in our model that these will stand at 7.50%.** This accounts for the geographical distribution and variety of the stock types within the domestic property portfolio. We note that VAT is fully recoverable for the NIHE and have therefore not accounted for this cost.

24. The 30-year capital expenditure costs per unit within each Asset code are set out in the graph below. The graph demonstrates a broadly consistent profile of costs across the stock, at an average per unit of £31,334.
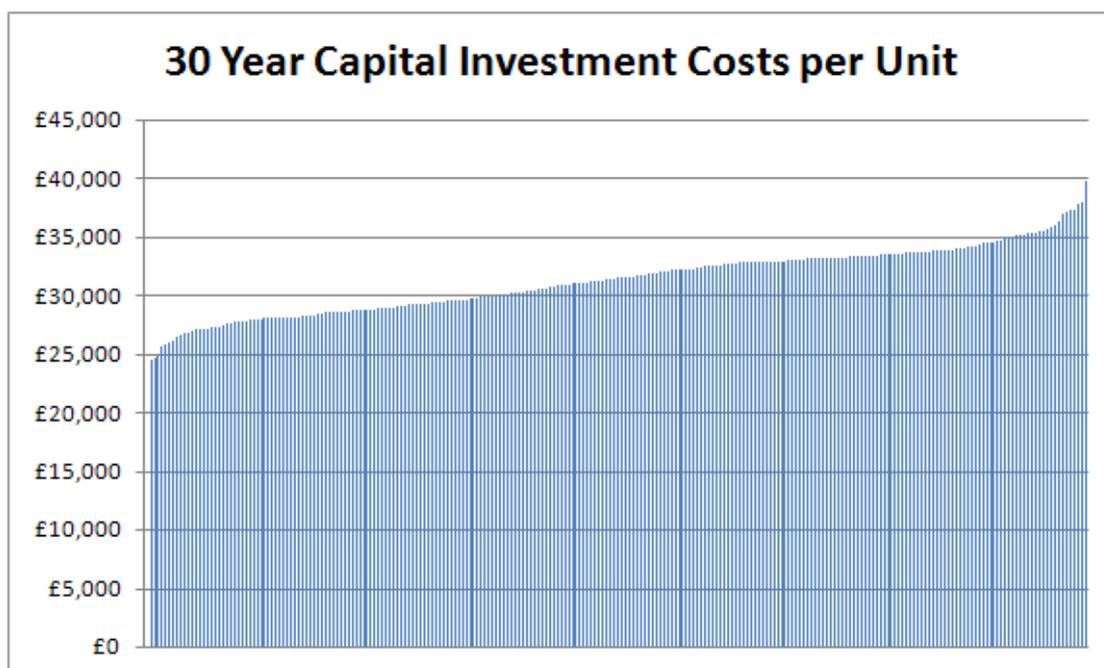
Graph 6: 30 Year Total Capital Expenditure per Unit

Market Values

25. We have been provided with Market Values (subject to Vacant Possession) by Land and Property Services, an executive Agency within the Department of Finance and Personnel for Northern Ireland. This work had been initially commissioned by the NIHE.

26. The graph below sets out the average Market Value per unit for each of the 247Asset Groups under consideration. The range of values is from £25,400 to £117,000 per unit.; The highest values within the stock are linked to houses in South and West Belfast. The lowest average values within the stock relate to bedsit properties located in the Lurgan Brownlow and Newtonabbey 1 District, the latter of which are situated within a multi-storey building.
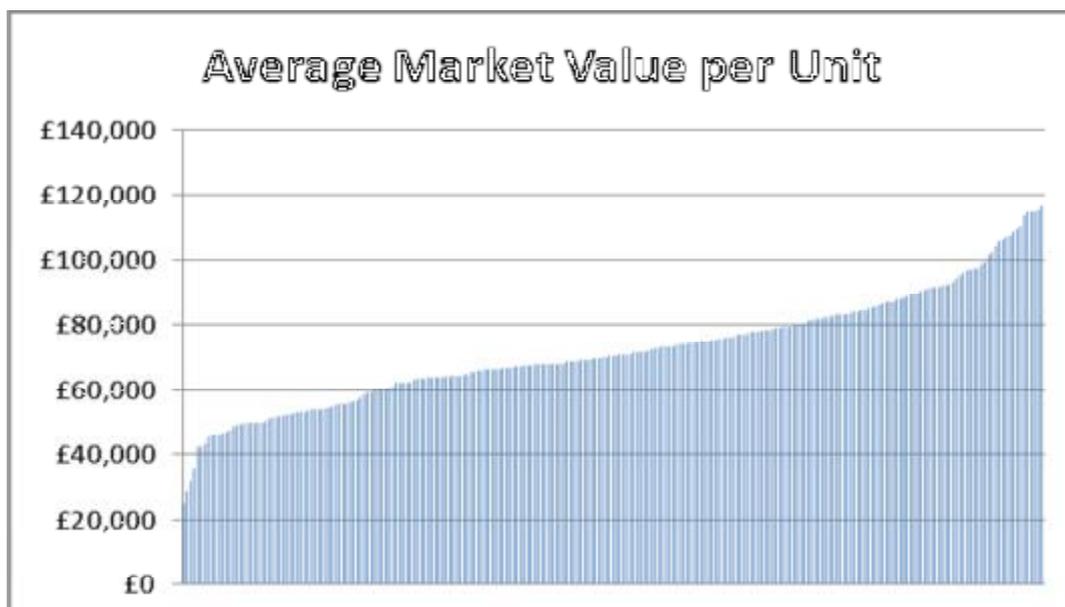
3.28 The total value of the surveyed stock (90,072 properties) stands at **£7.08 billion**.

APPENDIX 9

ASSET MODEL ASSUMPTIONS

APPENDIX 9 - ASSET MODEL ASSUMPTIONS

1. We have adopted the assumptions set out below in our model, which we have
    discussed with the NIHE.

Year	RPI	Management Cost Inflation (% PA)	Capital Works Cost Inflation (% PA)	Maintenance Cost Inflation (% PA)	Discount Rate
		Real*	Real	Real	Real
2009/10	-1.00%	1.00%	1.00%	0.00%	4.50%
2010/11	2.00%	1.00%	-2.00%	3.70%	4.50%
2011/12	2.50%	1.00%	-2.50%	0.70%	4.50%
2012/13	2.50%	1.00%	0.00%	0.50%	4.50%
2013/14	2.50%	1.00%	0.00%	0.50%	4.50%
2014/15+	2.50%	1.00%	0.00%	0.50%	4.50%

*   *Net of inflation as measured by RPI*

2. Management cost inflation has been derived from our judgement as to
    average increases across the affordable housing sector. Capital works and
    maintenance cost assumptions have been extracted from the Royal Institution
    of Chartered Surveyors (RICS) Building Cost Information Service (BCIS).
    Maintenance cost assumptions have also been informed by the Building
    Maintenance Index (BMI).

3. Our real discount rate stands at 4.50%. We believe this to be appropriate for
    the income under consideration, which we believe is a low-risk proposition
    backed up by a government covenant.

APPENDIX 10

NET PRESENT VALUE PROFILE

APPENDIX 10: SUMMARY 30-YEAR NPV PER UNIT CHARTS

CHART 1: "EXCELLENT PERFORMERS"

Ranked Average 30 yrs
NPV Per Unit

OMAGH HOUSE Modernised 1961-1980
CARRICKFERGUS HOUSE Modernised 1945-1960
LISBURN DAIRYFARM HOUSE Unmodernised
COLERAINE HOUSE Modernised POST 1980
ANTRIM HOUSE Modernised 1961-1980
BANGOR HOUSE Modernised 1961-1980
STRABANE HOUSE Modernised Pre 1945
WATERSIDE HOUSE Modernised 1961-1980
PORTADOWN HOUSE Modernised POST 1980
ARMAGH HOUSE Modernised 1945-1960
DOWNPATRICK HOUSE Modernised POST 1980
BALLYCASTLE HOUSE Modernised
BALLYMONEY HOUSE & 1 BEDSIT BUNGALOW Unmodernised
BANBRIDGE HOUSE Modernised 1961-1980
LISBURN ANTRIM STREET HOUSE & 4 BEDSIT BUNGALOW...
COLLON TERRACE HOUSE Modernised 1961-1980
DUNGANNON HOUSE Modernised POST 1980
LURGAN BROWNLOW HOUSE Modernised POST 1980
NEWTOWNABBEY 2 HOUSE Unmodernised
BANGOR HOUSE Modernised Pre 1945
WATERLOO PLACE HOUSE Modernised 1961-1980
LIMAVADY HOUSE Modernised
COOKSTOWN HOUSE Modernised
ARMAGH HOUSE Modernised 1961-1980
LISBURN ANTRIM STREET HOUSE Modernised 1945-1960
SOUTH BELFAST HOUSE Modernised 1961-1980
NEWTOWNARDS HOUSE Modernised 1961-1980
NEWRY HOUSE Modernised 1961-1980
ANTRIM HOUSE Modernised POST 1980
LISBURN ANTRIM STREET HOUSE Modernised Pre 1945
WEST BELFAST HOUSE Modernised 1961-1980
WATERSIDE HOUSE Modernised POST 1980
NEWTOWNABBEY 2 HOUSE Modernised 1961-1980
LISBURN DAIRYFARM HOUSE Modernised 1961-1980

£0   £1,000 £2,000 £3,000 £4,000 £5,000 £6,000 £7,000 £8,000

CHART 3: "AVERAGE" PERFORMERS

Ranked Average 30 yrs
NPV Per Unit

NEWRY HOUSE Unmodernised
LISBURN ANTRIM STREET FLAT/MAIS...
LURGAN BROWNLOW HOUSE...
LURGAN BROWNLOW HOUSE...
COLERAINE HOUSE Unmodernised
FERMANAGH HOUSE Modernised 1961-...
EAST BELFAST HOUSE Modernised Pre...
COLERAINE HOUSE & 3 BEDSIT...
WATERLOO PLACE HOUSE...
WEST BELFAST HOUSE & 9 BEDSIT...
PORTADOWN HOUSE Modernised 1961-...
NEWTOWNARDS HOUSE Modernised...
ANTRIM HOUSE Modernised 1945-1960...
NEWTOWNABBEY 2 HOUSE...
LIMAVADY HOUSE Unmodernised
FERMANAGH HOUSE Unmodernised
DOWNPATRICK HOUSE Modernised...
CASTLEREAGH FLAT/MAIS Modernised...
NEWTOWNARDS HOUSE Modernised...
NEWTOWNABBEY 1 HOUSE Modernised
BANGOR HOUSE & 1 BEDSIT...
LARNE HOUSE Modernised
BANBRIDGE HOUSE Unmodernised
CASTLEREAGH HOUSE Unmodernised
CASTLEREAGH HOUSE Modernised...
BALLYMENA HOUSE Modernised 1961-...
SOUTH EAST RURAL COTTAGE
STRABANE HOUSE Modernised 1945-...
BANGOR HOUSE Modernised POST 1980
SOUTH BELFAST HOUSE Modernised...
MAGHERAFELT HOUSE Unmodernised
STRABANE HOUSE Unmodernised
SHANKILL HOUSE Modernised 1961-1980
BALLYMENA HOUSE Modernised...
CARRICKFERGUS HOUSE Unmodernised
COLLON TERRACE HOUSE Modernised...
NEWRY HOUSE Modernised 1945-1960
MAGHERAFELT HOUSE Modernised...
WATERLOO PLACE HOUSE Modernised...
WEST RURAL COTTAGE
LURGAN BROWNLOW HOUSE...
FERMANAGH HOUSE Modernised POST...
BALLYMONEY HOUSE Modernised...
STRABANE HOUSE Modernised 1961-...
WATERSIDE HOUSE Modernised 1945-...

£0   £1,000   £2,000   £3,000   £4,000   £5,000   £6,000

CHART 4: "BELOW AVERAGE" PERFORMERS

Ranked Average 30 yrs
NPV Per Unit

NEWTOWNARDS FLAT/MAIS & 1 BEDSIT Modernised
NEWTOWNABBEY 1 HOUSE Unmodernised
NEWRY FLAT/MAIS Unmodernised
CASTLEREAGH FLAT/MAIS MULTI-STOREY Modernised
TRAVELLERS PITCHES AND DWELLING
LARNE FLAT/MAIS MULTI-STOREY Unmodernised
BALLYMENA HOUSE Modernised Pre 1945
DUNGANNON HOUSE Unmodernised
DOWNPATRICK HOUSE Modernised 1945-1960
OMAGH HOUSE Unmodernised
PORTADOWN HOUSE Unmodernised
LARNE HOUSE Unmodernised
HOSTELS SOUTH EAST
LISBURN ANTRIM STREET FLAT/MAIS Unmodernised
CASTLEREAGH FLAT/MAIS Modernised 1961-1980
SOUTH RURAL COTTAGE
WEST BELFAST FLAT/MAIS MULTI-STOREY Modernised
NORTH BELFAST HOUSE Modernised 1945-1960
NORTH BELFAST HOUSE Unmodernised
HOSTELS NORTH EAST
CARRICKFERGUS FLAT/MAIS Modernised
NEWRY FLAT/MAIS & 8 BEDSIT Modernised
BANGOR HOUSE Unmodernised
COLLON TERRACE FLAT/MAIS Modernised
SOUTH BELFAST FLAT/MAIS Modernised
BALLYMONEY FLAT/MAIS Modernised & 4 Unmodernised
NORTH BELFAST HOUSE Modernised Pre 1945
LISBURN DAIRYFARM FLAT/MAIS Modernised
HOSTELS BELFAST
DOWNPATRICK HOUSE Modernised Pre 1945
MAGHERAFELT FLAT/MAIS Modernised & 5 Unmodernised
EAST BELFAST FLAT/MAIS & 2 BEDSIT Modernised
NORTH EAST RURAL COTTAGE
DOWNPATRICK HOUSE Unmodernised
PORTADOWN HOUSE Modernised 1945-1960
COOKSTOWN FLAT/MAIS Modernised
WEST BELFAST HOUSE & 1 RURAL COTTAGE Modernised Pre 1945
SOUTH BELFAST HOUSE Unmodernised
FERMANAGH HOUSE Modernised 1945-1960
BALLYCASTLE HOUSE Unmodernised
NEWTOWNABBEY 2 FLAT/MAIS Unmodernised
COLLON TERRACE FLAT/MAIS Unmodernised
NEWTOWNABBEY 2 FLAT/MAIS Modernised
NEWTOWNARDS FLAT/MAIS Unmodernised
LISBURN DAIRYFARM FLAT/MAIS Unmodernised
BALLYCASTLE FLAT/MAIS Modernised
WATERSIDE HOUSE Modernised Pre 1945
NEWRY HOUSE Modernised Pre 1945
BALLYMONEY HOUSE Modernised 1945-1960 & 4 Pre 1945
EAST BELFAST HOUSE Modernised 1945-1960
ARMAGH HOUSE Modernised Pre 1945
OMAGH HOUSE Modernised 1945-1960
COLERAINE HOUSE Modernised 1945-1960
ARMAGH HOUSE Unmodernised
BANBRIDGE HOUSE Modernised 1945-1960
NORTH BELFAST HOUSE Modernised 1961-1980
BALLYMENA HOUSE Unmodernised
DUNGANNON HOUSE Modernised 1961-1980
BALLYMENA HOUSE Modernised 1945-1960
LISBURN ANTRIM STREET FLAT/MAIS Modernised

-£5,000   -£4,000   -£3,000   -£2,000   -£1,000   £0

CHART 5: "POOR PERFORMERS"

Ranked Average 30 yrs NPV Per Unit

SHANKILL FLAT/MAIS Modernised

FERMANAGH FLAT/MAIS & 3 BEDSIT Modernised &2 FLAT/MAIS Unmodernised

PORTADOWN FLAT/MAIS Unmodernised

LARNE FLAT/MAIS Modernised

CASTLEREAGH FLAT/MAIS Modernised 1945-1960

SOUTH BELFAST FLAT/MAIS MULTI-STOREY Modernised

ARMAGH FLAT/MAIS Unmodernised

SHANKILL HOUSE Modernised 1945-1960

WATERLOO PLACE HOUSE Modernised Pre 1945

LURGAN BROWNLOW FLAT/MAIS Modernised

PORTADOWN HOUSE Modernised Pre 1945

OMAGH HOUSE Modernised Pre 1945

BANBRIDGE FLAT/MAIS Modernised

WEST BELFAST FLAT/MAIS & 5 BEDSIT Modernised

DUNGANNON HOUSE Modernised 1945-1960

ARMAGH FLAT/MAIS Modernised

DOWNPATRICK FLAT/MAIS Unmodernised

ANTRIM FLAT/MAIS Modernised

COLERAINE FLAT/MAIS & 4 BEDSIT Modernised

COOKSTOWN FLAT/MAIS Unmodernised

-£8,000   -£7,000   -£6,000   -£5,000   -£4,000   -£3,000   -£2,000   -£1,000   £0

CHART 6: "VERY POOR" PERFORMERS

Ranked Average 30 yrs NPV Per Unit

EAST BELFAST BEDSIT MULTI-STOREY Modernised
SOUTH BELFAST FLAT/MAIS Unmodernised
LURGAN BROWNLOW BEDSIT Modernised
EAST BELFAST FLAT/MAIS MULTI-STOREY Modernised
BANBRIDGE BEDSIT Unmodernised
NEWTOWNABBEY 1 BEDSIT MULTI-STOREY Unmodernised
PORTADOWN MULTI-STOREY FLAT/MAIS & 8 BEDSIT Modernised + 2 FLAT/MAIS & 2...
WEST BELFAST BEDSIT Modernised
EAST BELFAST FLAT/MAIS & 7 BEDSIT Unmodernised
NEWTOWNABBEY 1 BEDSIT BUNGALOW Unmodernised
NORTH BELFAST FLAT/MAIS Unmodernised
BALLYMENA FLAT/MAIS Unmodernised
OMAGH FLAT/MAIS Unmodernised
BANBRIDGE HOUSE Modernised Pre 1945
WATERLOO PLACE BEDSIT Modernised
SHANKILL HOUSE Unmodernised
WATERLOO PLACE FLAT/MAIS Unmodernised
LARNE FLAT/MAIS Unmodernised
STRABANE FLAT/MAIS Modernised & 3 Unmodernised
FERMANAGH HOUSE Modernised Pre 1945
SOUTH BELFAST BEDSIT BUNGALOW Unmodernised
SHANKILL HOUSE Modernised Pre 1945
WEST BELFAST BEDSIT MULTI-STOREY Modernised
SHANKILL FLAT/MAIS Unmodernised
SOUTH BELFAST HOUSE & 1 BEDSIT BUNGALOW Modernised 1945-1960
CASTLEREAGH BEDSIT Unmodernised
CASTLEREAGH BEDSIT MULTI-STOREY Modernised
PORTADOWN FLAT/MAIS Modernised
NEWTOWNABBEY 1 FLAT/MAIS & 1 BEDSIT Unmodernised
CASTLEREAGH BEDSIT Modernised
COLERAINE FLAT/MAIS Unmodernised
EAST BELFAST HOUSE Unmodernised
LURGAN BROWNLOW FLAT/MAIS Unmodernised
CARRICKFERGUS FLAT/MAIS & 7 BEDSIT Unmodernised
LIMAVADY FLAT/MAIS Unmodernised
WEST BELFAST FLAT/MAIS Unmodernised
NEWTOWNABBEY 1 FLAT/MAIS Modernised
NORTH BELFAST FLAT/MAIS & 2 BEDSIT Modernised
DUNGANNON HOUSE Modernised Pre 1945
WATERLOO PLACE FLAT/MAIS Modernised
DOWNPATRICK FLAT/MAIS Modernised
DUNGANNON FLAT/MAIS Unmodernised

BALLYMENA FLAT/MAIS & 1 BEDSIT Modernised
HOSTELS WEST
BANBRIDGE FLAT/MAIS Unmodernised
DUNGANNON FLAT/MAIS Modernised
WATERSIDE FLAT/MAIS Modernised & 5 Unmodernised
BANGOR FLAT/MAIS Unmodernised
BANGOR FLAT/MAIS Modernised
OMAGH FLAT/MAIS Modernised
LISBURN ANTRIM STREET FLAT/MAIS MULTI-STOREY Modernised
LIMAVADY FLAT/MAIS Modernised
WEST BELFAST HOUSE Modernised 1945-1960 & 6 BEDSIT BUNGALOW Modernised
CASTLEREAGH FLAT/MAIS Unmodernised
NEWTOWNABBEY 1 FLAT/MAIS MULTI-STOREY Unmodernised
ANTRIM FLAT/MAIS Unmodernised

-£40,000   -£30,000   -£20,000   -£10,000   £0

**APPENDIX 11**

MODERNISED' / 'UNMODERNISED' DEFINITIONS

APPENDIX 11 - DEFINITION OF 'MODERNISED' AND 'UNMODERNISED' PROPERTIES

The following definitions were agreed with the NIHE in distinguishing between modernised and unmodernised stock:

'Modernised' Properties

- Properties constructed after 1980
- Properties constructed before 1980 but with historical Multi-Element Improvement (MEI) or kitchen replacement investment
- Properties constructed before 1980 but with planned kitchen replacement investment

It was agreed with NIHE that properties where kitchen replacement was planned could be considered to be modernised.

'Unmodernised' Properties

- Properties constructed before 1980 with no historic or planned MEI or kitchen replacement projects
- Properties constructed before 1980 with planned MEI investment