

Item: 8

Policy and Resources Committee: 25 February 2020.

House Build Programme.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider Stage 2 Capital Project Appraisals in respect of additional social housing development projects.

2. Recommendations

The Committee is invited to note:

2.1.

That current Scottish Government funding available in respect of affordable housing provision runs until March 2021 and the Scottish Government has applied pressure on the Council to maximise use of the available funding over the next financial year.

2.2.

That, in order to maximise use of available funding, four projects utilising Council owned land are being developed, as follows:

- Four one-bedroom properties at Watersfield, Kirkwall.
- Two two-bedroom properties at Repeater Road, Kirkwall.
- Two two-bedroom properties at MacDonald Park, St Margaret's Hope.
- Eight one-bedroom properties at Garson, Stromness.

2.3.

That, in addition to the four Council-led projects, it is proposed that the Council seek a number of design and build contracts of between two and six-unit housing projects, in Kirkwall, Stromness, Finstown and St Mary's.

2.4.

That, on 5 February 2020, the Education, Leisure and Housing Committee recommended that, as an exception to the Capital Project Appraisal process, in order to maximise time limited Scottish Government grant funding, the Executive Director of Education, Leisure and Housing should submit, to the Policy and Resources Committee, Stage 2 Capital Project Appraisals in respect of various proposed house build projects.

2.5.

The proposal that the total cost of the proposed house build projects, referred to at paragraph 2.4 above, estimated at £5,784,500, be funded as follows:

- Scottish Government grant – £2,780,000.
- Housing Revenue Account – £3,004,500.

It is recommended:

2.6.

That the Stage 2 Capital Project Appraisals in respect of the undernoted proposed house build projects, attached as Appendices 1 to 5 of this report, be approved:

- Watersfield, Kirkwall.
- Repeater Road, Kirkwall.
- MacDonald Drive, St Margaret's Hope.
- Garson, Stromness.
- Design and build contracts for up to 20 social housing units in Kirkwall, Stromness, Finstown and St Mary's.

2.7.

That, as an exception to process, in that the risk of losing Scottish Government funding is high, the house build projects, referred to at paragraph 2.6 above, be added to the capital programme for 2020 to 2021 onwards, at a gross capital cost of £5,784,500, to be funded as follows:

- Scottish Government grant – £2,780,000.
- Housing Revenue Account – £3,004,500.

3. Background

3.1.

The Scottish Government has provided the undernoted funding to the Council and Orkney Housing Association Limited in respect of affordable housing development:

- £3,257,000 in 2019 to 2020.
- £3,445,000 for 2020 to 2021.

3.2.

The Scottish Government requires that Orkney endeavours to spend its allocation and to assist with the Scottish Government's commitment to deliver 50,000 houses across Scotland. Properties must be completed by 31 March 2021.

3.3.

There are currently 700 households on the social housing waiting list, which is significantly greater than the figure of approximately 500 households during the peak of the Council's house build programme in 2013. Of the 700 households on the waiting list, over 400 households have Kirkwall as their first choice.

3.4.

On 5 February 2020, the Education, Leisure and Housing Committee was advised of the current situation with regard to Scottish Government grant funding and considered Stage 1 Capital Project Appraisals in respect of additional social housing development projects.

3.5.

The Committee subsequently recommended that, as an exception to the Capital Project Appraisal process, in order to maximise time limited Scottish Government grant funding, the Executive Director of Education, Leisure and Housing should submit, to the Policy and Resources Committee, Stage 2 Capital Project Appraisals in respect of the undernoted proposed house build projects:

- Four one-bedroom properties at Watersfield, Kirkwall.
- Two two-bedroom properties at Repeater Road, Kirkwall.
- Two two-bedroom properties at MacDonald Drive, St Margaret's Hope.
- Eight one-bedroom properties at Garson, Stromness.
- Design and build contracts for delivery of two to six-unit housing projects in Kirkwall, Stromness, Finstown and St Mary's.

4. Watersfield, Kirkwall

4.1.

The Council has already developed two phases of housing at Watersfield, as well as 13 serviced sites.

4.2.

The proposal at Watersfield is for an additional four one-bedroom bungalows built upon two of the existing serviced sites. A Stage 2 Capital Project Appraisal is attached at Appendix 1.

4.3.

It is estimated that the cost of the Watersfield development would be £602,000, including land valued at £140,000 which is currently held on the Other Housing Account in the General Fund. Officers believe that the Council would require £240,000 in funding from the Scottish Government to progress this project.

5. Repeater Road, Kirkwall

5.1.

Four one-bedroom properties were developed at Repeater Road in 2015 and there are two smaller serviced plots still available that could be utilised for social housing development, as outlined in blue on the site plan attached to the Stage 2 Capital Project Appraisal, attached as Appendix 2 to this report.

5.2.

It is estimated that the cost of the development, including fees and land valued at £100,000 and held on the Other Housing Account in the General Fund, would be £364,000. Officers believe that to be financially viable, this project would require Scottish Government grant funding of £134,000.

6. MacDonald Park, St Margaret's Hope

6.1.

The Council developed eight one-bedroom and four two-bedroom properties at MacDonald Park in St Margaret's Hope in 2014. A serviced site developed as part of the development, outlined in blue on the site plan attached to the Stage 2 Capital Project Appraisal, attached as Appendix 3 to this report, is still available and it is proposed that a further two two-bedroom properties are developed on the site.

6.2.

It is estimated that the cost of the development, including fees and land valued at £32,500 and held on the Other Housing Account in the General Fund, would be £318,500. To be financially viable this project would require Scottish Government grant funding in the region of £146,000.

7. Garson, Stromness

7.1.

The site at Garson, Stromness was developed as part of the house build programme in 2013 and the second phase of the site is now available for development following completion of Copland's Dock and Hamnavoe House.

7.2.

The proposal at Garson is for eight one-bedroom bungalows in two terraces of four. The proposed site plan, together with a detailed Stage 2 Capital Project Appraisal, is attached as Appendix 4 to this report.

7.3.

It is estimated that development of eight properties at Garson would cost £1,100,000 and be built on land already held in the Housing Revenue Account. Officers believe that to be financially viable this project would require grant funding of £560,000 from the Scottish Government.

8. Design and Build Proposals

8.1.

In order to maximise the funding used over the next financial year it is proposed that design and build contracts are tendered for up to 20 units split between areas with appropriate demand such as Kirkwall, Stromness, Finstown and St Mary's, and on land available to the tendering contractor.

8.2.

This approach would allow the Council to maximise capacity that is available within the local construction industry within the timescales available as well as maximising the funding that can be spent.

8.3.

Should all 20 properties be developed, the total estimated project cost would be £3,400,000, with around £1,700,000 being required from the Scottish Government.

8.4.

There is capacity within the market for some additional contracts at this time. The design and build contracts will allow contractors with sites ranging from two to six properties to tender. This will help include smaller scale contractors. A Stage 2 Capital Project Appraisal for the design and build project, is attached as Appendix 5 to this report.

9. Delivery of Projects

9.1.

In order to obtain Scottish Government funding, there is a need for the projects to be completed on site by 31 March 2021. This timescale is extremely challenging given the level of staffing resource that is available.

9.2.

At present there is no clarity regarding the availability of Scottish Government funding for the development of housing beyond March 2021. Officers are in regular contact with Scottish Government officials to ensure that as much funding as possible can be utilised before 31 March 2021 and that Orkney is well placed to maximise the use of any funding available post March 2021.

10. Procurement Implications

10.1.

The recommendations from this report will require design and build tenders to be developed for a number of projects up to 20 properties, as well as a further 16 properties on land already owned by the Council.

10.2.

An appropriate strategy to “lot” projects, according to area and size, would be required for the design and build element of the proposals.

11. Corporate Governance

This report relates to the Council complying with its governance and financial process and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

12. Financial Implications

12.1.

Capital projects require to progress through the Capital Project Appraisal process. In the event that a capital project is to be fast tracked as an exception to due process, then it is appropriate that the reason for such action is duly noted along with any additional risk associated with such an action.

12.2.

This report presents a number of Stage 2 Capital Project Appraisals for due consideration. Land costs totalling £272,500 have been excluded from the grant eligible costs as the Scottish Government has indicated that it will not grant fund land costs where the land is already in Council ownership. The individual land costs are as follows:

- £140,000 for the sites at Watersfield, Kirkwall.
- £100,000 for sites at Repeater Road, Kirkwall.
- £32,500 for a site at MacDonald Park, St Margaret’s Hope.

12.3.

Funding levels above the standard benchmark of £59,000 from the Scottish Government will be required for the projects outlined to be financially viable through the Housing Revenue Account. It is estimated that funding of between £60,000 to £73,000 per-property will be required for each new build project. Discussions are ongoing with the Scottish Government regarding the maximum grant levels available.

12.4.

The Scottish Government has indicated that the undernoted development funding for affordable housing has been allocated to Orkney:

- £3,033,000 in 2019/20.
- £3,235,000 for 2020/21.

12.5.

The affordability of the Housing Revenue Account will need to be taken into consideration when approving any additional budget for new housing development. The summary position for the projects considered in this report is as follows:

Type	Units	Size	Total capital cost (including land)	Total Scottish Government Grant ask	Housing Revenue Account Finance
New Build – Watersfield.	4	1 bed	£602,000	£240,000	£362,000
New Build – Repeater Road.	2	2 bed	£364,000	£134,000	£230,000
New Build – MacDonald Park.	2	2 bed	£318,500	£146,000	£172,500
New Build – Garson.	8	1 bed	£1,100,000	£560,000	£540,000
Design and Build	20		£3,400,000	£1,700,000	£1,700,000
Total			£5,784,500	£2,780,000	£3,004,500

13. Legal Aspects

13.1.

Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of its financial affairs. As part of this, the Council is expected to have regard to economy, efficiency and effectiveness in its use of resources.

13.2.

In terms of Section 35(1) and (2) of the Local Government in Scotland Act 2003, the Council must determine and keep under review the maximum amount which it can afford to allocate to capital expenditure. In so doing, the Council must comply with regulations made by Scottish Ministers.

14. Contact Officers

James Wylie, Executive Director of Education, Leisure and Housing, extension 2401, Email james.wylie@orkney.gov.uk.

Frances Troup, Head of Housing, Homelessness and Schoolcare Accommodation Services, extension 2177, Email frances.troup@orkney.gov.uk.

Luke Fraser, Team Leader (Policy and Planning), extension 2172, Email luke.fraser@orkney.gov.uk.

15. Appendices

Appendix 1: Stage 2 Capital Project Appraisal – Watersfield, Kirkwall.

Appendix 2: Stage 2 Capital Project Appraisal – Repeater Road, Kirkwall.

Appendix 3: Stage 2 Capital Project Appraisal – MacDonald Park, St Margaret's Hope.

Appendix 4: Stage 2 Capital Project Appraisal – Garson, Stromness.

Appendix 5: Stage 2 Capital Project Appraisal – Design and Build for up to 20 social housing units.

Appendix 1.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Watersfield 4, Kirkwall

1. Background

The proposal is to develop 4 x 1-bedroom properties on two serviced sites within the Watersfield site in Kirkwall. Due to the significant need for permanent housing in Kirkwall, particularly 1-bedroom properties, this project provides the opportunity to utilise some existing sites, maximise the use of Scottish Government funding and help meet housing need.

The properties will meet the robust requirements of the Council's housing design brief, including ensuring the properties have high levels of energy efficiency.

2. Options Available

Various sites and options have been considered when looking at the best options for developing social housing in the timeframe available before 31 March 2021. Utilising two serviced sites at Watersfield, Kirkwall provides us with a viable project utilising land that is already serviced, which will not require significant design work etc prior to a Planning Application being lodged.

Kirkwall is the area of highest demand for social housing and the site at Watersfield is not impacted by any infrastructure constraints, be it foul drainage, school capacities or roads.

Option 1 – Do nothing

- Scottish Government funding lost
- No additional housing units at the site developed
- Potential reputational risk to the Council
- No requirement for the Housing Revenue Account to take on additional debt

Option 2 – Develop two properties on the Watersfield 4, Kirkwall site

- Scottish Government grant utilised
- Four additional housing units developed
- Requirement for the Housing Revenue Account to take on additional debt

3. Land Purchase Requirement

The Housing Revenue Account would need to purchase two serviced sites from the General Fund. It is estimated that these sites would cost a combined £140,000.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The project provides additional social housing which helps the Council meet statutory targets around homelessness in line with the Rapid Rehousing Transition Plan.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.
3.	Protects Existing Assets	N/A
4.	Minimises Capital Cost	Best value is being achieved by ensuring a competitive tendering process is undertaken at a time when build prices are generally competitive. Utilising Council owned sites also ensures best value.
5.	Maximises Investment from External Sources	The project aims to draw in £240,000 in Scottish Government funding to help cover a significant percentage of costs.
6.	Beneficial Impact on Revenue Expenditure	N/A
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	N/A
(b)	Protects or Enhances Discretionary Provision	The provision of additional social housing will allow the Council to help house some of the 700 households that are currently on the social housing waiting list.
8.	Re-use of Derelict Land or Building	N/A
9.	Promote or Enhance Orkney's Environment	N/A
10.	Promote or Enhance Orkney's Heritage	N/A
11.	Economic Prosperity or Sustainable Communities	The project provides additional housing which is in hugely short supply in Orkney due to a growing population and significant year on year net in-migration.
12.	Enhances Council operations or Improves Health and Safety	The project will provide additional housing units which will help the Housing Service deliver

5. Financial Implications

A summary of the financial implications is detailed in Annexes 1 and 2. Annex 1 details the capital implications associated with the project, analysed across the different cost and funding elements. Annex 2 details the associated revenue budget implications including one-off and recurring costs, and offset where possible by any identifiable income streams.

6. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding	Moving the project along as fast as possible via a design and build route
Planning	Potential delays through the Planning process	Early liaison with Planning on the project and Work through issues quickly.
Cost risk	Potential for cost overruns	Ensure a robust procurement process is undertaken.
Timing risk	Potential for overrun beyond the 31 March 2021 deadline.	Moving the project along as fast as possible via a design and build route and keeping the number of properties tied to this contract down to ensure that they can be developed in time.
Resources risk	Lack of resources within Housing Services and Development & Infrastructure to ensure the project can be delivered in the timescale required.	Prioritisation of workload where possible and increased resource if possible.
Project creep	Potential for the project to creep and be delayed.	Ensure the project remains focused on the properties required.

7. Conclusion

The housing development project at Watersfield, Kirkwall offers the opportunity to maximise the use of available Scottish Government funding and provide much needed additional housing.

8. Recommendations

The recommendation is to progress Option 2 and develop the four properties that make up the Watersfield 4, Kirkwall project, with completion before 31 March 2021 and at an estimated cost of £602,000.

9. Accountable Officers

Luke Fraser, Team Leader (Policy & Planning), Education, Leisure and Housing Services.
Ian Rushbrook, Capital Programme Manager, Development and Infrastructure Services.

10. Annexes

Annex 1 – Financial Assessment of Capital Expenditure.

Annex 2 – Financial Assessment of Revenue Expenditure.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Watersfield, Kirkwall**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	140.0	-	-	140.0	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	420.0	-	-	399.0	21.0	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultancy	42.0	-	-	42.0	-	-	-	
- In-house	-	-	-	-	-	-	-	
Gross Capital Expenditure	602.0	-	-	581.0	21.0	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	240.0	-	-	240.0	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Receivable, etc.	240.0	-	-	240.0	-	-	-	
Net Capital Cost of Project	362.0	-	-	341.0	21.0	-	-	
Net Present Value	327.4	-	-	309.3	18.1	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Housing Development Programme**

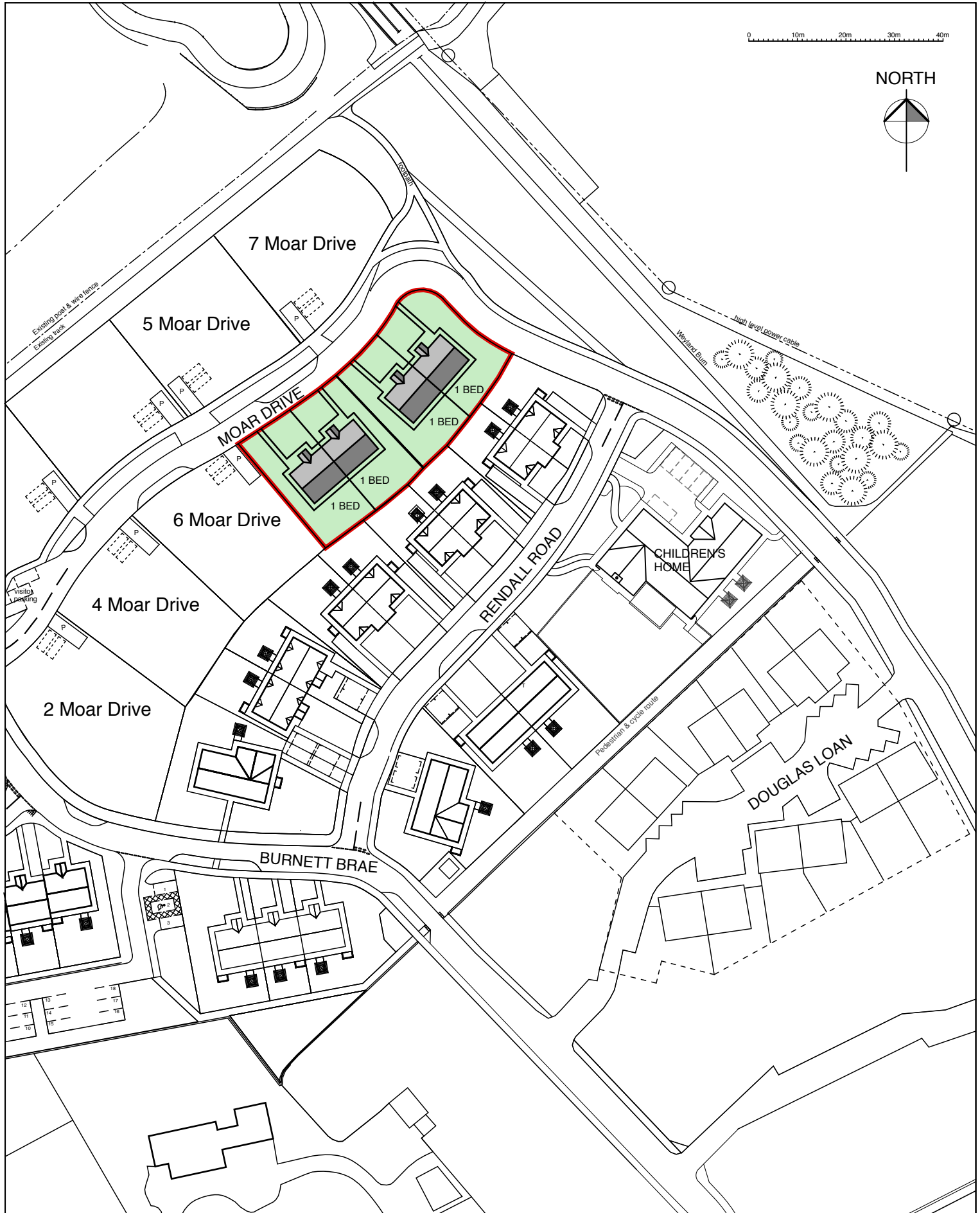
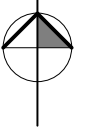
Client Service: **Education Leisure and Housing**

Project Name: **Watersfield, Kirkwall**

		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	9	-	-	-	3	3	3	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	97	-	-	19	26	26	26	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	106	-	-	19	29	29	29	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	68	-	-	-	22	23	23	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	68	-	-	-	22	23	23	
Net Expenditure/(Saving) of Project	38	-	-	19	7	6	6	
Net Present Value	35	-	-	18	6	5	5	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	

0 10m 20m 30m 40m

NORTH



Project No. 400448001	Drawing No. 6
Revision	
Date JAN 2020	Drawn DS
Scale 1:1000	Checked

Site Plan Watersfield
Proposed 2x semi-detached Blocks over two serviced sites.

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 Executive Director:- Gavin Barr, BSc Hons, MSc URP, MRTPI

Appendix 2.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Repeater Road, Kirkwall

1. Background

Build two two-bedroom properties on serviced sites owned by the Council at Repeater Road, Kirkwall. This project provides the opportunity to utilise some existing sites, maximise the use of Scottish Government funding and help meet housing need.

The properties will meet the robust requirements of the Council's housing design brief, including ensuring the properties have high levels of energy efficiency.

2. Options Available

Various sites and options have been considered when looking at the best options for developing social housing in the timeframe available before 31 March 2021. Utilising the serviced sites at Repeater Road, Kirkwall provides us with a viable project utilising land that is already serviced, which will not require significant design work etc prior to a Planning Application being lodged.

Kirkwall is the area of highest demand for social housing and the site at Repeater Road is not impacted by any infrastructure constraints, be it foul drainage, school capacities or roads.

Option 1 – Do nothing

- Scottish Government funding lost
- No additional housing units at the site developed
- Potential reputational risk to the Council
- No requirement for the Housing Revenue Account to take on additional debt

Option 2 – Develop two properties on the Repeater Road site

- Scottish Government grant utilised
- Two additional housing units developed
- Requirement for the Housing Revenue Account to take on additional debt

3. Land Purchase Requirement

The Housing Revenue Account would need to purchase two serviced sites from the General Fund. It is estimated that these sites would cost a combined £100,000.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The project provides additional social housing which helps the Council meet statutory targets around homelessness in line with the Rapid Rehousing Transition Plan.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.
3.	Protects Existing Assets	Explain how the project protects existing assets.
4.	Minimises Capital Cost	Best value is being achieved by ensuring a competitive tendering process is undertaken at a time when build prices are generally competitive. Utilising Council owned sites also ensures best value.
5.	Maximises Investment from External Sources	The project aims to draw in £134,000 in Scottish Government funding to help cover around 50% of costs.
6.	Beneficial Impact on Revenue Expenditure	N/A
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	N/A
(b)	Protects or Enhances Discretionary Provision	The provision of additional social housing will allow the Council to help house some of the 700 households that are currently on the social housing waiting list.
8.	Re-use of Derelict Land or Building	The project utilises sites on the former Black Building site.
9.	Promote or Enhance Orkney's Environment	N/A
10.	Promote or Enhance Orkney's Heritage	N/A
11.	Economic Prosperity or Sustainable Communities	The project provides additional housing which is in hugely short supply in Orkney due to a growing population and significant year on year net in-migration.
12.	Enhances Council operations or Improves Health and Safety	The project will provide additional housing units which will help the Housing Service deliver

5. Financial Implications

A summary of the financial implications is detailed in the Annexes 1 and 2. Annex 1 details the capital implications associated with the project, analysed across the different cost and funding elements. Annex 2 details the associated revenue budget implications including one-off and recurring costs, and offset where possible by any identifiable income streams.

6. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding	Moving the project along as fast as possible via a design and build route
Planning	Potential delays through the Planning process	Early liaison with Planning on the project and Work through issues quickly.
Cost risk	Potential for cost overruns	Ensure a robust procurement process is undertaken.
Timing risk	Potential for overrun beyond the 31 March 2021 deadline.	Moving the project along as fast as possible via a design and build route and keeping the number of properties tied to this contract down to ensure that they can be developed in time.
Resources risk	Lack of resources within Housing Services and Development & Infrastructure to ensure the project can be delivered in the timescale required.	Prioritisation of workload where possible and increased resource if possible.
Project creep	Potential for the project to creep and be delayed.	Ensure the project remains focused on the properties required.

7. Conclusion

The housing development project at Repeater Road, Kirkwall offers the opportunity to maximise the use of available Scottish Government funding and provide much needed additional housing.

8. Recommendations

The recommendation is to progress Option 2 and develop the Repeater Road, Kirkwall project, with completion before 31 March 2021 and at an estimated cost of £364,000.

9. Accountable Officers

Luke Fraser, Team Leader (Policy & Planning), Education, Leisure and Housing Services.
Ian Rushbrook, Capital Programme Manager, Development and Infrastructure Services.

10. Annexes

Annex 1 – Financial Assessment of Capital Expenditure.

Annex 2 – Financial Assessment of Revenue Expenditure.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Repeater Road, Kirkwall**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	100.0	-	-	100.0	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	240.0	-	-	222.0	18.0	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultancy	24.0	-	-	24.0	-	-	-	
- In-house	-	-	-	-	-	-	-	
Gross Capital Expenditure	364.0	-	-	346.0	18.0	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	134.0	-	-	134.0	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Receivable, etc.	134.0	-	-	134.0	-	-	-	
Net Capital Cost of Project	230.0	-	-	212.0	18.0	-	-	
Net Present Value	207.8	-	-	192.3	15.5	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Housing Development Programme**

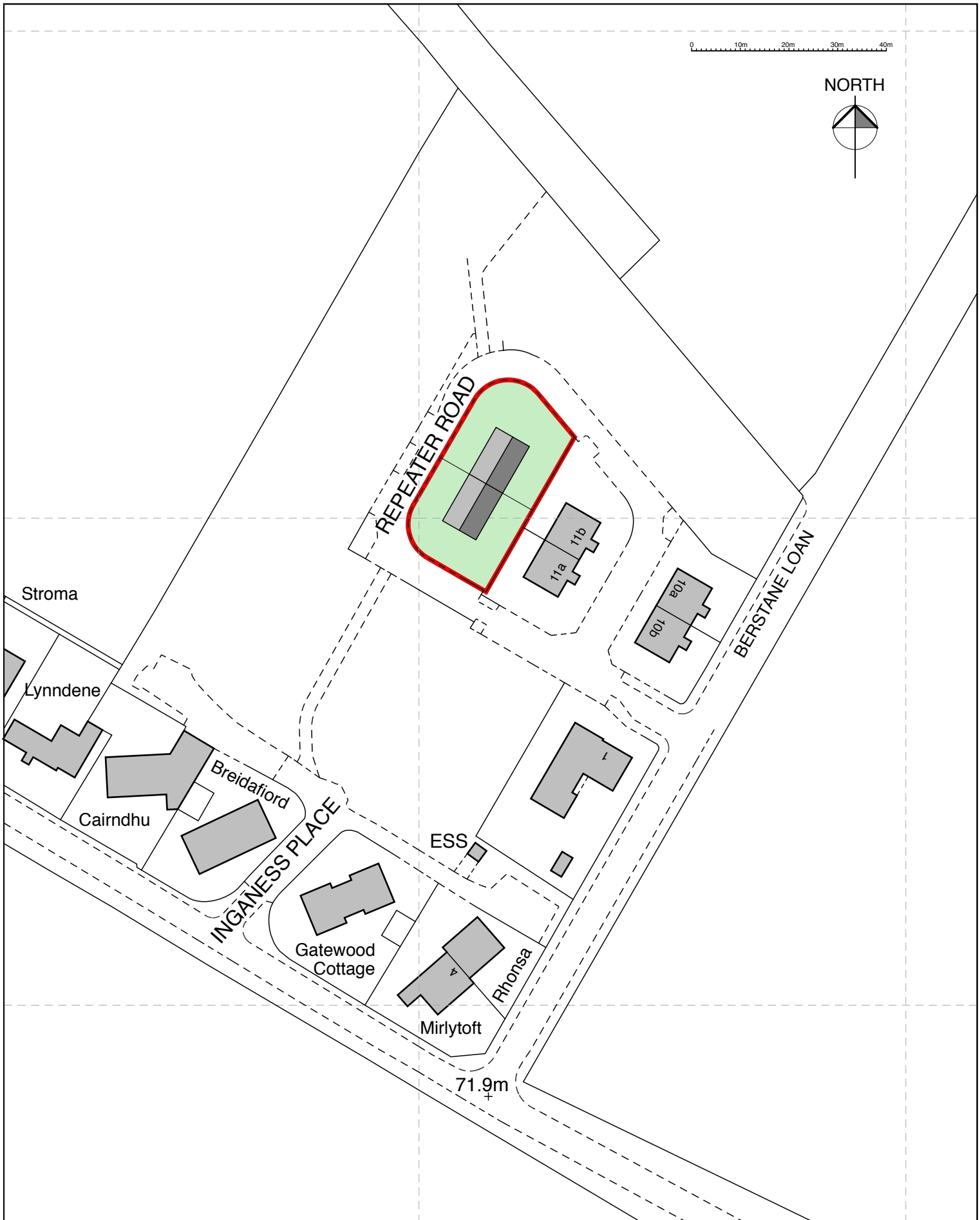
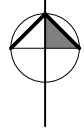
Client Service: **Education Leisure and Housing**

Project Name: **Repeater Road, Kirkwall**

		1	2	3	4	5	Onwards	Notes
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	£ 000	
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	5	-	-	-	2	2	2	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	60	-	-	12	16	16	16	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	65	-	-	12	18	18	18	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	37	-	-	-	12	12	13	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	37	-	-	-	12	12	13	
Net Expenditure/(Saving) of Project	27	-	-	12	6	5	4	
Net Present Value	25	-	-	11	5	5	4	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	

0 10m 20m 30m 40m

NORTH



Project No. 400361003		Drawing No. 1	
Revision			
Date	JAN 2020	Drawn	DS
Scale	1:1000	Checked	

**Site Plan Repeater Rd.
Proposed Semi-detached Block on two serviced sites.**

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Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: MacDonald Park, St Margaret's Hope

1. Background

Build two two-bedroom properties on a serviced site owned by the Council at MacDonald Park, St Margaret's Hope. This project provides the opportunity to utilise some existing sites, maximise the use of Scottish Government funding and help meet housing need.

The properties will meet the robust requirements of the Council's housing design brief, including ensuring the properties have high levels of energy efficiency.

2. Options Available

Various sites and options have been considered when looking at the best options for developing social housing in the timeframe available before 31 March 2021. Utilising the serviced site at MacDonald Park, St Margaret's Hope provides us with a viable project utilising land that is already serviced, which will not require significant design work etc prior to a Planning Application being lodged.

There is some demand for social housing in St Margaret's Hope and the development of two bedroom properties helps balance the stock profile in the village. The site at MacDonald Park is not impacted by any infrastructure constraints, be it foul drainage, school capacities or roads.

Option 1 – Do nothing

- Scottish Government funding lost
- No additional housing units at the site developed
- Potential reputational risk to the Council
- No requirement for the Housing Revenue Account to take on additional debt

Option 2 – Develop two properties on the MacDonald Park site

- Scottish Government grant utilised
- Two additional housing units developed
- Requirement for the Housing Revenue Account to take on additional debt

3. Land Purchase Requirement

The Housing Revenue Account would need to purchase a serviced site from the General Fund. It is estimated that the site would cost £32,500.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The project provides additional social housing which helps the Council meet statutory targets around homelessness in line with the Rapid Rehousing Transition Plan.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.
3.	Protects Existing Assets	Explain how the project protects existing assets.
4.	Minimises Capital Cost	Best value is being achieved by ensuring a competitive tendering process is undertaken at a time when build prices are generally competitive. Utilising Council owned sites also ensures best value.
5.	Maximises Investment from External Sources	The project aims to draw in £146,000 in Scottish Government funding to help cover around 46% of the costs.
6.	Beneficial Impact on Revenue Expenditure	N/A
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	N/A
(b)	Protects or Enhances Discretionary Provision	The provision of additional social housing will allow the Council to help house some of the 700 households that are currently on the social housing waiting list.
8.	Re-use of Derelict Land or Building	N/A
9.	Promote or Enhance Orkney's Environment	N/A
10.	Promote or Enhance Orkney's Heritage	N/A
11.	Economic Prosperity or Sustainable Communities	The project provides additional housing which is in hugely short supply in Orkney due to a growing population and significant year on year net in-migration.
12.	Enhances Council operations or Improves Health and Safety	The project will provide additional housing units which will help the Housing Service deliver

5. Financial Implications

A summary of the financial implications is detailed in Annexes 1 and 2. Annex 1 details the capital implications associated with the project, analysed across the different cost and funding elements. Annex 2 details the associated revenue budget implications including one-off and recurring costs, and offset where possible by any identifiable income streams.

6. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding	Moving the project along as fast as possible via a design and build route
Planning	Potential delays through the Planning process	Early liaison with Planning on the project and Work through issues quickly.
Cost risk	Potential for cost overruns	Ensure a robust procurement process is undertaken.
Timing risk	Potential for overrun beyond the 31 March 2021 deadline.	Moving the project along as fast as possible via a design and build route and keeping the number of properties tied to this contract down to ensure that they can be developed in time.
Resources risk	Lack of resources within Housing Services and Development & Infrastructure to ensure the project can be delivered in the timescale required.	Prioritisation of workload where possible and increased resource if possible.
Project creep	Potential for the project to creep and be delayed.	Ensure the project remains focused on the properties required.

7. Conclusion

The housing development project at MacDonald Park, St Margaret's Hope offers the opportunity to maximise the use of available Scottish Government funding and provide much needed additional housing.

8. Recommendations

The recommendation is to progress Option 2 and develop the MacDonald Park, St Margaret's Hope project, with completion before 31 March 2021 and at an estimated cost of £318,500.

9. Accountable Officers

Luke Fraser, Team Leader (Policy & Planning), Education, Leisure and Housing Services.
Ian Rushbrook, Capital Programme Manager, Development and Infrastructure Services.

10. Annexes

Annex 1 – Financial Assessment of Capital Expenditure.

Annex 2 – Financial Assessment of Revenue Expenditure.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **MacDonald Park, St Margaret's Hope**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	32.5	-	-	32.5	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	260.0	-	-	247.0	13.0	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultancy	26.0	-	-	26.0	-	-	-	
- In-house	-	-	-	-	-	-	-	
Gross Capital Expenditure	318.5	-	-	305.5	13.0	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	146.0	-	-	146.0	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Receivable, etc.	146.0	-	-	146.0	-	-	-	
Net Capital Cost of Project	172.5	-	-	159.5	13.0	-	-	
Net Present Value	155.9	-	-	144.7	11.2	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **MacDonald Park, St Margaret's Hope**

		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	5	-	-	-	2	2	2	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	45	-	-	9	12	12	12	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	50	-	-	9	14	14	14	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	33	-	-	-	11	11	11	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	33	-	-	-	11	11	11	
Net Expenditure/(Saving) of Project	17	-	-	9	3	3	3	
Net Present Value	15	-	-	8	2	2	2	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	



Project No. 210447002	Drawing No. 1
Revision	
Date JAN 2020	Drawn DS
Scale 1:1000	Checked

Site Plan MacDonald Park, St Margaret's Hope. 1x semi-detached block on serviced site.

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Appendix 4.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Garson (Phase 2), Stromness

1. Background

Build 8x 1-bedroom properties for older people adjacent to the new Hamnavoe House care facility. This project provides the opportunity to utilise some existing sites, maximise the use of Scottish Government funding and help meet housing need. The first four properties would be developed prior to the 31 March 2021 deadline, with the next four properties forming part of the 2021/22 completions.

The properties will meet the robust requirements of the Council's housing design brief, including ensuring the properties have high levels of energy efficiency.

2. Options Available

Various sites and options have been considered when looking at the best options for developing social housing in the timeframe available before 31 March 2021. Utilising the sites at Garson, Stromness allows the Council to develop four properties prior to the March 2021 deadline with a further four properties being completed after March 2021.

Stromness has some demand for social housing and the site at Garson is not impacted by any infrastructure constraints, be it foul drainage, school capacities or roads.

Option 1 – Do nothing

- Scottish Government funding lost
- No additional housing units at the site developed
- Potential reputational risk to the Council
- No requirement for the Housing Revenue Account to take on additional debt

Option 2 – Develop eight properties at Garson (Phase 2), Stromness

- Develop four properties before the 31 March 2021 deadline, with the remaining four properties being developed as part of the 2021/22 programme
- Scottish Government grant utilised
- Four to eight additional housing units developed
- Requirement for the Housing Revenue Account to take on additional debt

3. Land Purchase Requirement

The Housing Revenue Account already owns the site which the properties will be developed on.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The project provides additional social housing which helps the Council meet statutory targets around homelessness in line with the Rapid Rehousing Transition Plan.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.
3.	Protects Existing Assets	N/A
4.	Minimises Capital Cost	Best value is being achieved by ensuring a competitive tendering process is undertaken at a time when build prices are generally competitive. Utilising Council owned sites also ensures best value.
5.	Maximises Investment from External Sources	The project aims to draw in £560,000 in Scottish Government funding to help cover a significant percentage of costs.
6.	Beneficial Impact on Revenue Expenditure	N/A
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	N/A
(b)	Protects or Enhances Discretionary Provision	The provision of additional social housing will allow the Council to help house some of the 700 households that are currently on the social housing waiting list.
8.	Re-use of Derelict Land or Building	N/A
9.	Promote or Enhance Orkney's Environment	N/A
10.	Promote or Enhance Orkney's Heritage	N/A
11.	Economic Prosperity or Sustainable Communities	The project provides additional housing which is in hugely short supply in Orkney due to a growing population and significant year on year net in-migration.
12.	Enhances Council operations or Improves Health and Safety	The project will provide additional housing units which will help the Housing Service deliver

5. Financial Implications

A summary of the financial implications is detailed in Annexes 1 and 2. Annex 1 details the capital implications associated with the project, analysed across the different cost and funding elements. Annex 2 details the associated revenue budget implications including one-off and recurring costs, and offset where possible by any identifiable income streams.

6. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding	Moving the project along as fast as possible via a design and build route
Planning	Potential delays through the Planning process	Early liaison with Planning on the project and Work through issues quickly.
Cost risk	Potential for cost overruns	Ensure a robust procurement process is undertaken.
Timing risk	Potential for overrun beyond the 31 March 2021 deadline.	Moving the project along as fast as possible via a design and build route and keeping the number of properties tied to this contract down to ensure that they can be developed in time.
Resources risk	Lack of resources within Housing Services and Development & Infrastructure to ensure the project can be delivered in the timescale required.	Prioritisation of workload where possible and increased resource if possible.
Project creep	Potential for the project to creep and be delayed.	Ensure the project remains focused on the properties required.

7. Conclusion

The housing development project at Garson (phase 2), Stromness offers the opportunity to maximise the use of available Scottish Government funding and provide much needed additional housing.

8. Recommendations

The recommendation is to progress Option 2 and develop the eight properties that make up the Garson (Phase 2), Stromness project, with completion of the first four units before 31 March 2021 and at an estimated cost of £1,100,000.

9. Accountable Officers

Luke Fraser, Team Leader (Policy & Planning), Education, Leisure and Housing Services.
Ian Rushbrook, Capital Programme Manager, Development and Infrastructure Services.

10. Annexes

Annex 1 – Financial Assessment of Capital Expenditure.

Annex 2 – Financial Assessment of Revenue Expenditure.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Garson, Stromness**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	-	-	-	-	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	1,000.0	-	-	950.0	50.0	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultancy	100.0	-	-	100.0	-	-	-	
- In-house	-	-	-	-	-	-	-	
Gross Capital Expenditure	1,100.0	-	-	1,050.0	50.0	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	560.0	-	-	560.0	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Receivable, etc.	560.0	-	-	560.0	-	-	-	
Net Capital Cost of Project	540.0	-	-	490.0	50.0	-	-	
Net Present Value	487.6	-	-	444.4	43.2	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

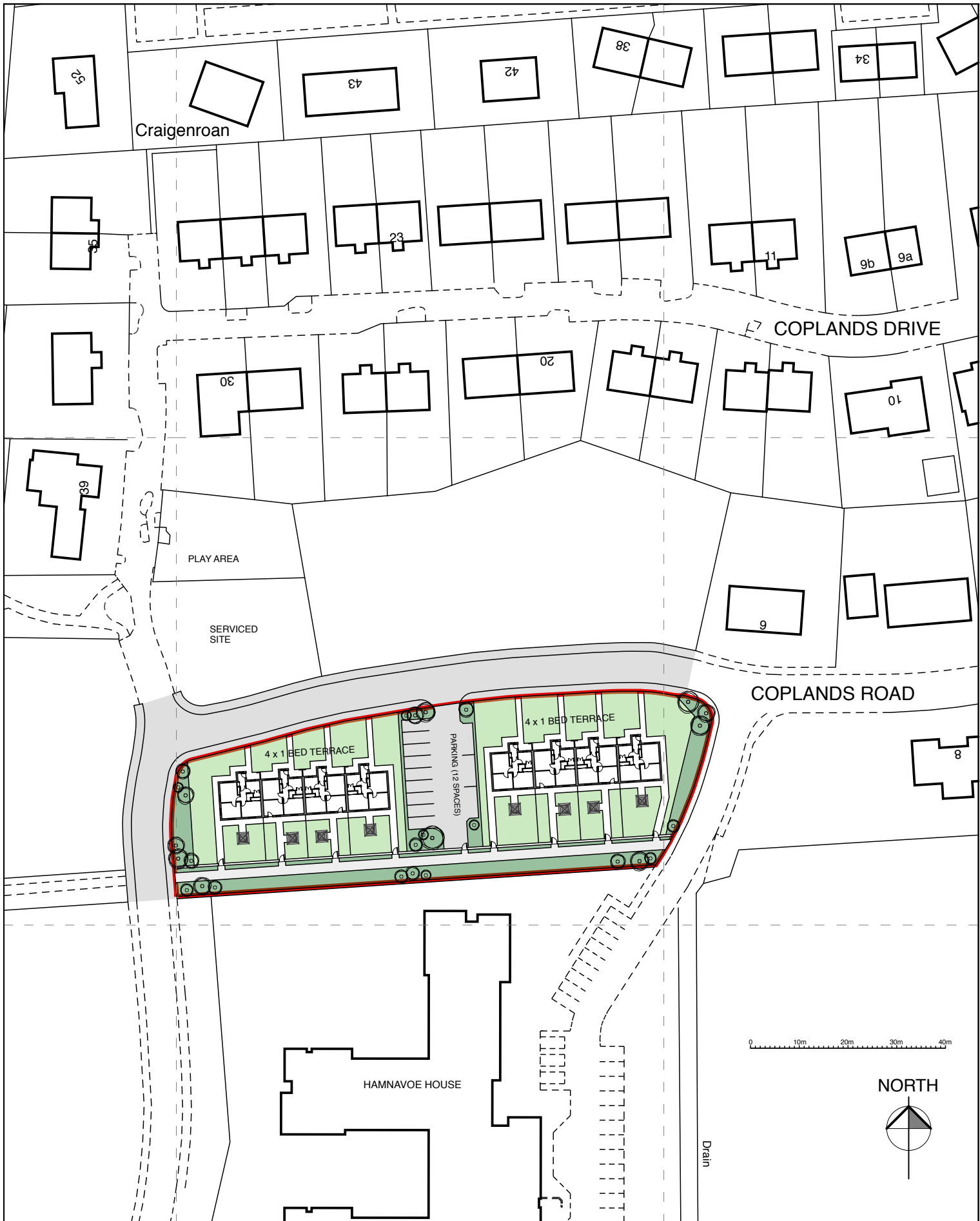
STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Garson, Stromness**

		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	18	-	-	-	6	6	6	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	143	-	-	27	39	39	38	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	161	-	-	27	45	45	44	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	116	-	-	-	38	39	39	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	116	-	-	-	38	39	39	
Net Expenditure/(Saving) of Project	45	-	-	27	7	6	5	
Net Present Value	42	-	-	25	6	5	4	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	



Project No. 500357005	Drawing No. 1
Revision	
Date JAN 2020	Drawn DS
Scale 1:1000	Checked

**Site Plan Garson
Proposed 8x Terraced
Housing Units.**

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Appendix 5.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Design and Build Project (20 units)

1. Background

The proposal is to develop up to 20 properties via design and build contracts utilising land not currently in Council ownership. Proposals would be invited for projects in Kirkwall, Stromness, Finstown and St Mary's.

The properties will meet the robust requirements of the Council's housing design brief, including ensuring the properties have high levels of energy efficiency.

2. Options Available

Various sites and options have been considered when looking at the best options for developing social housing in the timeframe available before 31 March 2021. Utilising design and build contracts, which highlight the tight completion timescales required for completion, allows the Council to access sites that developers may be able to provide across the four settlements to allow maximum spend on the programme.

Kirkwall is the area of highest demand for social housing and the site at Watersfield is not impacted by any infrastructure constraints, be it foul drainage, school capacities or roads.

Option 1 – Do nothing

- Scottish Government funding lost
- No additional housing units at the site developed
- Potential reputational risk to the Council
- No requirement for the Housing Revenue Account to take on additional debt

Option 2 – Develop design and build tenders and deliver up to 20 properties

- Scottish Government grant utilised
- Up to 20 additional housing units developed
- Requirement for the Housing Revenue Account to take on additional debt

3. Land Purchase Requirement

The Housing Revenue Account would need to purchase any land utilised from contractors as part of the tender price.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The project provides additional social housing which helps the Council meet statutory targets around homelessness in line with the Rapid Rehousing Transition Plan.
2.	Meets Corporate Priority / Community Planning Goal	The proposals support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.
3.	Protects Existing Assets	N/A
4.	Minimises Capital Cost	Best value is being achieved by ensuring a competitive tendering process is undertaken at a time when build prices are generally competitive. Utilising Council owned sites also ensures best value.
5.	Maximises Investment from External Sources	The project aims to draw in £1,700,000 in Scottish Government funding to help cover a significant percentage of costs.
6.	Beneficial Impact on Revenue Expenditure	N/A
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	N/A
(b)	Protects or Enhances Discretionary Provision	The provision of additional social housing will allow the Council to help house some of the 700 households that are currently on the social housing waiting list.
8.	Re-use of Derelict Land or Building	N/A
9.	Promote or Enhance Orkney's Environment	N/A
10.	Promote or Enhance Orkney's Heritage	N/A
11.	Economic Prosperity or Sustainable Communities	The project provides additional housing which is in hugely short supply in Orkney due to a growing population and significant year on year net in-migration.
12.	Enhances Council operations or Improves Health and Safety	The project will provide additional housing units which will help the Housing Service deliver

5. Financial Implications

A summary of the financial implications is detailed in Annexes 1 and 2. Annex 1 details the capital implications associated with the project, analysed across the different cost and funding elements. Annex 2 details the associated revenue budget implications including one-off and recurring costs, and offset where possible by any identifiable income streams.

6. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding	Moving the project along as fast as possible via a design and build route
Planning	Potential delays through the Planning process	Early liaison with Planning on the project and Work through issues quickly.
Cost risk	Potential for cost overruns	Ensure a robust procurement process is undertaken.
Timing risk	Potential for overrun beyond the 31 March 2021 deadline.	Moving the project along as fast as possible via a design and build route and keeping the number of properties tied to this contract down to ensure that they can be developed in time.
Resources risk	Lack of resources within Housing Services and Development & Infrastructure to ensure the project can be delivered in the timescale required.	Prioritisation of workload where possible and increased resource if possible.
Project creep	Potential for the project to creep and be delayed.	Ensure the project remains focused on the properties required.

7. Conclusion

The design and build project for up to 20 units offers the opportunity to maximise the use of available Scottish Government funding and provide much needed additional housing across four of Orkney's major settlements.

8. Recommendations

The recommendation is to progress Option 2 and develop tenders for design and build projects with up to 20 properties being delivered, with completion before 31 March 2021 and at an estimated cost of £3,400,000.

9. Accountable Officers

Luke Fraser, Team Leader (Policy & Planning), Education, Leisure and Housing Services.
Ian Rushbrook, Capital Programme Manager, Development and Infrastructure Services.

10. Annexes

Annex 1 – Financial Assessment of Capital Expenditure.

Annex 2 – Financial Assessment of Revenue Expenditure.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Design and Build Projects**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	-	-	-	-	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	3,060.0	-	-	2,907.0	153.0	-	-	
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	-	-	-	-	-	-	-	
Professional Fees - Consultancy	340.0	-	-	340.0	-	-	-	
- In-house	-	-	-	-	-	-	-	
Gross Capital Expenditure	3,400.0	-	-	3,247.0	153.0	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	1,700.0	-	-	1,700.0	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Receivable, etc.	1,700.0	-	-	1,700.0	-	-	-	
Net Capital Cost of Project	1,700.0	-	-	1,547.0	153.0	-	-	
Net Present Value	1,535.3	-	-	1,403.2	132.2	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Housing Development Programme**

Client Service: **Education Leisure and Housing**

Project Name: **Design and Build Projects**

		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	45	-	-	-	15	15	15	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	448	-	-	84	122	122	120	
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	493	-	-	84	137	137	135	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	450	-	-	85	122	123	120	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	450	-	-	85	122	123	120	
Net Expenditure/(Saving) of Project	43	-	-	- 1	15	14	15	
Net Present Value	38	-	-	- 1	14	12	13	
Cost of Revenue		3%	3%	3%	3%	3%	3%	
Year		0	1	2	3	4	5	