

Minute

Policy and Resources Committee

Tuesday, 25 February 2020, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors James W Stockan, W Leslie Manson, Stephen G Clackson, Alexander G Cowie, Robin W Crichton, David Dawson, Andrew Drever, Steven B Heddle, J Harvey Johnston, Rachael A King, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Graham L Sinclair, Owen Tierney, Duncan A Tullock and Kevin F Woodbridge.

Clerk

- John W Mundell, Interim Chief Executive.

In Attendance

- Gavin Barr, Executive Director of Development and Infrastructure.
- Gillian Morrison, Executive Director of Corporate Services.
- Sally Shaw, Chief Officer/Executive Director, Orkney Health and Care.
- James Wylie, Executive Director of Education, Leisure and Housing.
- Gareth Waterson, Head of Finance.
- Gavin Mitchell, Head of Legal Services.
- Ian Rushbrook, Capital Programme Manager (for Items 5 to 7).
- Luke Fraser, Team Leader (Policy and Planning).
- Hazel Flett, Senior Committees Officer.

Observing

- Brian Archibald, Head of Marine Services, Engineering and Transportation (for Items 1 to 4).
- Hayley Green, Head of IT and Facilities.
- Andrew Groundwater, Head of HR and Performance.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care (for Items 1 to 5).
- Colin Kemp, Corporate Finance Senior Manager.
- Paul Kemp, Strategic Finance Manager.
- Avril Litts, Accounting Manager (Strategic Finance).
- David Hartley, Communications Team Leader.

Apologies

- Councillor Norman R Craigie.
- Councillor Barbara Foulkes.

Not Present

- Councillor Magnus O Thomson.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor James W Stockan.

1. Disclosure of Exempt Information

The Committee noted the proposal that the public be excluded from the meeting for consideration of Appendix 1 of Item 3 and Annexes 6, 10 and 11 of Item 5, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Reserves and Provisions Strategy

After consideration of a report by the Head of Finance, copies of which had been circulated, the Committee:

Noted:

2.1. That the Council should be clear on the purpose for holding any reserves and the protocols for their use.

2.2. The broad range of reserve levels within which local authorities might reasonably operate depending on their particular circumstances.

2.3. That, as at 31 March 2019, the Council held earmarked reserves of £18,371,200.

2.4. That, as at 31 March 2019, the Council held a non-earmarked General Fund balance of £4,787,100.

2.5. That a review of the level of the non-earmarked General Fund balance had concluded that it would be possible to reduce the balance to 4% of the Council's net budgeted expenditure for 2020/21.

2.6. The purpose for holding each of the Council's earmarked reserves and the non-earmarked General Fund balances, as set out in Appendix 1 to the report by the Head of Finance.

The Committee resolved to **recommend to the Council:**

2.7. That the Council's non-earmarked General Fund balance of £4,787,100 be reduced to £3,431,900 at 31 March 2020, being 4% of the Council's net budgeted expenditure for 2020/21, with the excess balance, amounting to £1,355,200, being applied to early repayment of capital debt.

2.8. That, for financial year 2020/21, the non-earmarked General Fund balance should be retained at a minimum target level of 4% of the Council's net budgeted expenditure.

2.9. That a Crown Estate Fund be established from any unspent allocation of Crown Estate net revenue funding transferred to the Council by the Scottish Government, with application of the balance reserved to the Policy and Resources Committee.

3. Strategic Reserve Fund – Budget Review and Long Term Forecast

After consideration of a report by the Head of Finance, copies of which had been circulated, the Committee:

Noted:

3.1. That the Strategic Reserve Fund Managed Funds investments were predicted to outperform the approved budget for financial year 2019/20, as indicated in the probable outturn column of Appendix 2 to the report by the Head of Finance.

3.2. That a review of the Flotta Terminal Decommissioning Agreement confirmed that the Flotta Terminal Decommissioning Fund balance of £29,866,000 should be accounted for as a provision rather than as an earmarked balance.

3.3. That the treatment of accounting for the Decommissioning Fund balance as a provision was to charge the value of the provision to the Strategic Reserve Fund in-year as an expense.

3.4. That, after allowing for distributions of £7,136,000 during financial year 2019/20, the value of the Strategic Reserve Fund was estimated to decrease by £19,741,000 to £222,587,000 as at 31 March 2020.

3.5. That, with existing distribution commitments of £11,577,000 for financial years 2020/21, 2021/22 and 2022/23, and with £22,050,000 allocated to support General Fund Services over the same period, the available headroom within the Strategic Reserve Fund relative to the minimum balance or "Floor" was estimated to decline from £19,805,000 to £5,270,000, or from approximately 8.7% to 2.3% of usable reserves, over the next three years.

3.6. That, while much uncertainty remained within the global economy and therefore considerable volatility could be anticipated from investment returns over the short to medium term, the investment strategy for the Strategic Reserve Fund had been amended to improve the focus on income generation going forward and reduce the level of volatility in returns.

3.7. That the draft long term 10-year budget forecast, attached as Appendix 3 to the report by the Head of Finance, indicated that the Strategic Reserve Fund was sustainable over that period based on an assumed level of income generation being achieved and a restricted level of disbursements.

3.8. That a prudent approach was recommended when giving consideration to requests for additional disbursements from the Strategic Reserve Fund over the next three financial years.

The Committee resolved to **recommend to the Council**:

3.9. That the contribution from the Strategic Reserve Fund to the General Fund for financial years 2020/21, 2021/22 and 2022/23 be set at a cumulative total of £22,050,000 over the three-year period, with the actual contributions for 2021/22 and 2022/23 to be confirmed when the budgets for those years were set.

3.10. That a minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall, be set at £213,203,000 as at 1 April 2020.

3.11. That, in line with the aspiration of setting a three-year budget, indicative figures of £219,600,000 and £226,188,000 be set as a minimum balance or “Floor”, below which the value of the Strategic Reserve Fund should not fall, for financial years 2021/22 and 2022/23 respectively, subject to review annually thereafter.

3.12. That the draft Strategic Reserve Fund budgets for financial years 2020/21, 2021/22 and 2022/23, attached as Appendix 1 to this Minute, be approved.

3.13. That the long-term 10-year budget forecast for the Strategic Reserve Fund, attached as Appendix 2 to this Minute, be approved.

4. Strategic Reserve Fund – Contribution to General Fund Services

Proposed Notional Allocations

After consideration of a report by the Head of Finance, copies of which had been circulated, the Committee:

Noted:

4.1. That, for many years, the Strategic Reserve Fund allocation to the General Fund had been used as one of the funding sources for all General Fund services rather than making a direct financial contribution towards specific service functions or items of expenditure.

4.2. The proposal that the Strategic Reserve Fund contribution be attached to specific areas of General Fund expenditure so that the Orkney public could see more readily the benefit of the Strategic Reserve Fund and the additionality of service provision that it allowed the Council to deliver.

4.3. That, although accounting for the contribution from the Strategic Reserve Fund as a direct contribution to specific services would have negative future consequences on expenditure based budget distributions, notional allocations would avoid those negative consequences.

The Committee resolved to **recommend to the Council**:

4.4. That the Strategic Reserve Fund allocation to General Fund services for financial year 2020/21 of £6,317,200 be notionally allocated as a direct funding contribution towards the service functions set out in Appendix 3 to this Minute.

4.5. That, should a higher contribution than £6,317,200 be required from the Strategic Reserve Fund to balance the General Fund budget for financial year 2020/21, this should be treated as a source of funding for General Fund services and notionally allocated to Loan Charges.

5. Budget and Council Tax Levels for 2020 to 2021

After consideration of a joint report by the Chief Executive and the Head of Finance, together with Equality Impact Assessments, copies of which had been circulated, the Committee:

Noted:

5.1. The cumulative funding gap identified in the Council's Long-Term Financial Plan, for the period 2020/21 to 2021/22 of £9,805,000, which the Council was seeking to address through its strategic approach to budgeting, as detailed in section 3 of the joint report by the Chief Executive and the Head of Finance.

5.2. That the Scottish Government had issued grant settlement figures for local government and individual councils for financial year 2020/21, with the provisional revenue grant funding to the Council amounting to £77,516,000, which included a provisional specific grant allocation for ferry services of £5,500,000.

5.3. That the Council's request to the Scottish Government in respect of funding for ferry services for 2020/21 was £7,000,000.

5.4. That Local Government Finance Circular 1/2020, which provided details of the provisional total Local Government revenue and capital funding for 2020/21, referred to a package of measures that made up the settlement, including:

- £100 million to be allocated to Integration Authorities that was to be additional to, and not substitutonal to, each Council's 2019/20 recurring budgets for social care services.
- £201 million of revenue funding and £121.1 million of capital funding to support the expansion of early learning and childcare.
- Baselining of the £90 million added at Stage 1 of the Budget Bill for 2019/20.
- £88 million continued funding to maintain the pupil:teacher ratio nationally and secure places for probationers.
- £156 million provision for teachers' pay and £97 million for teachers' pensions.
- £5.3 million for implementation of the Barclay report (review of non-domestic rates) recommendations.
- £50 million for a new capital challenge fund for Heat Networks Early Adopters.

5.5. That no specific sanctions had been indicated by the Scottish Government in respect of the settlement offer for financial year 2020/21.

5.6. That the three-year funding settlement for local government from financial year 2020/21, announced as part of the settlement in February 2019, had not materialised.

5.7. That the settlement afforded the flexibility for the Council to increase Council Tax for financial year 2020/21, with a 4.84% cap on any increase in the level of Council Tax, which was equivalent to an increase in real terms of 3%.

5.8. That, on 26 November 2019, the Policy and Resources Committee recommended a range of low risk budget savings for 2020/21 amounting to £267,600.

5.9. The identified efficiency savings for financial year 2020/21, totalling £774,200, that were additional to the savings already approved at paragraph 5.8 above, covering risk levels assessed as low to very high, as detailed in Annex 10 to the joint report by the Chief Executive and the Head of Finance, which, if approved, would result in a reduction of 5.5 full-time equivalent (FTE) posts, with 1.0 FTE vacant and 4.5 FTE occupied.

5.10. The Equality Impact Assessments, attached as Annexes 8 to 10 to the joint report by the Chief Executive and the Head of Finance, relating to the overall budget proposals and savings assessed as low, medium, high and very high risk.

5.11. The advice, outlined in section 16 of the joint report by the Chief Executive and the Head of Finance, regarding risks to the Council's ability to continue to meet, in a secure manner, all its responsibilities and the expectations placed upon it.

5.12. That, as a consequence of paragraph 5.11 above, the Chief Executive may be required to submit reports to the Council in accordance with sections 4(2) and 4(3) of the Local Government and Housing Act 1989.

Councillor James W Stockan, seconded by Councillor W Leslie Manson, moved that the revenue budget and Council Tax level for 2020/21, as proposed by officers, be approved.

Councillor Stephen G Clackson, seconded by Councillor John T Richards, moved an amendment that the revenue budget and Council Tax level for 2020/21, as proposed by officers, be approved, with the following exception:

- Executive Directors should review and increase existing charges by a minimum of 3% and by no more than 3.5% without prior approval through the relevant Committee, from 1 April 2020, if possible to do so, or as early as possible thereafter, with the exceptions, as listed, where alternative arrangements were required or proposed.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, John T Richards, Stephen Sankey, John A R Scott, Owen Tierney and Kevin F Woodbridge (7).

For the Motion:

Councillors Robin W Crichton, David Dawson, Andrew Drever, Steven B Heddle, J Harvey Johnston, Rachael A King, W Leslie Manson, Gwenda M Shearer, Graham L Sinclair, James W Stockan and Duncan A Tullock (11).

The motion was carried.

Councillor Stephen Sankey, seconded by Councillor Robin W Crichton, moved a further amendment, notice of which had been given, that the revenue budget and Council Tax level for 2020/21, as proposed by officers, be approved, with the following exception:

- Efficiency saving RDDI11, Closure of St Margaret's Hope Recycling Centre, should be removed from the list of efficiency savings for 2020/21, with the resultant cost of £13,000 to be met from General Fund balances.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, Robin W Crichton, David Dawson, Steven B Heddle, J Harvey Johnston, John T Richards, Stephen Sankey, John A R Scott, Gwenda M Shearer, Owen Tierney and Kevin F Woodbridge (12).

For the Motion:

Councillors Andrew Drever, Rachael A King, W Leslie Manson, Graham L Sinclair, James W Stockan and Duncan A Tullock (6).

The amendment was carried and became the motion.

Councillor Owen Tierney, seconded by Councillor J Harvey Johnston, moved a further amendment, notice of which had been given, that the revenue budget and Council Tax level for 2020/21, as proposed in terms of the previous amendment by Councillor Stephen Sankey, be approved, with the following exception:

- Efficiency saving RDDI10, Closure of Cursiter Recycling Centre, should be removed from the list of efficiency savings for 2020/21, with the resultant cost of £6,000 to be met from General Fund balances.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Stephen G Clackson, Alexander G Cowie, David Dawson, Steven B Heddle, J Harvey Johnston, Stephen Sankey, John A R Scott, Gwenda M Shearer, Owen Tierney and Kevin F Woodbridge (10).

For the Motion:

Councillors Robin W Crichton, Andrew Drever, Rachael A King, W Leslie Manson, John T Richards, Graham L Sinclair, James W Stockan and Duncan A Tullock (8).

The amendment was carried.

The Committee thereafter resolved to **recommend to the Council:**

5.13. That the General Fund revenue budget for financial year 2020/21 be set at £85,798,800.

5.14. That powers be delegated to the Head of Finance, in consultation with the Chief Executive, to revise the General Fund revenue budget for financial year 2020/21 in respect of any change to the estimated funding level referred to at paragraph 5.2 above.

5.15. That any reduction in the specific grant allocation for ferry services, referred to at paragraph 5.2 above, be subject to further consideration in due course, if required.

5.16. That the Band D Council Tax level for financial year 2020/21 be set at £1,208.48, being a real term increase of 3% on the Band D Council Tax level for financial year 2019/20 of £1,152.69.

5.17. That the Council's budget uprating assumptions, as set out in Appendix 4 to this Minute, including a 1% uplift for the Third Sector, at an overall estimated cost across the General Fund of £2,813,000, be approved.

5.18. That, on account of the need to balance the budget and bring spending into line with available funding, no baseline service pressures be approved for inclusion in the revenue budget for financial year 2020/21.

5.19. That efficiency savings totalling £755,200, covering risk levels assessed as low to very high, as detailed in Appendix 5 to this Minute, be approved and applied for financial year 2020/21, summarised by service as follows:

- Chief Executive's Service – £32,100.
- Corporate Services – £15,000.
- Development and Infrastructure – £444,200.
- Education, Leisure and Housing – £120,200.
- Orkney Health and Care – £143,700.

5.20. That the cost of the following savings in 2020/21, totalling £48,000, be funded from the Crown Estate net revenue allocation for 2019/20:

- Road Closures for Events and Festivals – £5,000.
- Winter Free 1 Hour Parking – £24,000.
- Development and Marine Planning – £14,000.
- Archaeology Workforce Planning – £5,000.

5.21. That powers be delegated to the Head of Finance to allocate any General Fund underspend from financial year 2019/20 to the following provisions:

- £179,709 secured through a successful Non-Domestic Rates appeal, to the Innovation Fund to help towards the cost of undertaking transformational change projects.
- Any remaining underspends to the repayment of capital debt.

5.22. That the General Fund contingency established when setting the revenue budget for financial year 2019/20 be applied as a funding source in setting the General Fund revenue budget for 2020/21.

5.23. That any further efficiency savings realised, or additional funding secured that was not specific to government initiatives that must be funded, be retained in a General Fund contingency.

5.24. That Executive Directors should review and increase existing charges by a minimum of 3%, from 1 April 2020, if possible to do so, or as early as possible thereafter, with the following exceptions, where alternative arrangements were required or proposed:

- Building warrant and planning fees.
- Harbour charges.
- Ferry fares.
- Car park charges.
- Residential care and home care.
- Very sheltered housing.
- Supported accommodation.
- Licensing fees.
- Ship sanitation certification.
- Marriage/civil partnership.
- Roads inspection fees.
- Trade waste charge.
- Homelessness rents.

5.25. That, should the confirmed allocation of fairer ferry funding be less than £5,500,000, ferry fares be increased by 3%, with ferry fares frozen should the allocation be confirmed as £5,500,000 or more.

5.26. That the contribution from the Strategic Reserve Fund used as a funding source be set at a cumulative maximum of £22,050,000 over the three year period 2020/21 to 2022/23.

5.27. That the draw from the Strategic Reserve Fund for 2020/21 be set at £6,317,200, with the actual contributions for financial years 2021/22 and 2022/23 confirmed when the budgets for those years were set.

5.28. That, for financial year 2020/21, the non-earmarked General Fund balance should be set at a minimum target level of 4% of the Council's net budgeted expenditure.

5.29. That the policies of the presumption against new commitments and the moratorium on staff establishment increases should continue to remain in force across General Fund services, with the following conditions:

- Exceptions might be considered for new commitments which were 100% funded by external bodies – proposals involving the Council in partnership funding shall require compensatory savings to be identified.
- The Council should consider undertaking new statutory duties or any case where it was considered that statutory duties were not being fulfilled, however, such duties having financial implications should first be reported to the relevant Committees for approval.

- The Council should consider new commitments where compensatory savings could be identified – any Committee considering such recommendations should, in the first instance, seek to identify savings from within its revenue budget.
- Any restructuring exercises of Council services must be cost neutral at worst for Council General Fund services.

5.30. That powers be delegated to the Head of Finance, as Section 95 Officer, in consultation with the Chief Executive, to prepare and distribute a detailed budget incorporating all of the budget adjustments agreed by the Council.

6. House Build Programme

After consideration of a report by the Executive Director of Education, Leisure and Housing, copies of which had been circulated, and after hearing a report from the Team Leader (Policy and Planning), the Committee:

Noted:

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

6.2. That, in order to maximise use of available funding, four projects utilising Council owned land were 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.

6.3. That, in addition to the four Council-led projects, it was 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.

6.4. 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.

6.5. The proposal that the total cost of the proposed house build projects, referred to at paragraph 6.4 above, estimated at £5,784,500, be funded as follows:

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

The Committee resolved to **recommend to the Council**:

6.6. That the Stage 2 Capital Project Appraisals in respect of the undernoted proposed house build projects, attached as Appendices 6 to 10 of this report, be approved:

- Watersfield, Kirkwall.
- Repeater Road, Kirkwall.
- MacDonald Park, 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.

6.7. That, as an exception to process, in that the risk of losing Scottish Government funding was high, the house build projects, referred to at paragraph 6.6 above, be added to the capital programme for 2020/21 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.

7. Conclusion of Meeting

At 12:50 the Chair declared the meeting concluded.

Signed:

SRF Draft 10 year budget projection - 2020/30	2020/21 Year 1 Budget Estimate £000's	2021/22 Year 2 Budget Estimate £000's	2022/23 Year 3 Budget Estimate £000's	2023/24 Year 4 Budget Estimate £000's	2024/25 Year 5 Budget Estimate £000's	2025/26 Year 6 Budget Estimate £000's	2026/27 Year 7 Budget Estimate £000's	2027/28 Year 8 Budget Estimate £000's	2028/29 Year 9 Budget Estimate £000's	2029/30 Year 10 Budget Estimate £000's
Investment Activities - local investments	(190)	(190)	(190)	(190)	(190)	(190)	(150)	(150)	(150)	(150)
- managed funds	(13,483)	(13,546)	(13,708)	(13,980)	(14,379)	(14,804)	(15,254)	(15,730)	(16,234)	(16,770)
- loans fund	69	60	75	80	59	38	5	(16)	(39)	(61)
- other, including strategic projects	931	992	1,025	1,056	1,088	1,120	1,154	1,189	1,224	1,261
Property Investments	(700)	(700)	(700)	(714)	(728)	(743)	(758)	(773)	(788)	(804)
Renewable Energy	(200)	(200)	(200)	(204)	(208)	(212)	(216)	(221)	(225)	(230)
Scapa Flow Oil Port	(764)	(620)	(652)	(684)	(716)	(748)	(780)	(812)	(844)	(876)
Loan Charges	119	119	119	150	150	150	150	150	150	150
Other	18	18	0	0	0	0	0	0	0	0
Net budget surplus	(14,200)	(14,067)	(14,231)	(14,486)	(14,925)	(15,388)	(15,849)	(16,363)	(16,906)	(17,480)
	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
less allocation to protect value of fund @ RPI	6,765	7,036	7,127	6,944	7,158	7,385	7,626	7,881	8,152	8,438
Balance available for disbursement (in real terms)	(7,435)	(7,031)	(7,104)	(7,542)	(7,767)	(8,003)	(8,223)	(8,482)	(8,754)	(9,042)
Disbursements:										
General Fund Services	6,317	7,867	7,866	7,350	7,350	7,350	7,350	7,350	7,350	7,350
Community Development Fund	0	0	0	0	0	0	0	0	0	0
Contribution to capital projects - HRA	320	0	0	0	0	0	0	0	0	0
Contribution to capital projects - Care Home	5,000	3,000	1,130	0	0	0	0	0	0	0
Contribution to the Island Games	300	300	380	0	0	0	0	0	0	0
North Isles Landscape Partnership Scheme	279	0	0	0	0	0	0	0	0	0
Contribution to other projects, incl. revenue strategic projects	868	0	0	0	0	0	0	0	0	0
Total Planned Disbursements	13,084	11,167	9,376	7,350	7,350	7,350	7,350	7,350	7,350	7,350
Deficit/(Surplus) on SRF (in real terms)	5,649	4,136	2,272	(192)	(417)	(653)	(873)	(1,132)	(1,404)	(1,692)
Deficit/(Surplus) on SRF (actual)	(1,116)	(2,900)	(4,855)	(7,136)	(7,575)	(8,038)	(8,499)	(9,013)	(9,556)	(10,130)
SRF Useable Reserves	223,703	226,603	231,458	238,594	246,169	254,207	262,706	271,719	281,275	291,405
Target Minimum Balance or "Floor" for SRF	213,203	219,600	226,188	232,974	239,963	247,162	254,577	262,214	270,080	278,182
Useable Headroom	10,500	7,003	5,270	5,620	6,206	7,045	8,129	9,505	11,195	13,223

Appendix 2.

Notes

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Key Assumptions:

- 1 Interest bearing business loans mature 26/17, IFL's and fishing quota income only thereafter. No link between capital value and rental income.
- 2 5.6% allowance for average performance of managed fund investments as per investment strategy review
- 3 2.0% CPI uplift from Year 4 for interest on revenue balances
- 4 3.0% RPI annual uplift for flotta terminal decom provision.
- 5 2.0% CPI uplift from Year 4 to net rental income i.e. rental income after allowing for property costs. No change in occupancy levels.
- 6 2.0% CPI uplift from Year 4. Retain HHEL invest at existing level. No additional renewables investments.

- 7 SFOP adjusted for loan charges; No change useful life of oil terminal or scope of oil port.
- 8 Review level of capital improvement works at Year 4
- 9 Move on FIAA written out in Year 2.
- 10 3.0% RPI annual uplift to allow the value of SRF to be maintained in real terms.
- 11 3.0% RPI annual uplift to allow the target Minimum Balance or "Floor" to be maintained in real terms.

Appendix 3.

Strategic Reserve Fund – Contribution to General Fund Services**Notional Allocations**

Service.	Amount. £000s.	Total. £000s.
Chief Executive:		
Twinning.	15.	
Loan charges.	889.	904.
Orkney Health and Care:		
Social Care Services Council funded budget growth	574.	
Voluntary Services – contracts.	80.	
Voluntary Services – grants.	350.	
Lunch Clubs.	28.	
Small Repair grants.	45.	
Childcare Partnership.	70.	
Community Care grants.	70.	
Summer Playscheme.	15.	1,232.
Education, Leisure and Housing:		
Swimming pools.	223.	
Pickaquoy Centre.	926.	
Healthy Living Centres.	40.	
Outdoor Education service.	80.	
Active Schools.	75.	
Community Centres	308.	
Youth Café.	16.	
Museums.	294.	
Library service.	916.	
Culture Fund.	157.	
St Magnus Cathedral.	186.	
Grounds maintenance.	230.	
Parks and play areas.	150.	
Music provision.	30.	3,631.

Service.	Amount. £000s.	Total. £000s.
Development and Infrastructure:		
Public Conveniences.	90.	
Economic Development grants.	400.	
Fairs, galas and community events.	10.	
Access to the Countryside.	50.	550.
Total.		6,317.

Appendix 4.

Budget Uprating Assumptions

Budget Element.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Staff Costs Non-Teaching.	3.0%.	3.5%.	3.0%.
Pension Costs Non-Teaching.	(0.8)%.	(0.4)%.	(0.4)%.
Staff Costs Teaching.	4.0%.	3.5%.	6.5%.
Pension Costs Teaching.	0.0%.	4.0%.	0.6%.
Property Costs.	0.0%.	0.0%.	1.0%.
Supplies and Services	0.0%.	0.0%.	2.0%.
Transport Costs.	0.0%.	0.0%.	1.0%.
Administration Costs	0.0%.	0.0%.	1.0%.
Third Party Payments	0.0%.	0.0%.	1.0%.
Transfer Payments	0.0%.	0.0%.	1.0%.
Third Sector	0.0%.	0.0%.	1.0%.
Other Costs	0.0%.	0.0%.	1.0%.
Trading Organisations and Orkney Ferries.	3.0%.	3.1%.	2.6%.
Internal Transport	0.0%.	2.4%.	2.0%.
Sales.	4.0%.	3.0%.	3.0%.
Fees and Charges.	4.0%.	3.0%.	3.0%.
Other Income.	4.0%.	3.0%.	3.0%.
Total Uplift for Inflation.	£1,710,000.	£2,719,600.	£2,813,000.

Appendix 5.

Efficiency Savings 2020 to 2021

	FTE	£000
Chief Executive	1.00	32.1
Corporate Services	0.00	15.0
Development and Infrastructure	1.00	444.2
Education, Leisure and Housing	3.00	120.2
Orkney Health and Care	0.50	143.7
	5.50	755.2

	Chief Executive	FTE	£000	Risk	EqlA
OSCE06	Twinning Surplus Budget	0.00	6.9	Low	No
OSCE08	Members Expenses Administration Costs	0.00	2.0	Low	No
OSCE03	Chief Executive Savings	1.00	23.2	Medium	Yes
		1.00	32.1		

	Corporate Services	FTE	£000	Risk	EqlA
CACS03	Building Cleaning Holiday Cover	0.00	15.0	Medium	Yes
		0.00	15.0		

	Development and Infrastructure	FTE	£000	Risk	EqlA
RDDI01A	Car Park Increase Charges by 40%	0.00	51.2	High	Yes
RDDI03	Street Lighting Repair Response Standard	0.00	25.0	Medium	Yes
RDDI04	Road Closures for Events and Festivals	0.00	5.0	Medium	Yes
RDDI05	Traffic Regulations and Speed Limit Reviews	0.00	25.0	Low	Yes
RDDI09	Remove Winter Free 1 Hour Parking	0.00	0.0	Medium	Yes
TRDI02	Dial a Bus from Three to One Free Trip a Month	0.00	22.0	Medium	Yes
DVDI02	Development Grants Reduction 10%	0.00	20.0	High	Yes
DVDI03	Development and Infrastructure Savings	1.00	200.0	Very High	Yes
PLDI01	Development and Infrastructure Savings	0.00	14.0	High	Yes
PLDI02	Development and Infrastructure Savings	0.00	5.0	High	Yes
OEDI01	Fund Bag the Bruck from Crown Estates Funding	0.00	35.0	Medium	Yes
OEDI05	Close Stromness Garson Depot	0.00	7.0	Medium	No
OEDI06	Reduce Street and Community Cleaning	0.00	25.0	Medium	Yes
EHDI01	Part Fund Public Toilets from Crown Estates Funding	0.00	10.0	Low	Yes
		1.00	444.2		

Education, Leisure and Housing		FTE	£000	Risk	EqIA
EDELH01	Education Savings	2.00	64.0	Medium	Yes
EDELH05	Education Savings	1.00	55.0	Medium	Yes
EDELH08	Administration Post Change to Term Time Working	0.00	1.2	Low	No
		3.00	120.2		
Orkney Health and Care		FTE	£000	Risk	EqIA
SCOH01	Removal of Lunch Club Grants	0.00	36.6	Low	Yes
SCOH02	Removal of Sleep-in Payments at Care Homes	0.00	77.1	Low	No
SCOH03	Orkney Health and Care Savings	0.50	30.0	Low	Yes
		0.00	143.7		

Appendix 6.

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, as detailed on the site plan attached as Annex 3. 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.

Annex 3 – Site Plan.

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	



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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Appendix 7.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Repeater Road, Kirkwall

1. Background

The proposal is to build two two-bedroom properties on serviced sites owned by the Council at Repeater Road, Kirkwall, as detailed on the site plan attached as Annex 3. 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.

Annex 3 – Site Plan.

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**

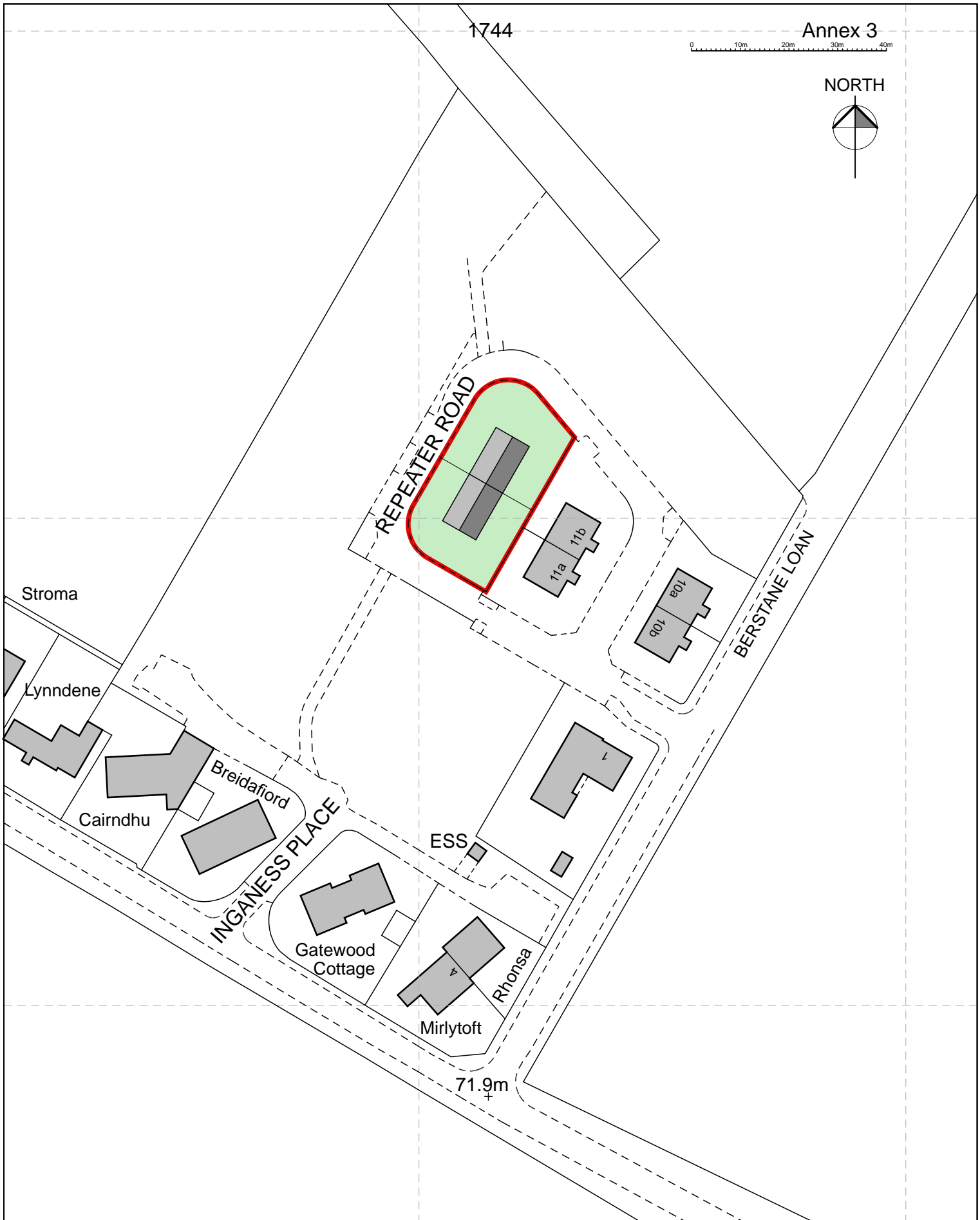
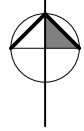
		1	2	3	4	5		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	5	-	-	-	2	2	2	
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	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	

1744

Annex 3

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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Appendix 8.

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

The proposal is to build two two-bedroom properties on a serviced site owned by the Council at MacDonald Park, St Margaret's Hope, as detailed in the site plan attached as Annex 3. 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.

Annex 3 – Site Plan.

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

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Appendix 9.

Stage 2 Capital Project Appraisal

Capital Programme: House Build Programme

Client Service: Education, Leisure and Housing

Project Name: Garson (Phase 2), Stromness

1. Background

The proposal is to build 8x 1-bedroom properties for older people adjacent to the new Hamnavoe House care facility, as detailed on the site plan attached as Annex 3. 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.

Annex 3 – Site Plan.

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 10.

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	