

Item: 15

Education, Leisure and Housing Committee: 5 February 2020.

House Build Programme.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider Stage 1 Capital Project Appraisals in respect of additional social housing development projects.

2. Recommendations

The Committee is invited to note:

2.1.

That, although the Council's house build programme has delivered 230 properties since 2011, the programme has slowed over the last five years due to financial constraints on the Housing Revenue Account.

2.2.

That there is only one Council house build project currently under construction, being 32 properties at Carness, Kirkwall.

2.3.

That, to date, the level of Scottish Government grant funding awarded, at £59,000 for each unit of housing, has created challenges in respect of delivering further Council housing developments.

2.4.

That, due to the level of borrowing required and match-funding requirements for Council and Orkney Housing Association projects, it has not been possible to utilise all of the available funding from the Scottish Government for affordable housing development over the last few years.

2.5.

That the current funding round 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.

2.6.

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.

2.7.

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.

2.8.

The Stage 1 Capital Project Appraisals in respect of the four proposed house build projects and the design and build contracts, attached as Appendices 1 to 5 of this report.

2.9.

That, in order to maximise available Scottish Government grant funding, officers will progress a programme of "off the shelf" property purchases utilising existing delegated authority.

2.10.

That, in order to maximise use of time limited Scottish Government grant funding, the various house build projects are viewed as an exception to the Capital Project Appraisal process.

It is recommended:

2.11.

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.

3. Background

3.1.

The Council has built 230 houses since the house build programme was started in 2011 and the last project to be completed was handed over in August 2016.

3.2.

The project delivering 32 properties at Carness Road, Kirkwall is currently the only Council house build project approved and under development.

3.3.

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.

3.4.

Due to the significant investment that has been made by both organisations in additional new build housing over the last decade there is less capacity to provide the internal match funding required to make full use of the funding awarded by the Scottish Government.

3.5.

A significant stumbling block to additional Council housing development over the last 5 years has been the low per-property grant levels allowed by the Scottish Government, the benchmark is currently £59,000 per housing unit provided by the Council.

3.6.

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.

3.7.

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.

3.8.

The Scottish Government has a priority of seeking to end homelessness, including introduction of Rapid Rehousing Transition Plans through which councils are required to reduce the time homeless households spend in temporary accommodation and seek to permanently rehouse homeless households swiftly. Homelessness is generally more pronounced in the towns and the majority of homeless households require to be permanently rehoused in Kirkwall or Stromness.

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 1 Capital Project Appraisal, together with the proposed site plan, with the four units sited within the red box, to the south side of Moar Drive, is attached at Appendix 1.

4.3.

Additional development of one-bedroom properties at Watersfield will help meet the high demand for one-bedroom properties in Kirkwall.

4.4.

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 1 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 1 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.

There would still be two serviced plots available for any householders looking to purchase a serviced plot in St Margaret's Hope should this development go ahead.

6.3.

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 1 Capital Project Appraisal, is attached as Appendix 4 to this report.

7.3.

This development provides the opportunity to develop housing potentially for older persons in close proximity to the new Hamnavoe House, which in turn provides for an ageing population.

7.4.

It is not intended that Hamnavoe House would provide support to the households allocated to the new properties at Garson at this time. However, development of these properties would provide suitable assets close to the care facility which could be utilised as potential older persons' housing.

7.5.

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 1 Capital Project Appraisal for the design and build project, is attached as Appendix 5 to this report.

9. Off the Shelf Purchase

9.1.

The potential exists to purchase properties from the open market to help utilise the available Scottish Government funding.

9.2.

Officers have assessed the local property market and identified a number of potential properties, including some new build properties and former Council houses, that could be purchased and utilised as social rented or low-cost home ownership properties.

9.3.

Whole life costs and costs associated with meeting the Energy Efficiency Standard for Social Housing and the Energy Efficiency Standard for Social Housing 2 have been considered as part of the property assessment.

9.4.

Off the shelf purchases provide the Council with spend and properties, without the need to develop projects. This reduces the pressure on internal resources to deliver even more projects. The level of Scottish Government grant required is dependent on the condition of the property, the size of property and the rental income that can be derived from the property. The grant required for the three properties under consideration would range from £60,000 to £100,000 per property.

9.5.

Officers will continue to assess the private market to identify any properties that are marketed over the next twelve months to ascertain if they would be suitable for purchase.

10. Delivery of Projects

10.1.

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.

10.2.

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.

11. Procurement Implications

11.1.

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.

11.2.

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

12. Links to Council Plan

12.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Thriving Communities.

12.2.

The proposals in this report relates directly to Priority 3.8 – We will review the Local Housing Strategy.

13. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

14. Financial Implications

14.1.

Capital projects require to progress through the Capital Project Appraisal process. This report presents a number of Stage 1 Capital Project Appraisals for due consideration by the Service Committee. 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.

14.2.

Any request to add a capital project to the capital programme requires to be submitted to the Policy and Resources Committee where the detailed Stage 2 Capital Project Appraisal will be assessed.

14.3.

Land costs totalling £272,500 have been excluded from the grant eligible costs as the Scottish Government has indicated that they would 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.

14.4.

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 and between £60,000 and £100,000 for the “off the shelf” purchases. Discussions are ongoing with the Scottish Government regarding the maximum grant levels available.

14.5.

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.

14.6.

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:

Type	Units	Size	Total Capital cost (including land)	Total SG Grant ask	HRA Finance
New Build	4	1 bed	£602,000	£240,000	£362,000
New Build	8	1 bed	£1,100,000	£560,000	£540,000
New Build	2	2 bed	£364,000	£134,000	£230,000
New Build	2	2 bed	£318,500	£146,000	£172,500
Purchase	1	5 bed	£220,800	£100,000	£120,800
Purchase	1	4 bed	£193,260	£100,000	£93,260
Purchase	1	1 bed	£120,000	£60,000	£60,000
Design and Build	20		£3,400,000	£1,700,000	£1,700,000
Total			£6,318,560	£3,040,000	£3,278,560

15. Legal Aspects

15.1.

In terms of Section 1 of the Housing (Scotland) Act 1987, every local authority shall consider the housing conditions in their area and the needs of the area for further housing accommodation.

15.2.

Section 2 states that a local authority may provide housing accommodation:

- By the erection of houses on any land acquired or appropriated by them.
- By the conversion of any buildings into houses.
- By acquiring houses.
- By altering, enlarging, repairing or improving any houses or other buildings which have, or a right or interest in which has, been acquired by the local authority.

16. 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.

17. Appendices

Appendix 1: Stage 1 Capital Project Appraisal and site plan – Watersfield, Kirkwall.

Appendix 2: Stage 1 Capital Project Appraisal and site plan – Repeater Road, Kirkwall

Appendix 3: Stage 1 Capital Project Appraisal and site plan – MacDonald Park, St Margaret's Hope.

Appendix 4: Stage 1 Capital Project Appraisal and site plan– Garson, Stromness.

Appendix 5: Stage 1 Capital Project Appraisal – Design and Build for up to 20 social housing units.

ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 1

Capital Programme: House Build Programme

Client Service: Education Leisure & Housing

Project Name: Watersfield Phase 4 housing

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. Financial Implications

	Total	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Expenditure	602	572	30		
Less: Anticipated Grants or Other Contributions	240	240	£0		
Net Capital Expenditure	362	332	30		
Associated Revenue Implications	(90)	(22)	(22)	(23)	(23)
Associated Finance and Loan Charges	76	14	20	21	21
Estimated cost of detailed Stage 2 CPA		2			

The detailed project appraisal will be met from the Housing Revenue Account. However, as this project is to be developed on a design and build basis these costs should be minimised.

Cost calculations have been developed from the experience gained by tendering similar projects over previous years and the prices that have been returned by contractors for recent Council capital tenders.

3. Policy Aspects

This proposal fits in with the Local Outcome Improvement Plan priorities of Living Well and Strong and Sustainable Communities and the Council Plan priority of Quality of Life. The project also supports the Local Housing Strategy outcomes, the Strategic Housing Investment Plan and the Housing Needs and Demand Assessment.

4. Statutory Responsibility

The Council has a statutory responsibility to tackle homelessness and the Scottish Government has a priority of seeking to end homelessness and this includes the introduction of Rapid Rehousing Transition Plans. Through this Councils are required to reduce the time homeless households spend in temporary accommodation and to seek to permanently rehouse homeless households swiftly.

5. Land Purchase Requirement

There would be a requirement for the Housing Revenue Account to acquire two serviced sites at Watersfield currently held on the Other Housing Account in the General Fund and valued in the region of £140,000 for both sites.

6. Impact on Local Business, Employment and the Economy

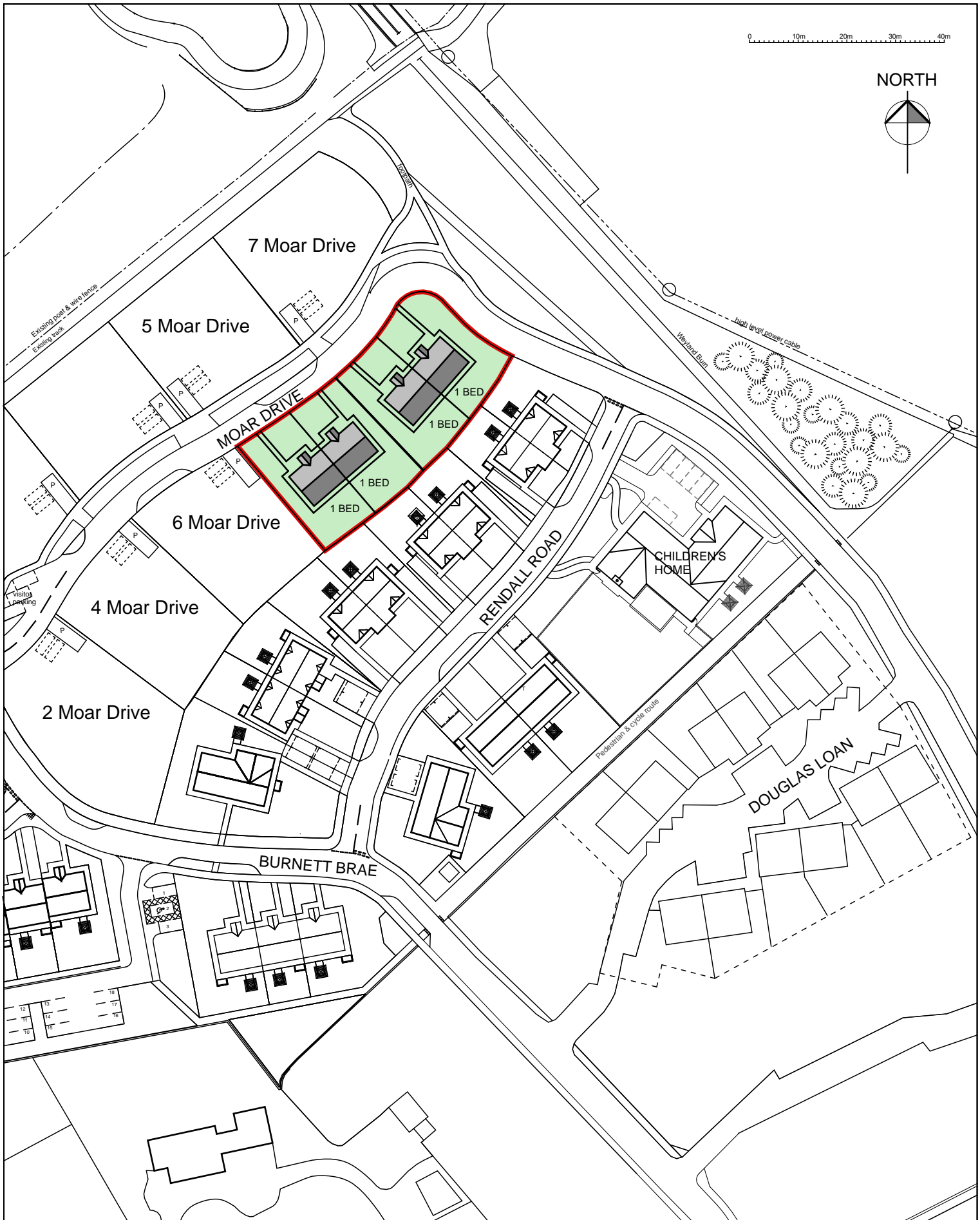
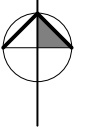
The project will help sustain the local construction industry and any additional housing in Orkney will help reduce the current significant housing shortage in the islands.

7. 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.

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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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ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 1

Capital Programme: House Build Programme

Client Service: Education Leisure & Housing

Project Name: Repeater Road, Kirkwall (Phase 2) housing development

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. Financial Implications

	Total	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Expenditure	364	346	18		
Less: Anticipated Grants or Other Contributions	134	134	0		
Net Capital Expenditure	230	212	18		
Associated Revenue Implications	(49)	(12)	(12)	(12)	(13)
Associated Finance and Loan Charges	52	10	14	14	14
Estimated cost of detailed Stage 2 CPA		3			

The detailed project appraisal will be met from the Housing Revenue Account. However, as this project is to be developed on a design and build basis these costs should be minimised.

Cost calculations have been developed from the experience gained by tendering similar projects over previous years and the prices that have been returned by contractors for recent Council capital tenders.

3. Policy Aspects

This proposal fits in with the Local Outcome Improvement Plan priorities of Living Well and Strong and Sustainable Communities and the Council Plan priority of Quality of Life. The project also supports the Local Housing Strategy outcomes, the Strategic Housing Investment Plan and the Housing Needs and Demand Assessment.

4. Statutory Responsibility

The Council has a statutory responsibility to tackle homelessness and the Scottish Government has a priority of seeking to end homelessness and this includes the introduction of Rapid Rehousing Transition Plans. Through this Councils are required to reduce the time homeless households spend in temporary accommodation and to seek to permanently rehouse homeless households swiftly.

5. Land Purchase Requirement

There would be a requirement for the Housing Revenue Account to acquire two serviced sites at Repeater Road currently held on the Other Housing Account in the General Fund and valued in the region of £100,000 for both sites.

6. Impact on Local Business, Employment and the Economy

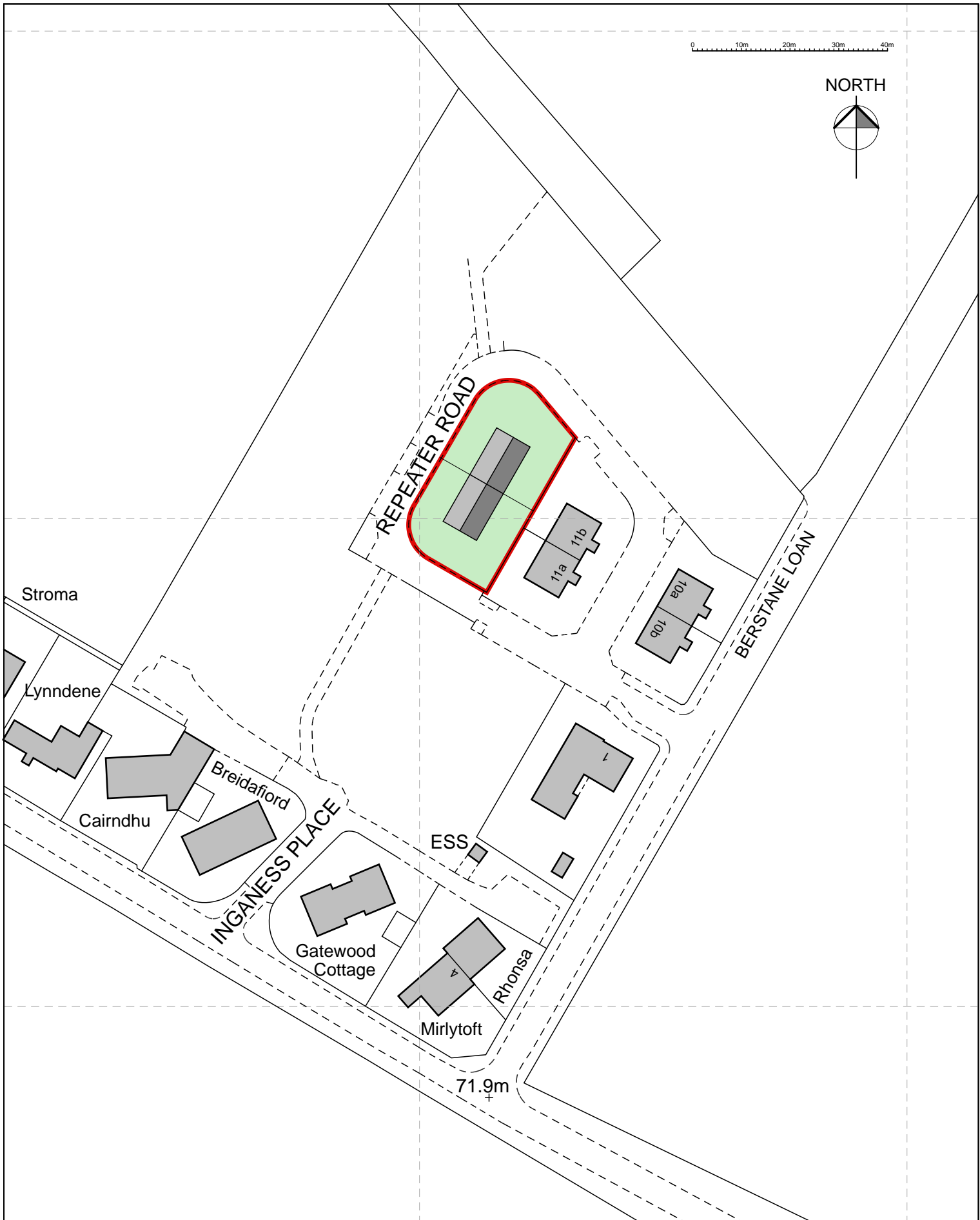
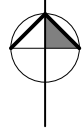
The project will help sustain the local construction industry and any additional housing in Orkney will help reduce the current significant housing shortage in the islands.

7. 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.

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NORTH



Project No. 400361003		Drawing No. 1	
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Date	JAN 2020	Drawn	DS
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**Site Plan Repeater Rd.
Proposed Semi-detached Block on two serviced sites.**

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ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 1

Capital Programme: House Build Programme

Client Service: Education Leisure & Housing

Project Name: MacDonald Park, St Margaret's Hope (Phase 2) housing development

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. Financial Implications

	Total	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Expenditure	318	302	16		
Less: Anticipated Grants or Other Contributions	146	146	0		
Net Capital Expenditure	172	156	16		
Associated Revenue Implications	(44)	(11)	(11)	(11)	(11)
Associated Finance and Loan Charges	40	7	11	11	11
Estimated cost of detailed Stage 2 CPA		3			

The detailed project appraisal will be met from the Housing Revenue Account. However, as this project is to be developed on a design and build basis these costs should be minimised.

Cost calculations have been developed from the experience gained by tendering similar projects over previous years and the prices that have been returned by contractors for recent Council capital tenders.

3. Policy Aspects

This proposal fits in with the Local Outcome Improvement Plan priorities of Living Well and Strong and Sustainable Communities and the Council Plan priority of Quality of Life. The project also supports the Local Housing Strategy outcomes, the Strategic Housing Investment Plan and the Housing Needs and Demand Assessment.

4. Statutory Responsibility

The Council has a statutory responsibility to tackle homelessness and the Scottish Government has a priority of seeking to end homelessness and this includes the introduction of Rapid Rehousing Transition Plans. Through this, Councils are required to reduce the time homeless households spend in temporary accommodation and to seek to permanently rehouse homeless households swiftly.

5. Land Purchase Requirement

There would be a requirement for the Housing Revenue Account to acquire one serviced site at MacDonald Park, St Margaret's Hope currently held on the Other Housing Account in the General Fund and valued in the region of £32,500.

6. Impact on Local Business, Employment and the Economy

The project will help sustain the local construction industry and any additional housing in Orkney will help reduce the current significant housing shortage in the islands.

7. 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.



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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ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 1

Capital Programme: House Build Programme

Client Service: Education Leisure & Housing

Project Name: Garson, Stromness (Phase 2) housing development

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

2. Financial Implications

	Total	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Expenditure	1,100	1,045	55		
Less: Anticipated Grants or Other Contributions	560	560	0		
Net Capital Expenditure	540	485	55		
Associated Revenue Implications	(153)	(37)	(38)	(39)	(39)
Associated Finance and Loan Charges	119	22	32	33	32
Estimated cost of detailed Stage 2 CPA		3			

The detailed project appraisal will be met from the Housing Revenue Account. However, as this project is to be developed on a design and build basis these costs should be minimised.

Cost calculations have been developed from the experience gained by tendering similar projects over previous years and the prices that have been returned by contractors for recent Council capital tenders.

3. Policy Aspects

This proposal fits in with the Local Outcome Improvement Plan priorities of Living Well and Strong and Sustainable Communities and the Council Plan priority of Quality of Life. The project also supports the Local Housing Strategy outcomes, the Strategic Housing Investment Plan and the Housing Needs and Demand Assessment.

4. Statutory Responsibility

The Council has a statutory responsibility to tackle homelessness and the Scottish Government has a priority of seeking to end homelessness and this includes the introduction of Rapid Rehousing Transition Plans. Through this, Councils are required to reduce the time homeless households spend in temporary accommodation and to seek to permanently rehouse homeless households swiftly.

5. Land Purchase Requirement

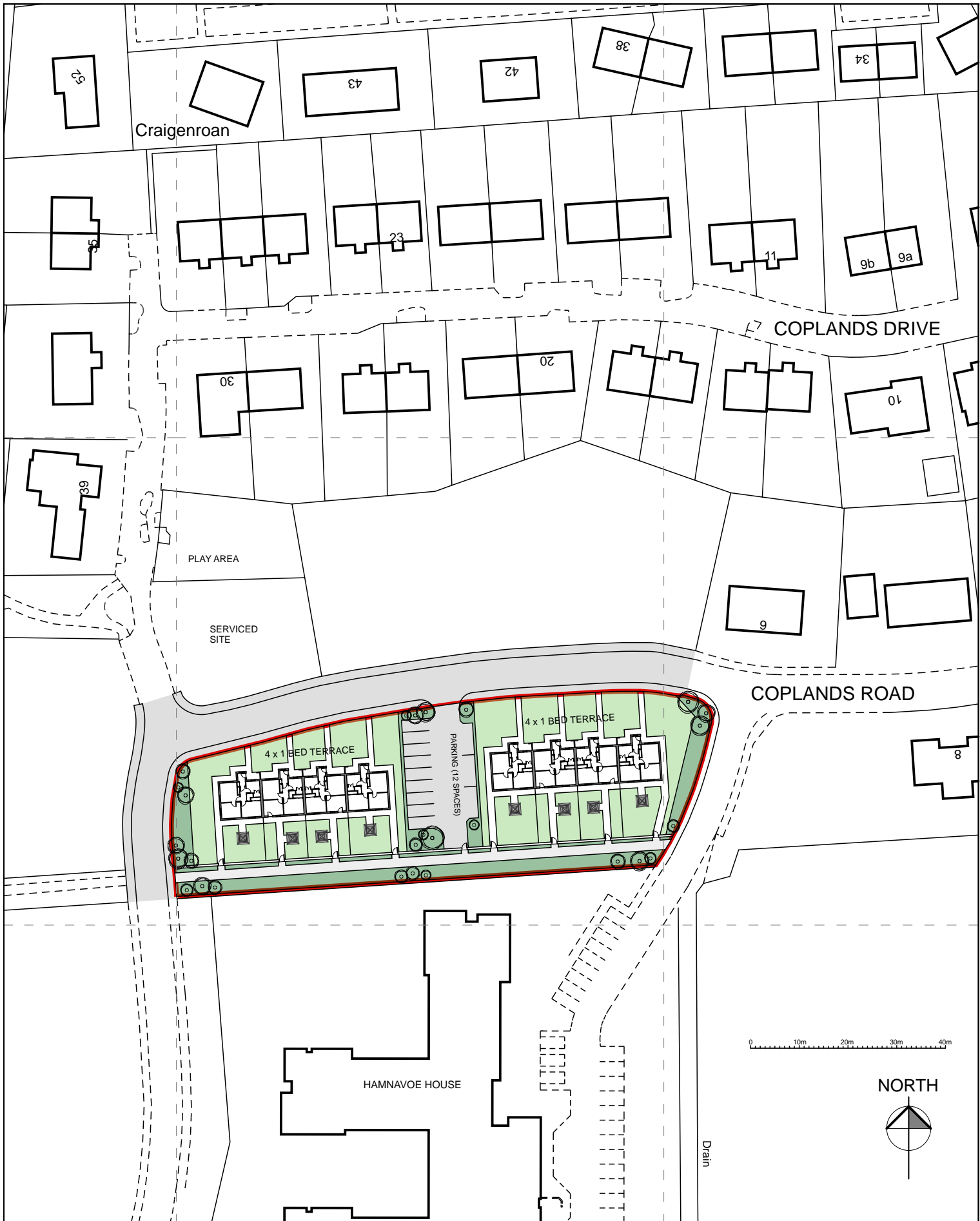
The land is already held on the Housing Revenue Account so no land purchase would be necessary.

6. Impact on Local Business, Employment and the Economy

The project will help sustain the local construction industry and any additional housing in Orkney will help reduce the current significant housing shortage in the islands.

7. 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.



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

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

DEVELOPMENT AND INFRASTRUCTURE
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ISLANDS COUNCIL

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ORKNEY ISLANDS COUNCIL - CAPITAL PROJECT APPRAISAL PROCESS

Project Appraisal – Stage 1

Capital Programme: House Build Programme

Client Service: Education Leisure & Housing

Project Name: Design and Build housing developments

1. Background

This project allows the Council to try and procure any suitable projects that private developers may have under development that can be completed by 31 March 2020 to help utilise funding that is available to Orkney.

The proposal is for a number of 'lots' to be developed covering projects between two and 6 properties in areas of higher social housing demand which are not covered in the other Capital Project Appraisals within the proposed housing development programme, namely; Kirkwall, Stromness, St Mary's and Finstown.

The project aims to deliver up to 20 properties across various sites and settlements.

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. Financial Implications

	Total	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Capital Expenditure	3,400	3,230	170		
Less: Anticipated Grants or Other Contributions	1,700	1,700	£0		
Net Capital Expenditure	1,700	1,530	170		
Associated Revenue Implications	(443)	(107)	(109)	(112)	(114)
Associated Finance and Loan Charges	448	84	122	122	120
Estimated cost of detailed Stage 2 CPA		£3,000			

The detailed project appraisal will be met from the Housing Revenue Account. However, as this project is to be developed on a design and build basis these costs should be minimised.

Cost calculations have been developed from the experience gained by tendering similar projects over previous years and the prices that have been returned by contractors for recent Council capital tenders.

3. Policy Aspects

This proposal fits in with the Local Outcome Improvement Plan priorities of Living Well and Strong and Sustainable Communities and the Council Plan priority of Quality of Life. The project also supports the Local Housing Strategy outcomes, the Strategic Housing Investment Plan and the Housing Needs and Demand Assessment.

4. Statutory Responsibility

The Council has a statutory responsibility to tackle homelessness and the Scottish Government has a priority of seeking to end homelessness and this includes the introduction of Rapid Rehousing Transition Plans. Through this Councils are required to reduce the time homeless households spend in temporary accommodation and to seek to permanently rehouse homeless households swiftly.

5. Land Purchase Requirement

The cost of the required land for these projects will be factored into the contract costs.

6. Impact on Local Business, Employment and the Economy

The project will help sustain the local construction industry and any additional housing in Orkney will help reduce the current significant housing shortage in the islands.

7. Risk Assessment

Risk	Explanation	Mitigation
Funding risk	Potential to lose the available Scottish Government funding. There is also the potential that tendered costs are above and beyond what the Scottish Government are willing to fund.	Moving the project along as fast as possible via a design and build route and ensure continued close working with the Scottish Government to maximise funding spend.
Planning	Potential delays through the Planning process, especially as the location and Planning status of these projects are currently unknown.	Early liaison with Planning on the project and tight procurement practices to ensure projects progressed have a good chance of success.
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.
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