

Port Arthur House Student Accommodation

SINGLE STAGE BUSINESS CASE - LOW VALUE AND RISK (£0 TO £250K VALUE OF PROCUREMENT)

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	Name	Date
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Reviewed by:	Finance and General Purposes Committee	June 2022
Approved by:		

1. INTRODUCTION

This Business Case seeks to make the case for developing student accommodation on the ground floor of Port Arthur House, UHI Shetland Scalloway Campus

2. THE CASE FOR CHANGE

There is currently no dedicated student accommodation available in Shetland. Post Arthur House previously housed student accommodation, aimed primarily at cadets undertaking merchant marine training at NAFC Marine Centre UHI. The lack of student accommodation in Shetland currently presents a significant constraint on the growth and development of UHI Shetland and to wider aims to attract more people to live, study and work in the islands

Below is a high-level analysis of current demand for student accommodation related to Shetland UHI course provision, as well as potential demand (in around 3-5 years) were accommodation options to delivered. Some demand relates to the full calendar or academic year, whereas elsewhere it would be more intermittent and based on providing residential programmes.

Course/Programme	Current/Year 1 demand	Projected/Year 3-5 demand	Notes
Marine Cadets programme	6 places (full year)	12-15 places (full year)	Current accommodation issues are driving down demand from off-island students – there is an acute need and risk of reputational damage the longer the current situation persists. Would expect an early response in terms of uptake were accommodation provided.
Marine short courses	10 places (residential)	20 places (residential)	SIC Ferries have demand currently for residential places.
Aquaculture programmes	5 places (residential)	10 places (residential and short courses)	Current demand linked to Covid recovery planning Anticipated growth in aquaculture provision.
SADA partnership courses (film and music)	5 places (full Academic Year) 5-10 places (residential)	10 places (full academic year) 50 places (residential)	BA Music has 2 residential per year, currently hosted in Inverness, Stornoway and Glasgow. Significant scope to increase residential modules as a means of boosting student numbers.
Arts (degree programmes, residencies, summer schools)	0 (no information available or to be developed)	5 places (full academic year) 25 places (residential)	Plans to offer residential modules and summer schools would rely on having accommodation available.
Conferences and events	TBD	TBD	Islands Studies conference June 2022. Potential to develop Shetland UHI as a destination for conferences and events in diverse disciplines.

In order to meet current demand, there is a need for student accommodation to be rapidly developed. Port Arthur House is currently available and the costs of reinstating part of the building as student accommodation are not prohibitive. This would likely be on a temporary basis, as Port Arthur House is included in plans associated with the Campus Redevelopment Project.

3. RECOMMENDED OPTION

Scope: Development of the ground floor of Port Arthur House to provide accommodation for 11 students.

Main deliverables: 10 student bedrooms (one double), one lounge area, one kitchen, one games room, communal areas repainted

Benefits:

- Rapid provision of on-campus student accommodation
- Enhanced recruitment opportunities for key courses and programmes (cadets, short courses, SADA partnership courses)
- Concrete demonstration of demand to inform development of larger-scale accommodation
- Payback of development costs within ~1 year

Risks:

- Anticipated funding from SFC to meet cost of refurbishment
- Availability of contractors to carry out works
- Tight development timeline to meet anticipated demand in 2022/23 academic year
- Material costs are likely to increase if the work is not started soon

Timescales:

- Approval: End June 2022
- Development: January 2023
- Operational: February 2023
 - Discussions with separate contractors to expediate timeline ongoing

Conclusions:

- There is a strong case to be made for investment in the rapid development of student accommodation at Port Arthur House
- The costs will be offset by accommodation fees and credits associated with increased recruitment to key courses and programmes
- Effective project management will help to minimise risks

4. FUNDING AND AFFORDABILITY

Forecast Expenditure

Table 1: Cost and Funding for the Recommended Option

Lifespan		2022/23	2023/24	2024/25	Total
Capital Expenditure					
1	Reinstatement of Ground Floor for occupation	£55,000	£0	£0	£55,000
2	Total Capital costs	£55,000	£0	£0	£55,000
Operating Expenditure					
3	Personnel Costs (note 1)	£13,200	£13,200	£13,200	£39,600
4	Equipment (note 2)	£2,000	£1,000	£1,000	£4,000
5	Maintenance (note 2)	£6,000	£6,000	£6,000	£18,000
6	Electricity (note 2)	£7,500	£7,650	£7,803	£22,953
7	Oil (note 2)	£15,000	£15,300	£15,606	£45,906

Lifespan		2022/23	2023/24	2024/25	Total
8	Water Services (note 2)	£3,000	£3,000	£3,000	£9,000
9	Cleaning (note 3)	£12,000	£12,240	£12,484	£36,724
10	Other	£1,000	£1,000	£1,000	£3,000
11	Total Operating costs	£59,700	£59,390	£60,093	£179,183
Total Expenditure					
12	Total Project Costs	£114,700	£59,390	£60,093	£234,183

Note 1: Basis for employment costs

Honorarium:	£300 per month, existing staff
Staffing numbers	2
Casual Staff	£6,000

Note 2: Basis for operating costs - Historical PAH utility and maintenance costs for full building

Detail	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 (Closed Sept 2018)
Equipment	£2,368	£619	£6,217	£329	£1,958	£27
Maintenance	£10,086	£14,484	£9,293	£10,391	£11,410	£2,912
Electricity	£6,572	£10,487	£9,217	£7,517	£8,966	£5,250
Oil	£10,302	£13,225	£10,063	£11,162	£14,442	£8,182
Water Services	0	£2,860	£3,360	£2,176	£3,537	£1,337
Total	£29,328	£41,675	£38,150	£31,575	£40,313	£17,708

Note 3: Basis for cleaning cost

£ per week	£250 (Est)
Weeks	48
Inflationary increase:	2%

Public areas cleaned twice per week.

Rooms cleaned only at end of accommodation agreement.

Deep clean twice per annum.

Revenue Generation

Table 2: Revenue Projections for the Recommended Option

Recommended Option		Year 1	Year 2	Year 3	Total
Revenues					
1	Student Revenue (note 4)	£40,000	£40,800	£41,616	£122,416
2	Non-Student Rental (note 5)	£8,640	£8,813	£8,989	£26,442
Total Revenue					
3	Total Revenue	£48,640	£49,613	£50,605	£148,858

Note 4: Basis for income forecast - Students

Available rooms:	10
£ per week:	£125
Weeks:	40
Occupancy level:	80%
Inflationary increase:	2%

Note 5: Basis for income forecast – Non-student Rental

Available rooms:	10
£ per week:	£180
Weeks:	6
Occupancy level:	80%
Inflationary increase:	2%

Additional Revenue

The above proposal runs at a modest deficit when the costs and income from the accommodation are considered in isolation. However, income will be generated from course fees as a result of accommodation being offered where there currently is none.

As an example, UHI Shetland's Cadet Programme is largely recruited locally. This was not the case in the past and sponsor companies have indicated that they will no longer send cadets to Shetland due to the lack of accommodation. Fees, credits and RAMS for an Engineering and Nautical cadet over a three-year program are in excess of £17K per cadet. Attracting one or two more cadets each year would provide sufficient revenue to bridge the operating deficit in this proposal.

5. DELIVERY ARRANGEMENTS

Project management: Team drawn from UHI Shetland Professional Services

- Facilities Technicians
- Director of Finance
- Vice Principal Operations
- Business Development

Booking and invoicing: UHI Shetland Finance Team using existing systems

Insurance: UHI Shetland policy to be expanded to include student accommodation when appropriate

Staffing:

- Resident warden, receiving discounted accommodation as compensation for duties. Student (mature or postgraduate if possible) or young researcher.
- On-call honorarium for existing staff to provide additional cover