



Argyll and Bute Town Centres and Waterfronts Outline

Business Cases

Application of Scoring Methodology

Argyll and Bute Council

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1. Executive Summary

Argyll and Bute Council have available a capital allocation of up to £10 Million. RPS have been commissioned to undertake a scoring exercise to assist the Council in making a decision about the most effective use of these funds. This report contains the results of RPS analysis of the five outline business cases for town centre and waterfront development projects in Campbeltown, Helensburgh, Oban, Rothesay and Dunoon within Argyll and Bute.

The analysis was conducted in accordance with a scoring methodology adopted by Argyll and Bute Council prior to the appointment of RPS as scoring consultants.

The methodology calls for the estimates of benefits to be modified by reference to impact (in terms of contribution to council and outer priorities) and Risk and Deliverability. This value is then divided by the cost of the proposed project to establish a weighted benefits per unit of expenditure.

The methodology has the virtue of having been agreed in advance, and RPS have applied it uniformly across the range of projects proposed.

The results of this scoring methodology ranks the proposed projects in order;

1. Rothesay
2. Campbeltown
3. Oban
4. Helensburgh
5. Dunoon

Based upon the application of the agreed methodology the following allocations would be made

Rothesay	£ 2.4 Million
Campbeltown	£ 6.5 Million

The highest scoring individual project from among the remaining areas is the Yacht Haven in Oban at a cost of £1.0 Million which could also be afforded within the limited funds available. The next best alternative after that for remaining funds would be Kidston Park in Helensburgh.

2. Introduction

Argyll & Bute Council has asked RPS to carry out an independent scoring exercise of the outline business case (OBC's) for five town centre and waterfront development projects in Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. Business cases have been prepared by Cogent, Smiths Gore supplemented by additional analysis of costs and values undertaken by DTZ. The business cases have been approved by local project boards each of which have provided additional helpful commentary.

Argyll & Bute Council agreed a methodology on 20th March 2008 (modifying an earlier methodology agreed in February 2007) by which the OBC's would be scored in order to allow an objective assessment of the relative merits of each of the proposals. The Council has available capital funding of £10m but the resources required to support all of the town centre and waterfront developments would be of the order of £36 Million, with additional sums being required from other public and private sector sources.

The Five town centre and waterfront projects are as follows;

- Campbeltown;
 - Kinloch Road - Area Regeneration;
 - Marina Development;
 - Townscape Heritage Initiative;
- Dunoon;
 - Waterfront - Major Project.
- Helensburgh;
 - Town Centre - Streetscape Works;
 - Esplanade Refurbishment;
 - Kidston Park Refurbishment;
- Oban;
 - Development Road -Major Land Release and Traffic Problem Resolution;
 - Harbour Areas for Action – Masterplanning;
 - Yacht Haven (Transit Marina);
- Rothesay;
 - Pavilion - Category A Listed Building Refurbishment;
 - Townscape Heritage Initiative;

This report sets out the results of our application of the agreed scoring methodology. We set out the rationale for the judgements we make. We conclude with an ordered list of projects and scores.

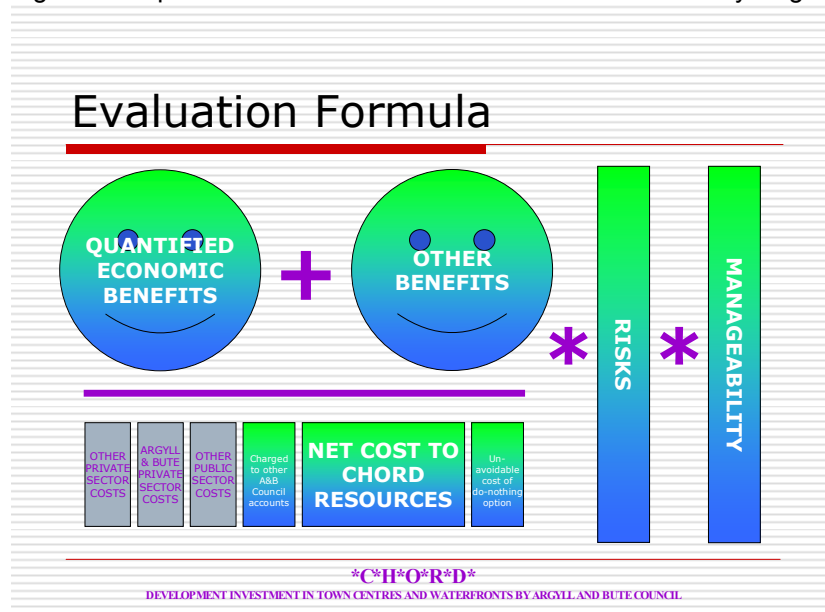
3. Methodology

The methodology applied to the scoring of the business cases was set out in a paper by Bruce West, dated 20 March 2008 and appended to this report (Appendix 1).

In Short the methodology takes a ratio of benefit to expenditure approach. An accounting or Net Present Value Approach, similar to that adopted by DTZ in their helpful desk based study, is modified to have regard to their contribution council and other priorities and adjusted for deliverability and risk. A ratio of benefits to cost is established. Those proposals with higher scores can be said to provide better value for "CHORD" funds than those with lower values.

The reports produced by the Cogent, Smiths Gore team that produced Outline Business Cases included the following diagram is used to illustrate the scoring methodology and this equates most closely to the methodology outlined in the 20 March 2008 report.

Figure 1: Representation of the Evaluation Formula created by Cogent, Smiths Gore.



However, the results of the scoring system should be understood for what they are; the application of a particular methodology in a consistent way to a group of quite different proposals. There are other ways of thinking about or reaching judgements about the best allocation of funds (one of which is suggested by DTZ).

In applying the methodology we take the net benefits of projects multiplied by a factor for each of the criterion; contribution to policies; and risks and manageability. The resulting value is then divided by the costs. This has the effect of showing the ratio of benefits to cost. We did consider the possibility of only considering the cost to the CHORD resources; however this would have had the effect of attributing none of the benefits of expenditure to other Council resources.

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In the sections that follow we present an overview of the evidence from the five area based business cases and from the supplementary analysis from DTZ. In addition we were aided by helpful and thoughtful contributions from area partnerships. In section 5 and 6 we present our analysis of each of the projects in turn, concluding with our estimate of the benefit ratio for each of the projects. We provide a summary table of results and an ordered list of projects according to score.

We treat the individual elements of the business cases as separate independent projects before bringing the analysis together on an area by area basis.

Our analysis was conducted during the first two weeks in November and is based entirely on the information supplied to us on 3rd November 2008. We have sought, as far as possible, to apply the Office of Government Commerce Five Case Model for the development of Business Cases, and the UK Treasury's Green Book (A Guide to Investment and Appraisal in the Public Sector).

Our brief did not extend to undertaking original research. In so far as we are able to comment on the data supplied this is not intended as a criticism of the earlier analysis rather it is a comment of its applicability to the specific job in hand of applying the agreed methodology objectively and fairly across all of the business cases.

4. Overview of the evidence

The principal source of data for our analysis comes from the dossiers and notes and working papers produced by the Cogent Smiths Gore team. In addition we were supplied with desk based appraisal of net present values conducted by DTZ and additional supporting material provided by the project boards it is not our intention to reprise all of the detail contained in those reports. We do however feel that compiling the key information in one place is worthwhile and aids understanding.

4.1 Campbeltown

Campbeltown's position as the most 'peripheral' town in mainland Britain has made it hard to overcome personal and commercial poverty. Historically, the population of the town has been ageing very rapidly, and has been in danger of shrinking into itself as the number of people of childbearing age falls. This makes it hard to raise incomes and asset values and means that opportunities for growth are extremely precious. However, significant private sector investments are being undertaken and in other ways the town may be at a turning point. To be sure of making a transformational change we need to redouble efforts to make the town more attractive for people to visit and live in, to hold on to the major private sector employer, and to make specific investments to attract visitors and investors. What Campbeltown plans are three projects all straddling the public and private sector:

- Revitalise the strategic **Kinloch Road area**, providing commercial premises in a key location, substantially improving the town centre housing stock, and realigning the road which will run from the town entrance towards Campbeltown Loch, past the Aqualibrium leisure centre to the harbour and the ferry facilities.
- Develop its existing **marina** and position it for an improved market presence
- Improve and restore its **heritage and conservation sites** in the town centre and increase residential occupancy

Table 1. Cogent Smiths Gore Analysis (Campbeltown)

Values £million	Kinloch Road	Marina	Heritage and conservation sites	All Campbeltown
Total cost	£ 8.00	£ 2.32	£ 1.30	£ 11.62
Non CHORD	£ 3.00	£ 1.16	£ 1.00	£ 5.16
CHORD Funds	£ 5.00	£ 1.16	£ 0.30	£ 6.46
Quantified economic benefits	£ 28.20	£ 7.99	£ 6.20	£ 42.39
Other benefits	£ 6.83	£ 1.04	£ 1.93	£ 9.80
Total benefits	£ 35.03	£ 9.04	£ 8.13	£ 52.19
Cost: benefit ratio (our calculation)	4.38	3.90	6.25	4.49

4.2 Dunoon

The main function of Dunoon's economy is to provide public and private services for its residents and for people visiting Argyll and Bute and the Loch Lomond and the Trossachs National Park, as the town develops as the Marine Gateway to the National Park.

By far the most dramatic event in Dunoon's recent economic history was the closure of the US Naval base on the Holy Loch in the early 1990s. Dunoon has shown remarkable resilience in recovering from this closure.

In particular Dunoon has successfully attracted younger migrants than other towns and has built up its role as a tourism centre. Dunoon's pier and waterfront is no longer suitable for the 21st Century. Retention of the pier in its present form will jeopardise the town's status as a major transport hub, and will incur substantial ongoing maintenance costs to the Council, therefore new development is required to facilitate economic growth.

Table 2. Cogent Smiths Gore Analysis (Dunoon)

Values £million	Pier and Waterfront
Total cost	£ 27.50
Non CHORD	£ 17.50
CHORD Funds	£ 10.00
Quantified economic benefits	£ 5.80
Other benefits	£ 1.98
Total benefits	£ 7.78
Cost: benefit ratio (our calculation)	0.28

4.3 Helensburgh

Helensburgh is Argyll and Bute's largest town, located in a wonderful setting. It has a rich heritage and a community that participates actively in civic affairs. That community distinctively comprises long term residents who choose Helensburgh and Argyll and Bute for its quality of life and opportunities. The Helensburgh OBC comprises one project with three elements:-

- Transforming the Town Centre – A Traffic Management and Street Improvement Scheme
- Redeveloping the Esplanade
- Redeveloping Kidston Park

Table 3. Cogent Smiths Gore Analysis (Helensburgh)

Values £million	Town Centre	Esplanade	Kidston Park	All Helensburgh
Total cost	£ 3.31	£ 3.35	£ 1.00	£ 7.66
Non CHORD	£ -	£ -	£ 0.20	£ 0.20
CHORD Funds	£ 3.31	£ 3.35	£ 0.80	£ 7.46
Quantified economic benefits	£ 14.90	£ 10.90	£ 1.31	£ 27.11
Other benefits	£ 1.88	£ 1.67	£ 0.31	£ 3.85
Total benefits	£ 16.77	£ 12.57	£ 1.62	£ 30.97
Cost: benefit ratio (our calculation)	5.07	3.75	1.62	4.04

4.4 Oban

Oban is a key communication node for the islands and the West Highlands, and is succeeding by its own efforts in the market economy. One of Argyll and Bute's major towns with a stable population and the possibility of significant growth, it has the most balanced demographic profile in the region. However it is coming up against capacity limitations because of its over-congested town centre and some labour shortages. Investment in Oban by the Council will resolve congestion by redirecting access, thus facilitating housing developments which will help to address the labour issues. It will enhance Oban's functioning as a transport hub, generating wealth in both a seaward and landward direction. The opportunity to reorganise the harbour and surrounding land also offers a possibility to enhance Argyll and Bute's tourism offering significantly.

The project board has assembled four projects designed to lift the capacity constraint and enhance Oban's ability to grow.

- The **development road**, which will provide new routes to the south of the town and open up new areas for residential and commercial development
- The **Dunbeg corridor** to facilitate access to town centre services from an area of new residences close to hi-tech job opportunities
- Waterfront '**areas for action**' to improve the efficiency of the harbour area itself
- Oban Bay **yacht haven** to provide short stay marina facilities right in the centre of town to complement the existing marina complex on Kerrera, which has recently been given approval to increase the pontoon provision to 205.

Table 4. Cogent Smiths Gore Analysis (Oban)

Values £million	Development road	Dunbeg Corridor*	Areas for action	Yacht haven	Oban (ex Dunbeg Corridor)
Total cost	£ 15.00	£ -	£ 4.00	£ 1.63	£ 20.63
Non CHORD	£ 9.00	£ -	£ 1.00	£ 0.63	£ 10.63
CHORD Funds	£ 6.00	£ -	£ 3.00	£ 1.00	£ 10.00
Quantified economic benefits	£ 50.90	£ 33.90	£ 9.40	£ 17.96	£ 78.26
Other benefits	£ 6.87	£ 5.49	£ 2.58	£ 2.34	£ 11.80
Total benefits	£ 57.77	£ 39.39	£ 11.98	£ 20.31	£ 90.06
Cost:benefit ratio (our calculation)	3.85	N/A	3.00	12.46	4.37

* The Dunbeg corridor project is assumed in the Cogent Smiths Gore analysis to be largely self funding via non Council sources, our view is that the benefits ought rightly be attributed to the inputs of the external promoters in this case WHHA.

4.5 Rothesay

Rothesay has an historic building (the art deco Pavilion) which is not only exceptional in European terms but also the most important heritage asset owned by the Council. Property in Rothesay's town centre evidences substantial voids and derelictions in retail, residential and commercial premises, detracting from the town as a place to live and a place to visit. It is expected that through working with Historic Scotland and others such as Heritage Lottery Fund and Princes Regeneration Trust money will be available to help preserve and regenerate. The local community will make its contribution through Argyll and Bute Council. These opportunities can reverse the twin dynamics of ageing and decline in a very special community

The Project Board for Rothesay has selected two projects of the greatest importance to the town:

- Preservation and refurbishment of the **Rothesay Pavilion** as a living building
- A combined **Townscape Heritage Initiative and Conservation Area** Regeneration Scheme to address the town centre

Table 5. Cogent Smiths Gore Analysis (Rothesay)

Values £million	Rothesay Pavilion	Town Centre	All Rothesay
Total cost	£ 5.00	£ 1.30	£ 6.30
Non CHORD	£ 2.90	£ 1.00	£ 3.90
CHORD Funds	£ 2.10	£ 0.30	£ 2.40
Quantified economic benefits	£ 16.88	£ 7.30	£ 24.18
Other benefits	£ 6.76	£ 2.17	£ 8.93
Total benefits	£ 23.63	£ 9.47	£ 33.10
Cost: benefit ratio (our calculation)	4.73	7.28	5.25

4.6 Area Summary

Combining the aggregate analysis for each area in a single summary table illustrates a simple cost benefit ranking of projects prior to the application of the scoring methodology.

Table 6. Cogent Smiths Gore Analysis (Summary all areas)

Values £million	Campbeltown	Dunoon	Helensburgh	Oban (ex Dunbeg Corridor)	Rothesay
Total cost	£ 11.62	£ 27.50	£ 7.66	£ 20.63	£ 6.30
Non CHORD	£ 5.16	£ 17.50	£ 0.20	£ 10.63	£ 3.90
CHORD Funds	£ 6.46	£ 10.00	£ 7.46	£ 10.00	£ 2.40
Quantified economic benefits	£ 42.39	£ 5.80	£ 27.11	£ 78.26	£ 24.18
Other benefits	£ 9.80	£ 1.98	£ 3.85	£ 11.80	£ 8.93
Total benefits	£ 52.19	£ 7.78	£ 30.97	£ 90.06	£ 33.10
Cost:benefit ratio (our calculation)	4.49	0.28	4.04	4.37	5.25
Rank order	2	5	4	3	1

Without having taken account of contributions to council priorities, risk and deliverability this analysis suggests that both Rothesay and Campbeltown should be funded (at a cost of £8.9Million)

4.7 Summary of DTZ Analysis

DTZ took a different approach to the analysis of benefits from Cogent Smiths Gore, applying a range of multipliers and valuations based on their experience of other projects. DTZ's analysis presents a Net Present Value estimate for each area (collecting together all of the sub projects in one estimate).

DTZ then calculated the internal rate of return implied by each project. These estimates are provided without adjustment for contribution to council priorities, risk and deliverability. These net present value and internal rate of return calculations provide an alternative measure of "efficiency" from the area proposals.

Table 7. DTZ Summary Table (re-presented in Alphabetical order)

	Campbeltown	Dunoon	Helensburgh	Oban	Rothesay
Total Net Present Value (£m)	£14.36	£45.90	£72.37	£106.41	£22.96
Total Cost (£m)	£11.62	£27.50	£7.66	£19.63	£6.30
NPV against Total Cost (£m)	£2.74	£29.60	£64.71	£86.78	£16.66
Council Totals (£m)	£6.46	£10.00	£7.46	£10.00	£2.40
NPV against Town Totals (£m)	£7.90	£39.60	£64.91	£96.41	£20.56
Uplift needed to break even	4.8%	3.6%	1.6%	2.7%	1.4%
FTEs created	41	86	136	199	43
Total jobs created	49	103	162	238	51
Internal Rate of Return (IRR)	5.3%	14.3%	19.2%	24.7%	18.0%

Following just the logic of the internal rate of return calculation would imply a decision to allocate all of the CHORD funds to the Oban projects.

The DTZ team offered another means of weighting by using an income index. This is intended to reflect the "fact" that those areas that are least well off benefit most from injections of new resources. This is re-presented in the table below.

Table 8. DTZ Weighted net Present Values (re-presented in alphabetical order)

	Campbeltown	Dunoon	Helensburgh	Oban	Rothesay
Income index	152	192	100	106	167
Total Net Present Value (£m)	£14.36	£45.90	£72.37	£106.41	£22.96
Weighted NPV (£m)	£21.88	£88.15	£72.37	£112.73	£38.43
Total Cost (£m)	£11.62	£27.50	£7.66	£19.63	£6.30
Weighted NPV against Total Cost (£m)	£10.26	£60.65	£64.71	£93.10	£32.13

This further analysis would appear to imply that the best choice for CHORD investment would be Oban with the highest Weighted NPV.

5. Analysis and Results

In this section we set out our analysis and consideration of three issues;

1. The various assessments of net benefits,
2. the extent to which projects contribute to council and other policy priorities,
3. deliverability and risk.

5.1 Assessments of net benefits

As can be seen from the discussion above there are wide disparities between the assessments of net benefits provided by Cogent Smiths Gore and by DTZ.

Table 9. Comparison of benefit estimates from Cogent Smiths Gore and DTZ with rankings and average value for illustration

	Campbeltown	Dunoon	Helensburgh	Oban	Rothesay
Cogent Smiths Gore estimate of Total benefit (£m)	52.20	7.80	31.00	90.10	33.10
RANK	2	5	4	1	3
DTZ estimate of Total Net Present Value (£m)	14.36	45.90	72.37	106.41	22.96
RANK	5	3	2	1	4
Average valuation	33.28	26.85	51.68	98.25	28.03
RANK	3	5	2	1	4

DTZ based their analysis in part upon named case studies from; Dundee, Bristol, Greenwich and Cardiff Bay. And, while using case studies is a reasonable approach to approximate the effects of the proposals the character of the case study areas is substantially different to the five project areas. The use of local population and travel to work areas does represent a way of thinking about the scale of the potential benefit but has the effect of benefiting more populous areas (such as Helensburgh). DTZ considered the displacement of income from one part of Argyll and Bute to another and made allowances for new developments benefiting at the expense of other areas, but this did not extend to considering displacement within Scotland. A

traditional “Green Book” approach to the assessment of benefits would normally include an assessment of these displaced benefits at least at a Scotland scale.

Cogent Smiths Gore conducted their analysis more locally and their analysis is considerably more conservative in respect of indirect and other benefits. The estimates of value are approached essentially from the bottom up generating a sum of the identifiable direct benefits.

In conducting our analysis we considered the possibility of averaging the valuations of Cogent Smiths Gore and DTZ as a means of balancing the desperate approaches but because the nature of the approaches is quite different we do not feel that this added clarity to the analysis. We also considered cherry picking the highest valuations from each study but took the view that the essence of the scoring system was consistent application of a process in a transparent manner. Our view therefore is that the analysis should be based upon the Cogent Smiths Gore valuations, the information provided in our analysis below is sufficiently transparent that any values for benefits could be input into the equation and results compared.

5.2 Analysis of Contribution to Council and Other Policies

The first point to make is that all of the proposals represent important and valuable contributions to the communities in which they are based. Irrespective of the economic and other benefits it is clear that all of the projects could be justified by reference to their contributions to the sustainability and growth of important communities in Argyll and Bute.

The methodology specifically requires consideration of the following impacts;

- Corporate Plan
- Service Plans
- Area Plans
- Corporate Strategies
- Legal and National priorities

In the Scoring System as originally approved in February 2007 the weight attributed to each of the different plan areas was different and we have preserved that weighting within this analysis.

Table 10. Weightings as proposed in February 2007

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan		1	
Impact on Service Plans		0.75	
Impact on Area Plans		0.75	
Impact on Corporate strategies		0.5	
Impact on compliance with legal and national priorities		0.5	

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In our analysis we highlight the ways in which the proposals impact on those plans and assign a score between 1 and 10 for each. The resulting Impact score out of a maximum of 35. Which is used as a multiplier for the benefits (impact) score which after further modification can be divided by costs. Broadly speaking if a project delivers a central theme of one of these plans or strategies it scores highly if it does not it will score less well. For Service Plan Impacts the Working Papers do not always identify clear linkages for each of the projects to service plans, given the limited time available to us it was not possible to make a sensible differentiation between the strength of these impacts across different service plans and different areas we therefore allocated a score of 10 to each of the area proposals for that category (a weighted score of 7.5).

Our analysis involves seeking to identify clear linkages in the Cogent Smiths Gore Dossiers and accompanying notes and working papers between the proposals and the Council's plans and other priorities. We do this for each of the areas in turn providing a selection of highlights from the notes and working papers to illustrate our rationale for the score.

5.2.1 Campbeltown

Impact on Corporate Plan

Campbeltown Project objectives are fully compatible with each of the strategic objectives of the Council (Page 10) and in particular the strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity (page 22) and New Opportunities (Page 25/56). The projects contribute to the key objective of "Creating an attractive, well connected modern economy", under the sub topic of "Rejuvenation of the main towns".

Impact on Area Plans

Specified Areas for Action and Preserves and enhances the conservation area both of which feature in the Local Plan

The promotion of 'action programmes' for Campbeltown town centre and waterfront (Structure Plan).

Impact on Corporate strategies

Will help to deliver Housing Strategy / housing obligations

Vibrant communities, strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity and New Opportunities

Impact on compliance with legal and national priorities

National Planning Frameworks; The focus within this project on infrastructure improvements is something at the very core of NPF2. It has particular relevance for the movement of freight (both turbines and timber) and other ferry traffic to and from the harbour, and will be of even greater significance if ferry links to Northern Ireland are re-established

Table 11. Assessment of Impact on Council and other priorities (Campbeltown)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan	8	1	8
Impact on Service Plans	10	0.75	7.5
Impact on Area Plans	8	0.75	6
Impact on Corporate strategies	8	0.5	4
Impact on compliance with legal and national priorities	9	0.5	4.5
Total			30.0

5.2.2 Dunoon

Impact on Corporate Plan

The council's Corporate Plan identifies waterfront and town centre regeneration as strategic under its "Vibrant Communities" theme.

The Corporate Plan also contains under the Strategic Delivery Topic of Transport – Improving Access to the area;

Impact on Area Plans

Fit with Local Plan Areas for Action, Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and Waterfronts

Impact on Corporate strategies

Vibrant communities, strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity and New Opportunities.

Impact on compliance with legal and national priorities

The strategy identifies a number of action themes. One, 'the economic coast' recognises the economic opportunities to be gained from the region's coasts and lochs. The proposals for Dunoon marina would fit well into this. Another of the actions singles out Loch Lomond and the Trossachs as 'a long term project of immense significance. Consequently, any aspects of the Dunoon which support the aim of developing the town as the maritime gateway to the national park would be consistent with this theme

Table 12. Assessment of Impact on Council and other priorities (Dunoon)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan	8	1	8
Impact on Service Plans	10	0.75	7.5
Impact on Area Plans	8	0.75	6
Impact on Corporate strategies	7	0.5	3.5
Impact on compliance with legal and national priorities	9	0.5	4.5
Total			29.5

5.2.3 Helensburgh

Impact on Corporate Plan

Environment: the scheme would propose to enhance the physical environment of the waterfront area of the town.

Helensburgh is also specifically mentioned under the Strategic Delivery topic of Transport – improving access to the area, as “transport functions associated with the regeneration of the Helensburgh Waterfront.

Impact on Area Plans

Local Plan 2.3 ... “large population increases projected, particularly for the Helensburgh and Lomond Planning Area.”, hence there is scope for expanding the size and success of the shopping centre. “2.18 - Capitalising on the investment and development advantages, in particular tourism offered by the Helensburgh area and its gateway potential with the Loch Lomond & The Trossachs National Park consistent with the special planning circumstances that apply to this area.”

Impact on Corporate strategies

These proposals contribute to the theme of “Vibrant Communities”, in the strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity and New Opportunities

Impact on compliance with legal and national priorities

The Clyde’s rich maritime heritage and the outstanding environmental assets of the Firth of Clyde and the Loch Lomond and the Trossachs National Park are singled out as the basis for a growing tourism and leisure economy in areas to the west of Glasgow in the National Planning Framework

Table 13. Assessment of Impact on Council and other priorities (Helensburgh)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan	8	1	8
Impact on Service Plans	10	0.75	7.5
Impact on Area Plans	9	0.75	6.75
Impact on Corporate strategies	7	0.5	3.5
Impact on compliance with legal and national priorities	7	0.5	3.5
Total			29.25

5.2.4 Oban

Impact on Corporate Plan

The Corporate Plan refers to, on page 17, waterfront and town centre regeneration. “All the waterfronts and town centre’s in Argyll and Bute need investment to rejuvenate them as the main centre of economic activity.” The successful delivery of this project will enable the council to rejuvenate and add value to the waterfront of Oban whilst providing a facility that is sustainable, deliverable and high impact.

Impact on Area Plans

Local Plan Policy LP TRAN 8 Piers and Harbours states that “development within harbour areas is to be encouraged provided that such development promotes the retention of the harbour for commercial marine related uses..... The further development of existing piers, harbours and marinas for marine leisure and recreational purposes will be supported...”

The Structure Plan highlights the continuing economic momentum of the North area of Argyll focused on Oban and the strategic transport-related opportunities associated with its location and its road, rail, ferry and air service infrastructure. It highlights the need to expand beyond its containing landform

Impact on Corporate strategies

Vibrant communities, strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity and New Opportunities

Impact on compliance with legal and national priorities

Together three of Oban’s projects - the construction of the development road, the reorganisation of the harbour area including new berthing for fishermen and lifeboats and the development of a marina in Oban Bay - have the potential to make a marked improvement to

freight and other ferry services operating out of the harbour, and also improve the area as a tourist destination.

Table 14. Assessment of Impact on Council and other priorities (Oban)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan	8	1	8
Impact on Service Plans	10	0.75	7.5
Impact on Area Plans	9	0.75	6.75
Impact on Corporate strategies	8	0.5	4
Impact on compliance with legal and national priorities	8	0.5	4
Total			30.25

5.2.5 Rothesay

Impact on Corporate Plan

The CHORD projects contribute to the key objective of “Creating an attractive, well connected modern economy”, under the sub topic of “Rejuvenation of the main towns”. The Plan specifically sets out the Strategic Delivery Topic of Waterfront and town centre Regeneration and outlines the terms of the CHORD project.

Impact on Area Plans

Policies LP ENV 13 (a) in relation to development affecting listed buildings and their settings. Policy LP TRAN 8 on Piers and Harbours, encourages development within harbour areas provided that such development promotes the retention of the harbour for commercial marine uses. The policy also supports the enhancement and upgrading of piers, landing facilities and other facilities associated with the fishing industry.

Area For Action

Impact on Corporate strategies

Vibrant communities, strategic delivery element of Town Centre and Waterfront Regeneration. There are also specific tie-ins with the strategic delivery elements contained within the plan with regard to Strengthening Existing Activity and New Opportunities

Impact on compliance with legal and national priorities

The Pavilion is an iconic building in Rothesay and on the West Coast of Scotland. It is of national importance, the only surviving building of its kind in Scotland.

Table 15. Assessment of Impact on Council and other priorities (Rothesay)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Impact			
Impact on Corporate Plan	8	1	8
Impact on Service Plans	10	0.75	7.5
Impact on Area Plans	9	0.75	6.75
Impact on Corporate strategies	7	0.5	3.5
Impact on compliance with legal and national priorities	9	0.5	4.5
Total			30.25

5.2.6 Summary

Collecting together the assessments of impact in terms of contributions to policy etc in the table below it can be seen that all of the projects were very similar in their anticipated impact, and all were seen to make significant positive contributions.

Table 16. Summary of Assessed contributions to Policies etc.

Contribution to Policies etc	Campbeltown	Dunoon	Helensburgh	Oban (ex Dunbeg Corridor)	Rothesay
Assessed Score	30.00	29.50	29.25	30.25	30.25

5.3 Assessment of Risk and Deliverability

Risk Assessment Criteria

Using the analysis in the project working papers we have adopted a similar approach to the analysis of contributions to council and other priorities (above) to scoring features of deliverability and risk. In keeping with the original scoring system we assign a score for risk in the range of 0 to 10 on the basis of five criteria weighted at 0.20 each where not progressing might expose the Council to excessive risk. Scores are calculated such that the least risky score well and the most risky score lower. For deliverability aspects the scoring is across three

The criteria are as follows;

Risks

- What are the impact risks
- What are the delivery risks
- What are the affordability risks
- Risk management arrangements
- What are the risks of not proceeding with the project

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Deliverability

Timescales for delivery
Management arrangements to deliver project
Residual/knock on consequences

5.3.1 How we interpret these criteria.

Table 17. Our interpretation of the criteria, and how the business cases have been scored.

Assessment Risks	Our interpretation of the criteria
What are the impact risks	This is an assessment of risk that the identified contributions to corporate and other priorities will not be achieved. This is an assessment of risk that the project will not be delivered
What are the delivery risks	This is an assessment of the risk that costs will increase such that projects will no longer be affordable. Are there systems in place to manage cost risks.
What are the affordability risks	Is an assessment of the preparedness of the project board for dealing with unforeseen events.
Risk management arrangements	This is an assessment of the consequences of not proceeding with the project.
What are the risks of not proceeding with the project	
Deliverability	
Timescales for delivery	Clarity of timescale and timetable for delivery in place.
Management arrangements to deliver project	Clearly stated project management arrangements for ensuring deliverability.
Residual/knock on consequences	Knock on consequences are understood and planned for

Once combined these Risk and Deliverability criteria yield a total maximum score of 30 which is used as a weighting for the financial and other benefits. Evidence for these scores is based upon the analysis in the OBC Working papers, these do not go into as much detail as a formal risk assessment would require, however given the common approach to and description of risk in each of the town dossiers and working papers it is possible to give an assessment of the relative risk portfolios of each set of area proposals. Our approach has been to assume a score of 7 and to add or subtract from that depending upon indicators within the Cogent Smiths Gore analysis. This approach has the virtue of ensuring no project is unduly penalised for lack of clarity within the background papers. Where we have added or subtracted points the reasons for this are highlighted in the text.

Table 18. Weighted risk and deliverability scores base case.

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	7	0.2	1.4
What are the delivery risks	7	0.2	1.4
What are the affordability risks	7	0.2	1.4
Risk management arrangements	7	0.2	1.4
What are the risks of not proceeding with the project	7	0.2	1.4
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	7	0.5	3.5
Residual/knock on consequences	7	0.5	3.5
Total			21.0

5.3.2 Cambeltown

There is limited coverage of risk in the working papers, we take this as an endorsement of the deliverability of these projects. The limited detail however includes the strongly expressed view “The execution risks assessed are considered very slight. The works required are well within the proven capability of the Council”. Cogent Smiths Gore also note the mitigation of funding risk.

Our interpretation of the evidence presented across the board suggest that the Cambeltown risk and deliverability issues present no impediment to the projects being delivered.

Table 19. Assessment of Risk and Deliverability (Cambeltown)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	7	0.2	1.4
What are the delivery risks	8	0.2	1.6
What are the affordability risks	7	0.2	1.4
Risk management arrangements	7	0.2	1.4
What are the risks of not proceeding with the project	7	0.2	1.4
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	8	0.5	4.0
Residual/knock on consequences	7	0.5	3.5
Total			21.7

5.3.3 Dunoon

In the brief assessment of risk contained in the working papers and the Smiths Gore Assessment two particular risk issues stand out – those associated with deliverability due to uncertainty over ground conditions and planning issues and the risk associated with not proceeding, these risks tend to cancel each other out in the scoring methodology. We have taken the view that although Dunoon presents a greater management challenge than many of the other areas these challenges are well enough understood to allow us not to mark down risk or deliverability aspects.

Table 20. Assessment of Risk and Deliverability (Dunoon)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	7	0.2	1.4
What are the delivery risks	6	0.2	1.2
What are the affordability risks	7	0.2	1.4
Risk management arrangements	7	0.2	1.4
What are the risks of not proceeding with the project	8	0.2	1.6
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	7	0.5	3.5
Residual/knock on consequences	7	0.5	3.5
Total			21

5.3.4 Helensburgh

There is considerably greater discussion of risk in the Helensburgh working papers than in most of the other outline business cases, this is a reflection of the fact that these risks are well understood and relatively low. There is specific reference to three areas of risk, those associated with the innovative nature of the town centre developments, the risks associated with parking and traffic control issues and of land ownership in particular relocation of a Scottish Water pumping shed.

We agree with the overall assessment that these risk are on balance relatively low and have allocated additional scores in three risk areas, delivery, affordability and risk arrangements, and in management arrangements under deliverability.

Table 21. Assessment of Risk and Deliverability (Helensburgh)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	7	0.2	1.4
What are the delivery risks	8	0.2	1.6
What are the affordability risks	8	0.2	1.6
Risk management arrangements	8	0.2	1.6
What are the risks of not proceeding with the project	7	0.2	1.4
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	8	0.5	4.0
Residual/knock on consequences	7	0.5	3.5
Total			22.1

5.3.5 Oban

Cogent Smiths Gore describe the risk associated with the Oban projects in the following terms “There are political and topographical risks associated with the Development Road, and there is a risk that agreement may be hard to reach for all parties concerned with the harbour. Beyond these we discern no unusual risks.”

For the Marina development the working papers include a formal risk assessment table, this is one of only two projects for which this is provided and we regard this as a prudent attempt to explore the potential for risk at the early stages of a complex project.

On balance our view is that there is a slightly elevated delivery risk, but this does not extend to concerns over the management capacity to deliverability.

Table 22. Assessment of Risk and Deliverability (Oban)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	7	0.2	1.4
What are the delivery risks	6	0.2	1.2
What are the affordability risks	7	0.2	1.4
Risk management arrangements	7	0.2	1.4
What are the risks of not proceeding with the project	7	0.2	1.4
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	7	0.5	3.5
Residual/knock on consequences	7	0.5	3.5
Total			20.8

5.3.6 Rothsay

There are a number of important potential areas for risk identified within the working papers and dossier specifically related to the development of the pavilion. These include the risks associated with availability of specialist construction skills, risk to the existing tenants of the pavilion. The nature of these risks mean that they can if not well managed have a detrimental effect on the impact, delivery and affordability, at the same time there are considerable identified risks to not proceeding with the project (to some extent countering the other risks). On deliverability we see the need for extensive project management skills due to the nature of the projects to be undertaken and the inherent complexity within them both management and knock on effects are potentially threaten deliverability.

Table 23. Assessment of Risk and Deliverability (Rothsay)

Assessment	Score Max 10 Min 0	Weight	Weighted Score
Risks			
What are the impact risks	6	0.2	1.2
What are the delivery risks	6	0.2	1.2
What are the affordability risks	6	0.2	1.2
Risk management arrangements	7	0.2	1.4
What are the risks of not proceeding with the project	8	0.2	1.6
Deliverability			
Timescales for delivery	7	1	7.0
Management arrangements to deliver project	6	0.5	3.0
Residual/knock on consequences	6	0.5	3.0
Total			19.6

5.3.7 Summary

In all cases the body of evidence on which to form a judgement is limited, however we are satisfied that given the information available all of the projects are deliverable and the risks manageable. The differences between the areas is relatively modest reflecting the fact that in all cases the project boards have thought carefully about the projects they propose and understand the need to manage and mitigate risk.

Table 24. Summary of Risk and Deliverability Scores.

Risk and Deliverability	Campbeltown	Dunoon	Helensburgh	Oban (ex Dunbeg Corridor)	Rothsay
Assessed Score	21.7	21.0	22.1	20.8	19.6

6. Conclusion

Combining the analysis above and undertaking the mathematical operation for each of the five areas the scores are contained in the table below (A spreadsheet containing the calculations is available). The mathematical formulae used is the value of total benefits multiplied by the weighted impact score multiplied by the weighted risk and deliverability score divided by the total cost.

Table 25. Application of the Scoring Methodology Resultant Scores

Values £million	Campbeltown	Dunoon	Helensburgh	Oban (ex Dunbeg Corridor)	Rothesay
Total cost	£ 11.62	£ 27.50	£ 7.66	£ 20.63	£ 6.30
CHORD Funds	£ 6.46	£ 10.00	£ 7.46	£ 10.00	£ 2.40
Total benefits	£ 52.19	£ 7.78	£ 30.97	£ 90.06	£ 33.10
Weighted Impact (i.e. Contribution to Policies etc) Score	30.00	29.50	29.25	30.25	30.25
Weighted Risk and deliverability	21.70	21.00	22.10	20.80	19.60
Final Score	2,924	175	2,613	2,747	3,090
Rank	2	5	4	3	1

The results of this analysis place the Areas in the following order;

6. Rothesay
7. Campbeltown
8. Oban
9. Helensburgh
10. Dunoon

If the allocation of funds is to be based exclusively on the application of the agreed scoring system funds should be allocated as follows;

Rothesay £ 2.4 Million
Campbeltown £ 6.5 Million

This amounts to an estimated total cost of £8.9 Million with the remaining funds of £1.1 million left over insufficient to fund any remaining area in its entirety. The highest scoring individual project from among the remaining areas is the Yacht Haven in Oban at a cost of £1.0 Million which could also be supported within the £10.0 Million funding envelope bringing the total allocation to £9.9 Million. It should be noted that Cogent Smiths Gore identify the potential risk associated with the Yacht Haven project of not attracting sufficient private

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sector investment, should this be the case the only remaining project affordable within the fixed budget would be Kidston Park in Helensburgh.

Appendix 1 – Scoring Methodology

**ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE**

EXECUTIVE

20 MARCH 2008

**TOWN CENTRE & WATERFRONT PROJECTS
ASSESSMENT OF OUTLINE BUSINESS CASES**

1. INTRODUCTION

- 1.1 This report identifies a possible change to the criteria for assessing the Outline Business Cases (OBCs) for town centre and waterfront projects as proposed by the consultants preparing the OBCs.

2. RECOMMENDATIONS

- 2.1 The Executive are asked to consider revising the criteria for assessing OBCs as outlined in this report.

3. DETAIL

- 3.1 The Council at its meeting on 26 September 2007 agreed to take each of the town centre and waterfront projects to OBC stage. It also agreed that the OBCs would be “subject to a process of independent scrutiny based on the weighting and scoring criteria approved by Council in February 2007”.
- 3.2 Further to the above the Executive on 20 December 2007 agreed to a process whereby one firm would be appointed to prepare the OBCs for all of the town centre and waterfront projects and a separate firm would be appointed to carry out the scoring of OBCs.
- 3.3 Consultants have now been appointed to carry out preparation of the OBCs. Owing to the mix of skills required the successful consultants are Smiths Gore, Cogent SI and Melica who will work in partnership on the OBCs.
- 3.4 During the preliminary stages of the project over the last few weeks the consultants have proposed a different approach to the assessment of the OBCs. This will be based on establishing a ratio of benefits (impact) per £1m of expenditure rather than a weighted scorecard covering benefits (impact), affordability, deliverability and

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risk. It would still be the consultants intention to assess benefits (impact) on the same principles as proposed in the approved weighting and scoring criteria:

Impact on Corporate Plan

Impact on Service Plans

Impact on Area Plan

Impact on Corporate Strategies

Impact on compliance, with legal and national priorities

In addition the assessment of benefits (impact) would be adjusted for deliverability and risk.

- 3.5 The scoring of impact (benefits) will still require an assessment of a range of different potential outcomes in monetary and non monetary terms. This will be a complex exercise.
- 3.6 The assessment of expenditure would need to encompass capital and ongoing revenue costs and would be based on NPV of the costs being borne by the Council.
- 3.7 The consultants proposals should not result in different assessments of benefits (impact), deliverability and risk. The financial assessment will differ slightly as the consultants proposals are based on a simple linear comparison of expenditure whereas the weighting and scoring criteria is skewed to projects with lower costs.
- 3.8 If a change is to be made to the criteria for assessing OBCs then this should be agreed before the appointment of separate consultants to assess the OBCs commences.

4. CONCLUSION

- 4.1 It is not anticipated a change to the assessment approach proposed by the consultants would result in a radically different outcome to the assessment stage, however the ratio approach may make the end result clearer and more understandable.

Bruce West
Head of Strategic Finance
20 March 2008
Report/20marchtowncentre&waterfrontprojects