

# Public Document Pack

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### **BUSINESS**

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## **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

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## Executive Summary

### *Dunoon*

The Dunoon project has a capital cost of £27.5m and will help improve the prospects of retail, leisure and hospitality businesses across the town. New activities will move into the area with increased patronage and tourism spending. Most of the literature reviewed suggests uplift in economic activity of up to 20% for developments like the Dunoon waterfront project. Wider studies for the development of public realm show increases of up to 40%.

Over 25 years the total socio-economic impact of the Dunoon waterfront project will be £57.1 million over 25 years against a capital cost of £27.5 million. This gives a positive Net Present Value (NPV) of £29.6 million. This is not surprising as Dunoon is an established centre for tourism with reasonable connectivity.

The Dunoon project needs an improvement in tourism (3.6%) to provide a positive NPV which reflects the higher costs associated with the project. As Dunoon suffers from deprivation it is reasonable to argue that social returns will be considerably higher than the market returns outlined above.

### *Campbeltown*

The total capital cost for the development is £11.62 million and will provide a loch marina, a new road through the town centre and the preservation of historical and cultural buildings in the town centre. Benefits from these developments are expected in terms of housing, tourism and retail growth or improvements.

Over 25 years the total socio-economic impact is expected to be around £14.6 million against a capital cost of £11.62 million. This gives a positive NPV of £2.8 million. This is relatively low compared to the other proposed projects. However, there is a potential to raise the impact, particularly with boat tourism from Northern Ireland. Wider investment is needed to realise that potential fully. The investment in Campbeltown could be the first steps towards this.

The Campbeltown project needs an improvement in activity (4.9%) to provide a positive NPV. This reflects the relatively high costs associated with the project and the low baseline of activity in the town. As Campbeltown suffers from some deprivation it is likely that the social returns will be higher than market levels outlined above.

### *Helensburgh*

The total capital cost of the Helensburgh project is £7.66 million and will provide new and improved shared surfaces in the town centre, redevelop the esplanade and improve the facilities at Kidston Park. The redevelopment of the town centre will favour pedestrians, create event space and street café areas.



The aim of the town centre development is to encourage people to spend money locally and to incentivise people to come into Helensburgh to use shops and cafés. A retail study by Helensburgh Partnership suggests that 50% of food and 75% of non-food purchases are made out of town.

Over 25 years the NPV of the Helensburgh project is likely to be around £72.4 million. Offsetting this against the total capital cost of £7.66 million suggests a positive NPV of £64.7 million. The Helensburgh project is low risk and even a marginal improvement in local spending (1.6%) will provide a positive NPV.

This is not surprising as Helensburgh is a reasonably affluent town and is well connected with Glasgow. Because of the affluence of Helensburgh it is reasonable to argue that social returns will be close to the market returns outlined above.

#### *Oban*

The total capital cost of the Oban project is £19.63 million and will provide short stay marina facilities, improve the efficiency and safety of the waterfront area and develop the road network to the south of the town and open up the harbour for further development.

The transit marina is a pontoon facility which will be situated right in the town centre. It is expected to provide 60 to 80 short-stay berths for visiting boats. The developments of the harbour include moving the life boat station, enhancing the fish berthing facilities and create a safer berthing for ferries.

The development road is considered to be necessary to reduce congestion in the town centre of Oban and will be positioned to the east of the town itself. This improved infrastructure in Oban will open up sites for residential, commercial and industrial developments.

Over 25 years the Net Present Value (NPV) of the Oban infrastructure and waterfront project is likely to be around £106.4 million. Comparing this against £19.63 million, which is the cost of the project, suggests that there is a positive NPV of around £86.8 million.

The significant market returns from the Oban project are driven by the opening up of residential and commercial development opportunities. The project is relatively low risk and even a marginal improvement in tourism (3.6%) will provide a positive NPV. As Oban is an affluent area it is reasonable to argue that social returns will be close to the market returns outlined above.

#### *Rothesay*

Compared the other proposed projects the Rothesay project has a relatively lower cost than the majority and the total cost of the project is £6.3 million. The project will refurbish and preserve the Rothesay Pavilion as a community building and address the tired appearance of the town centre.



The restoration of the Pavilion will secure the current fabric of the building and improve its physical appearance. The regeneration initiative and scheme for Rothesay will improve the appearance of the town centre with structural repairs to historic building, which is expected to incentivise in-migration and new businesses and increase visitor number to the town.

Over 25 years the total socio-economic impact of the Rothesay project is likely to be around £23.0 million. After accounting for costs this gives a positive NPV of £16.7 million. The project is relatively low risk with an uplift of 1.4% needed in order for the investment to have a positive NPV value. As Rothesay suffers from deprivation it is reasonable to argue that social returns will be higher than the market returns outlined above.

### Summary

The table below outlines the summary results of the projects.

### Overview of Net Present Value (NPV) Results

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



## 1. Introduction

DTZ was commissioned by Argyll & Bute Council to carry out a brief, independent review of the outline business case (OBC) for five town centre and waterfront projects including Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The business cases are being prepared and will be scored once each of the business cases are approved by each project board.

The Council has made a sum of money of £10m available through its capital program, but it will only be available to one of the five waterfront projects being considered. These all come under the moniker of “CHORD”. Elements across the proposed projects include:

- Campbeltown;
  - Kinloch Road - Area Regeneration;
  - Marina Development;
  - Townscape Heritage Initiative;
- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.





## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press



### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttki<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttki, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

#### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.**<sup>7</sup> Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

### 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

### 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

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<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006





The Travel to Work Area (TTWA) is an approximate self-contained labour market based on commuting to work patterns. Around two thirds of those who live in the area also work there and at least two thirds of those who work in the area also live there.

The median annual wage for all workers in Argyll and Bute is £17,897 (Annual Survey of Hours and Earnings, 2007). Multiplying the number of retail, tourism and leisure related jobs by the median wage for all workers suggests **total income of around £36.7 million**.

The latest Scottish Input-Output tables published by the Scottish Government suggests that income from employment is around 66% of Gross Value Added (GVA) in the hotels and restaurants sector and around 64% of GVA across the whole Scottish economy. Applying this ratio to the estimate of total income suggests **total GVA of £55.7 million**.

### 3.3 Socio-economic Impact

Dunoon has the opportunity to capitalise on the town's position as gateway to Loch Lomond and Trossachs National Park. It envisions a striking waterfront development including a marina and with private participation supplying conference and holiday accommodation.

Most of the literature reviewed suggests uplift in economic activity of up to 20% for developments like the Dunoon waterfront project, with wider studies for the development of public realm showing increases of up to 40%. This is based on empirical evidence of new activities moving into the area, increased patronage and tourism spending.

Taking a midpoint estimate of an uplift of 10% in economic activity suggests income will increase by around £5.6 million. However, some of this increase is likely to be drawn from elsewhere in Argyll and Bute and the value of activities displaced needs to be accounted for. Assuming displacement of 50% from elsewhere in Argyll and Bute suggests an **additional GVA of around £2.8 million**.

As mentioned earlier income accounts on average for 66% of GVA. Multiplying the increase GVA with this share and dividing by average earning in Argyll and Bute indicates that **86 full-time equivalent jobs or 103 jobs will be created** as a result of investment. These additional jobs will be created once investment has been made and the total additional economic activity has been achieved.

The additional increase will accrue annually and should be discounted at a rate of 3.5% per annum according to HM Treasury Green Book guidelines. **Over 25 years the Net Present Value (NPV) of the Dunoon waterfront project is likely to be around £45.9 million**.

A reasonable treatment of the £11.2 million, needed for refurbishment if the waterfront project were not to go ahead, would be to include this as a benefit in 'year zero'. In other words offsetting the overall capital cost of £27.5 million at the beginning of the project.

The total socio-economic impact of the Dunoon waterfront project will be £57.1 million over 25 years against a capital cost of £27.5 million. **This gives a positive NPV of £29.6 million**.



This type of analysis is useful in allowing sensitivity analysis to be undertaken. An uplift of just 5% reduces the NPV to £6.6 million and the waterfront project requires an uplift of 3.6% to achieve a net positive position.





## 4. Campbeltown Project

### 4.1 Overview

The Campbeltown project consists of three development elements:

- Develop its existing **loch 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 through the Townscape Heritage Initiative (THI) and Conservation Area Regeneration Scheme (CARS); and
- 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.

The total capital cost for the developments is £11.62 million, of which the cost to the Council is £6.46 million.

The loch marina will be expanded and improved to accommodate around 100 extra berths, increasing its size from 40 to 145 berths. The return on this investment will be dependent on growth of the tourist market for Campbeltown and the subsequent increase in tourism revenue.

The THI will involve the preservation and enhancement of historical and cultural buildings in the town centre which are expected to increase the attraction of the town. The investment will ensure that heritage and civic functions can be accommodated, and benefits are expected in terms of housing, tourism and retail growth or improvements.

The Kinloch Road investment will provide sites for housing and business expansion through rationalisation of current residential and business premises. It is expected to accommodate 73 new housing units in the development area.

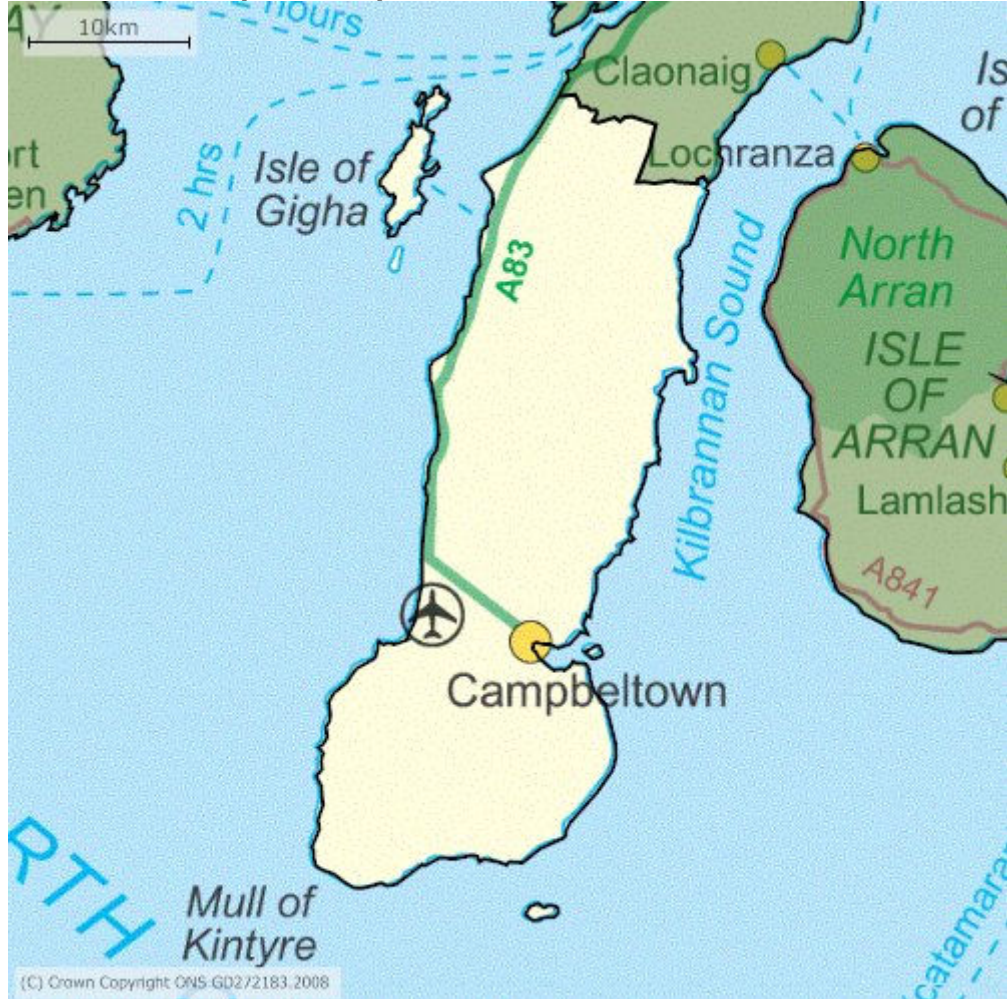
### 4.2 Baseline

The leisure, tourism and retail sectors across Campbeltown's travel to work area (see map below) will be positively affected. In 2006 751 people were employed in these sectors,<sup>12</sup> which represent 25% of the employment in the area. 401 people were in retail, 186 in accommodation providers, 93 in food and drink and 44 in sport related activities. In addition to these numbers, 14 people were working in industries relating to marine, transport and tour operators.

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<sup>12</sup> Sourced from ONS using Standard Industrial Classification 50, 52, 55 and 92.

**Map 2: Campbeltown Travel to Work area**



The median annual wage for all workers in Argyll and Bute is £17,897.<sup>13</sup> Multiplying the number of retail, tourism and leisure related jobs by the median wage for all workers suggests **total income of around £13.4 million.**

The latest Scottish Input-Output tables published by the Scottish Government suggests that income from employment is around 66% of Gross Value Added (GVA) in the hotels and restaurants sector and around 64% of GVA across the whole Scottish economy. Applying this ratio to the estimate of total income suggests **total baseline GVA of £20.4 million for the retail, tourism, leisure and marine industries.**

<sup>13</sup> Annual Survey of Hours and Earnings, 2007



### 4.3 Socio-economic Impact

A report by GOAD<sup>14</sup> indicated that in October 2006 the proportion of vacant retail outlets in Campbeltown was higher than the UK average, both in terms of the number of units and floorspace. In October 2006 14% of all retail outlets in Campbeltown were vacant, compared to a UK average of 11%. However, it is suggested that many of these properties are not currently on the market despite being vacant.

The town serves a relatively small population of the Kintyre peninsula and due to its remote location it is difficult to market itself to a wider catchment. Given the projected fall in population of the area<sup>15</sup>, there is limited additional retail potential for the town based on residential population only.

Building activity is minimal in the area compared to other areas in Argyll and Bute and the Argyll and Bute Local Housing Strategy 2004-2009 does not envisage the need for large numbers of new affordable houses in the area.

The THI initiative to preserve and enhance historical and cultural buildings in the town centre would increase the town's attraction to visitors. Benefits of this scheme are expected to be mainly housing and retail-orientated. Together with the Kinloch Road development the initiative is expected to attract and accommodate around 100 households.

The average household size is 2.24 in Argyll and Bute<sup>16</sup> and gross disposable income per person is £12,350<sup>17</sup>, which suggests a total household spend of £2.8 million for the housing development. While the deadweight is expected to be large, the new housing in the town is a real prospect in attracting new blood. Around 25% of the new units could potentially accommodate individuals from outside the area, while the majority (85%) will be for people already living in the Campbeltown travel to work area. **The additional income to the town as a result of housing is expected to be £0.7 million per annum.**

Along with the new Aqualibrium swimming pool and fitness room complex on the Campbeltown waterfront, the main outdoor leisure attractions are golf, walking, wildlife and sailing. The Kintyre Way walk opened in 2006 and allows walks over 86 miles around the area. The town has a variety of accommodation, a museum, heritage centre and the Springbank distillery.

The development of the marina is expected to add to this stream of tourism coming into Campbeltown. With berths increasing from 40 to 145 berths there will be additional spending in the town arising from more visitors, but there will also be additional income channelled into the area with new jobs associated with the marina and with income fees from boat owners.

<sup>14</sup> GOAD report for Campbeltown, October 2006

<sup>15</sup> CogentSci, Campbeltown Dossier Working Papers, 2008

<sup>16</sup> [www.scrol.gov.uk](http://www.scrol.gov.uk) – Census 2001

<sup>17</sup> Based on £12,000 as gross disposable income in 2006



Marinas would generally aim to have a base of income guaranteed through permanent or seasonal berthing. For a boat of average length (35 feet) the charge generally stands around £2,000 to £3,000 per year. Normally a marina would expect to have around 75% of the permanent berths occupied by non-local boat owners coming in from surrounding areas. However, the remote location of Campbeltown makes the marina difficult to market for permanent and seasonal berths.

The marina at Campbeltown may have to expect lower numbers of permanent berth holders as a result of its location and would therefore have a larger share of berths available for visiting boats. These would on the other hand add more retail and leisure spend to the town compared to the permanent berths who will mainly be adding to the boat repair, maintenance and operational spend in Campbeltown. Table 3.1 sets out the current and expected return to the marine investment and shows the estimated economic impact of a developed marina.

Some of the estimated additional spending in Campbeltown will originate from the marina through increased number of visiting boats, and seasonal and permanent pontoon berthings. **By assuming the same occupancy rates as present the spend increase by more than £0.5 million.** However, if the occupancy rate increases as a result of improved marina the economic activity will increase by just under £0.7 million.

**Table 1: Estimated Economic Impact of Marina Development**

	40	145	145
Berths	(current)	(assuming same occupancy)	(25% increase in occupancy)
<b>Visiting boat nights</b>	1,800	4,725	5,906
<b>Market share</b>	6%	8%	10%
<b>Average spend - £125/boat</b>	£225,000	£590,625	£738,281
<b>Permanent</b>	26	68	85
<b>Market Share</b>	1%	1%	2%
<b>Average Spend - £3,000/boat</b>	£78,000	£204,750	£255,938
<b>Seasonal</b>	9	24	30
<b>Market Share</b>	2%	3%	4%
<b>Average Spend - £2,000/boat</b>	£18,000	£47,250	£59,063
<b>Total</b>	<b>£321,000</b>	<b>£842,625</b>	<b>£1,053,281</b>

The Campbeltown project includes the option for a major realignment of Kinloch Road. While this investment would release sites for development, it is expected that new businesses will simply relocate from other sites and most of the new activity will be displaced activity within the town. This suggests that there will be few jobs created as a result of the Kinloch Road development.



Improvements in transport infrastructure can impact on economic activity in a number of ways, for example:

- Impacts on inward investment;
- Impacts on organisation of land use;
- Opening up of sites;
- Improving access to declining industrial areas;
- Improving access to rural/more peripheral areas to maintain population; and
- Improving access as a response to economic pressures.
- 

There is strong evidence of road improvements opening up new sites for development, although the size and nature of the developments are dependent on the specific project and local economic circumstances. The Kinloch Road project in Campbeltown is on a relatively small scale and is not designed to improve the connections to and from the town, but rather within the town itself. It is also largely an aesthetic project to rejuvenate an area, but it is an important opportunity to realign the road network to also account for future development.

An earlier study by DTZ on the impact of road infrastructure improvements<sup>18</sup> showed there is little evidence that road improvement projects had a material impact on population, employment or unemployment. The results for rural areas showed even weaker linkages and impacts.

Kinloch Road is however expected to improve the character and appearance of the town by rationalising low grade commercial and residential properties. One of the main objectives is to improve the confidence of this site which is perceived as unattractive, and generate interest for what could be an attractive and sought-after area.

It is suggested that public sector funding is necessary for this change to take place. We agree with this sentiment and believe that if it was left to the market it is unlikely that this investment will be realised. Kinloch Road will improve access to the harbour and nearby parkland, increasing visitor number to the town and waterfront which will have a positive effect on local retail and tourism sectors as well as bringing about housing benefits.

Investment in the three project elements outlined above will lead to an increase in economic activity in Campbeltown. The greatest effect will be in retail and leisure related spend which relies heavily on visiting numbers to the town. The literature reviewed suggests that the character and appearance of a town can have a major impact on spend in these two sectors. Particularly, restoration of historic buildings can rejuvenate an area.

Based on earlier calculations the income uplift for Campbeltown is expected to be around 6%. This suggests that **the annual income will increase by around £1.2 million, including the increased marina and boat related activities.** It is important to recognise that some of this activity will be displaced from other towns and areas within Argyll and Bute. This will be most prevalent for the additional spend arising from the marina, as sailors are likely to switch between locations in Argyll and Bute. A study carried out by McKenzie Wilson in 2006 showed that Campbeltown was in sixth place in terms of the most visited place within the Clyde estuary, with 14% of survey respondents having visited the marina.

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<sup>18</sup> DTZ, Economic Effects of Road Infrastructure Improvements, 2002



The report also suggested that the market for additional boat ownership in England is fairly static, while it shows a steady, but slow, increase in Scotland. The market in Northern Ireland is growing and their visitor numbers to Scotland are increasing. It is suggested that there will be an increased market demand which will enable a doubling of berths in the Clyde estuary by 2015.

Assuming a displacement of 30% from elsewhere in Argyll and Bute for retail, leisure and marine spend suggests an **additional spend of £0.9 million**. This is the lowest level of displacement across all of the projects as the town is looking at funding to attract increased visitors from Northern Ireland. Although some displacement will occur, most activity will be additional to the area.

As mentioned earlier income accounts for 66% of GVA. Multiplying the additional economic activity (£0.9 million) with this share and dividing by the average Argyll & Bute salary suggests that **41 full-time equivalent jobs or 49 jobs will be created** as a result of investment. These levels of jobs will be created once the total increase in activity has been realised.

Using HM Treasury Green Book guidelines on Net Present Value, this level is discounted by 3.5% per annum. **Over 25 years the NPV is likely to be around £14.6 million. This gives a positive NPV of £2.8 million.**

A sensitivity analysis shows that if the economic activity in Campbeltown is raised by only 5%, the NPV is positive by £0.3 million. Therefore the project investment must raise economic activity by 4.8% to achieve a net positive position.

This required level is relatively high and much of the explanation for this lies in the high cost of the Kinloch Road investment. Wider tourism and leisure infrastructure activity is also sparse which will limit benefits to Campbeltown. There is a potential to raise the economic activity in the town, and wider investment may be needed to fully realise this potential fully.

Additionally, Campbeltown stands out as improving the position for settlements across Argyll & Bute acting as a gateway between Scotland and Northern Ireland. By bringing in additional income to the west coast of Scotland, Campbeltown will help secure income in other settlements across Argyll & Bute.



## 5. Helensburgh Project

### 5.1 Overview

The total capital cost of the Helensburgh project is £7.66 million, and out of this the Council is expected to contribute with £7.46 million. The project consists of three development elements:

- New and improved shared surfaces in the **Town Centre** which enhance pedestrian movement and create improved space for commercial and leisure activities;
- Redevelop the **Esplanade**, linking it to town centre improvements to create an environment suited both for leisure strolling and for much better access by customers to commercial premises; and
- Improve the facilities at **Kidston Park**, with new café, new toilets, tourist information centre, improved play area and upgraded car park.

Currently vehicle traffic dominates the streets of the centre, but the town centre project will develop a shared function operation. The redevelopment of the town centre will favour pedestrians, create event space and street café areas. Part of this will also be a Park & Ride feasibility study to explore options for commuters to Glasgow not to park in the town centre.

The aim of the town centre development is to encourage people to spend money locally and to incentivise people to come into Helensburgh to use shops and cafés. This will benefit local people through better shopping environment, existing local traders through increased revenue and bring new business and investment to the town.

A renewal of the esplanade walkway would further add to the rejuvenation of the town centre, creating new event space and public green space. The development of the esplanade will include surfacing, planting, signage and the display of public art. Kidston Park lies at the end of the esplanade, and this aged entertainment area will be improved. These two project elements are expected to further enhance Helensburgh as a place for leisure and retail.

### 5.2 Baseline

In Dumbarton travel to work area (see map below) 7,197 people were employed in retail, leisure and tourism sectors in 2006. Of these, 3,157 were in the retail sector and 2,870 in hospitality. In Helensburgh (including central, east, west and north wards of the town) 1,248 people were employed in the retail, leisure and tourism sectors.

While the proposed development will take place in Helensburgh the impacts will be expected to be present in the Dumbarton travel to work area. However, this area is not as self-contained in terms of the labour market compared to Campbeltown and the Kintyre peninsula. Based on the employment numbers, the town currently represents 17% of the areas retail, leisure and tourism sectors. This share however, could potentially increase following investment into the town centre. It is reasonable to estimate that investment in Helensburgh will affect 25% of the activity base in the Dumbarton travel to work area.

**Map 3: Dumbarton Travel to Work Area**



The total income is calculated by taking the 25% share of area activity and multiplying the number of retail, tourism and leisure related jobs with the median wage for all workers in Argyll and Bute. This suggests a **total income of around £32.2 million**.

As per Scottish Input-Output tables, published by the Scottish Government, income accounts for two thirds of the GVA in hotels and restaurant sector. Applying this to the estimated total income implies that **total GVA is £48.8 million**.

### 5.3 Socio-economic Impact

The proposed developments in Helensburgh aim to improve the attraction of the town as a place to visit and to increase retail spend. Helensburgh currently faces a substantial level of leakage to other towns, particularly Dumbarton. However, it is worth pointing out that some of the current leakage is to Glasgow, and this may be more difficult to transfer back to Helensburgh due to people working in Glasgow or preferring larger retail markets.





A retail study by Helensburgh Partnership suggests that 50% of food and 75% of non-food purchases are made out of town. Research also suggests that Helensburgh has much lower levels of retail floor space per head of population compared to other towns in Argyll and Bute, which can be explained by the high level of spending elsewhere. Investment in the town centre is expected to reduce this leakage dramatically.

Developments to the Colquhoun Square, surrounding streets, the Esplanade and the Kidston Park will substantially contribute to improving the appearance of the town. This will particularly attract people coming into Helensburgh from neighbouring areas and towns. With Glasgow city on the doorstep there is a major catchment area to be targeted for day visitors. Furthermore, visits from tourists may increase as Helensburgh are able to benefit from passing-through trade of Loch Lomond visitors and those travelling north and west.

The literature reviewed suggests that the improvement of public realm can have a substantial impact on local revenues from retail. Up to 40% increase in visitor numbers can be expected as a result of improvement to public spaces. This increase does not directly translate to a similar increase in economic activity, however the impact on GVA is still substantial. With Helensburgh being situated in a strategic location, close to urban centres and with a waterfront, the town can expect to increase the retail spend by around 15% as a result of more people using the local shops and increased visitor numbers. This suggests that economic activity will increase by around £7.3 million.

The reduction in leakage will affect the displacement of investment, with Dumbarton being particularly affected as Helensburgh residents shift their retail spend location. However, it is reasonable to assume that the displacement from elsewhere in Argyll and Bute is lower, than for example Dunoon and Campbeltown, due to its location on the border of the Council and with a major urban city nearby. Assuming displacement of 40% from elsewhere suggest an **additional increase of around £4.4 million in economic activity.**

As stated earlier income in retail is on average 66% of total GVA. Multiplying additional GVA with this share and dividing by the average salary in Argyll and Bute translates to **136 full-time equivalent jobs or a total of 162 jobs being created.** These employment levels are expected once the developments are completed and the increase in economic activity is achieved.

HM Treasury guidelines on Net Present Value (NPV) recommend that benefits which accrue annually should be discounted at a rate of 3.5% per year. **Over 25 years the NPV of the Helensburgh project is likely to be around £72.4 million.** Offsetting this against the total capital cost of £7.66 million suggests a **positive NPV of £64.7 million.**

If the increase in economic activity was lower, at 5%, the NPV would be reduced to £16.5 million, and a 1.6% uplift is required to achieve a net positive NPV.



## 6. Oban Project

### 6.1 Overview

The Oban project consists of three development elements:

- A **Development road** will provide new routes to the south of the town and the harbour and will open up new areas for residential and commercial development;
- The **Dunbeg corridor** will facilitate access to town centre services from an area of new residences close to hi-tech job opportunities;
- **Harbour 'Areas for Action'** will improve the efficiency and safety of the waterfront area; and
- A **Transit Marina** will provide short stay marina facilities in the centre of town.

The Dunbeg corridor proposal is now with the West Highland Housing Association and no CHORD money will be required to fund this element of the project. Therefore the corridor has not been considered in this review.

The total capital cost of the Oban project is £19.63 million, of which the Council will contribute £10.0 million.

The development road is considered to be necessary to reduce congestion in the town centre of Oban and will be positioned to the east of the town itself. Furthermore, it will relieve the pressure from heavy traffic to and from the harbour going through the town. This improved infrastructure in Oban will open up sites for residential, commercial and industrial developments.

The developments of the harbour include moving the life boat station, enhancing the fish berthing facilities and create a safer berthing for CalMac ferries. This will considerably improve the safety around the harbour area which now suffers from congestion.

The transit marina is a pontoon facility which will be situated right in the town centre. It is expected to provide 60 to 80 short-stay berths for visiting boats. This facility will particularly benefit the seafront retail businesses, but benefits are expected to arise in the rest of Oban as well. The berths will lead to fewer boats anchoring to buoys in the ferry area, again helping to reduce the congestion and safety problems.

### 6.2 Baseline

The Oban travel to work area (see map below) provides jobs for 2,901 people in retail, tourism and leisure. This includes 1,136 employees in retail, 1,567 in hospitality and 198 people in sports and culture. In addition, there are 409 people employed in the fishing, marine and water transport sectors. The travel to work area covers a large area around Oban, stretching as far as Loch Lomond and the Trossachs. Despite this, Oban is a central hub of the area with the town providing more than 60% of total jobs in retail, tourism, and sports and culture.

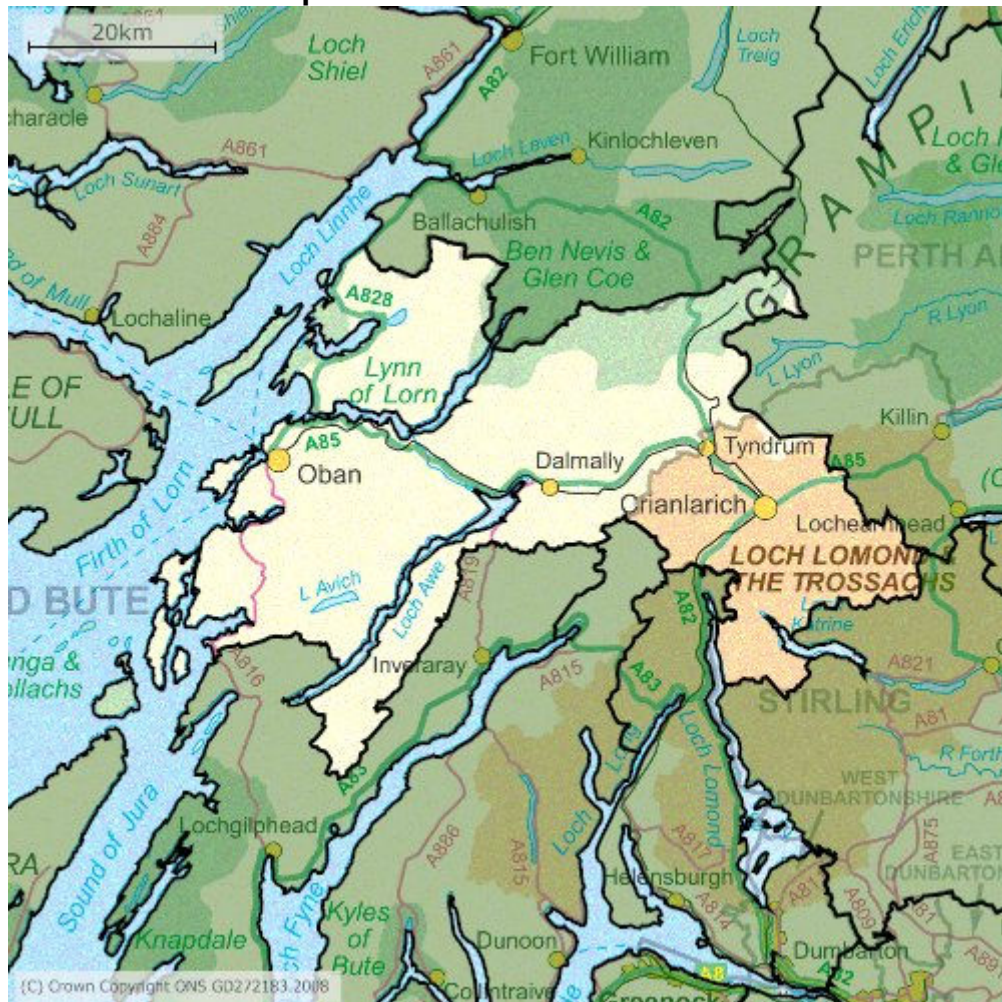


The area is therefore considered as a relatively self-contained labour market. Due to its size however it is reasonable to assume that Oban will affect around 80% of the economic activity in the entire travel to work area.

Applying this share to the employment total and then multiplying by the average wage for workers in Argyll and Bute means that **the total income is around £47.3 million.**

As in previous sections we apply the share of 66% to this level, as statistics from Scottish Government suggests that income accounts for this level of total the Gross Value Added (GVA). Applying this ratio to the estimate of total income suggest **total GVA of £71.7 million.**

**Map 4: Oban Travel to Work Area**





### 6.3 Socio-economic Impact

Research has shown that improvements in transport infrastructure may have impacts on:

- Inward investment;
- Organisation of land use;
- Opening up of sites;
- Improving access to declining industrial areas;
- Improving access to rural/more peripheral areas to maintain population; and
- Improving access as a response to economic pressures.

There is strong evidence of road improvements opening up new sites for development, although the size and nature of the developments are dependent on the specific project and local economic circumstances. The DTZ review of unimproved routes also supported the view that road infrastructure investments have an impact on site development and property demand.

The poor quality of road links was cited as an explanatory factor in accounting for lack of demand for sites and, indeed, inability to attract mobile investment. There was also much clearer evidence that roads investment can have a substantial impact on the development of industrial and commercial sites and thus on the location of economic activity.

A number of road infrastructure studies have considered the impact of the road improvement on location decisions in the vicinity of the project. These studies report that the improvement in road infrastructure can have a positive impact on the perceptions of an area, particularly if the area is perceived as being remote and difficult to access and can enhance the attractiveness of the area for development.<sup>19</sup>

In contrast, the DTZ study also showed that there was limited evidence of migration and labour market impacts as a result of road infrastructure improvements. It is worth pointing out that Oban is the largest town in North Argyll, and plays a major part in the activity of mainland Argyll but also the island communities served by its ferries. Transport routes converge to the town and in addition to the income that this brings to the town it is also a popular tourism destination and a centre for private investment.

With a more balanced economy, with less dependency on tourism, there is prospect of growth in terms of migration and labour markets in Oban. The town is situated on the banks of the bay and suffers from restrictions in development. The development road to the east of Oban will not only relieve congestion in the town centre but also release sites for development. The road can facilitate the building of commercial and industrial developments as well as approximately 600 houses.

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<sup>19</sup> DTZ Piedad Consulting, Economic Impact of a Second Severn Crossing, 1992



The Dunbeg corridor development at the north of the town will provide the infrastructure for building up to 800 houses. This together with the development opportunities to the east, as a result of the development road, will increase the housing supply substantially. The Local Housing Strategy states that there is currently a severe shortage of suitable sites and infrastructure restrictions constraining further house and economic development.<sup>20</sup>

While there is a high level of immigration to the area the demand is not expected to accommodate such a substantial rise in supply. The main migration is due to retirement and lifestyle reasons, and so far the economic migration, similar to that experienced by Inverness for example, is limited. In addition, both Argyll & Bute Council and GROS project that the population of the Argyll and Bute area will fall, and the Oban population which has slightly different demographic characteristics is expected to remain relatively static.

Crucially though, it is suggested that without the development road, traffic will eventually gridlock the town and this will provide severe restrictions to further economic development of Oban and the wider communities. Therefore we can assume that further residential development will be possible as a result of the development road, and the economic impacts of these developments will offset the cost of the infrastructure improvements.

Assuming that the road will lead to 500 new houses built, the impact of these can be calculated using the same average household spending as in the Campbeltown section. However, with such a large increase in housing the development is expected to be phased. In this case we will assume that 50 houses are completed in the next 10 years. With an average household spend of £27,664 the total gross disposable income arising from the developments is £172.9 million.

Some of this spending will be accrued by individuals who simply move from a current property in Oban, seen as undesirable, to a new development. Furthermore, some of this additional spend will be displaced from surrounding communities in Argyll and Bute. With a displacement of 60% assumed **the additional household spend as a result of the development road is £69.2 million over 25 years.**

Harbour Areas for Action will have an impact on the fishing community and may also improve the potential for leisure water activities to expand and increase in Oban. The fishing industry currently employs around 200 people in Oban, and another 100 people employed in water related activities. Furthermore, a possible transport interchange for trains, buses and ferries will provide additional jobs in the harbour in water transport related jobs but also retail. An additional 100 jobs could arise as a result of harbour developments, of which 40% are displaced. This will result in an **additional £1.6 million in GVA being generated in the harbour.**

Transit marina will increase retail spend in the town centre, particularly at the seafront. With around 60 to 80 berths, designated for visiting boats only, the transit marina can expect around 3,000 boat nights per year. Assuming a daily spend of £150 per boat suggests the new marina will lead to an additional £450,000 being spent in the town on retail and leisure.

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<sup>20</sup> Argyll and Bute Council. Local Housing Strategy 2004-2009, February 2005



There is currently no marina in Oban itself and some boats decide to anchor to buoys in the ferry area, which is very busy with CalMac ferries, fishing boats and other leisure boats and this is currently not an ideal situation. Most boats visiting the town however, use the Oban marina on Isle of Kerrera. They currently offer 94 berths and have a shuttle service available between the island and Oban town itself.

With these two options for berthings Oban is not able to fully benefit from income generated by the sailing community. A transit marina in the town would offer more accessible and safer facilities for visiting boats. Oban is a popular town to visit and therefore the transit marina is expected to have high visitor numbers.

Some of this activity may be displaced from the Isle of Kerrera, however with positive externalities arising from increasing visiting boats, the current marina would not suffer from a major decline in demand. With minimal displacement and positive externalities arising, the town will benefit from an **additional £450,000 spent on retail and leisure goods and services.**

The above estimations and qualifications suggest that Oban can expect an uplift of 15% in economic activity if the proposed investment goes ahead, and this suggests that income would increase by around £10.8 million. Some of this increase will be displaced from other areas within Argyll and Bute, however the location of Oban mean that the town competes to a lesser extent with towns in the Clyde Estuary, it has strong tourism market already, it is a transport hub of the area and it has a healthy community.

Assuming a displacement of 40% from elsewhere in Argyll and Bute suggests **an additional increase of around £6.5 million.** Income represents 66% of the additional GVA. Therefore, multiplying the additional activity with this share and dividing by the average salary in Argyll and Bute suggest that **the increase in activity will create 199 full-time equivalent jobs or 238 jobs in total.** These levels will be achieved once the investment has been made and the full impact and increase in activity is reached.

The additional income (£6.5 million) increases annually and is discounted by 3.5% as per HM Treasury guidelines. **Over 25 years the Net Present Value (NPV) of the Oban infrastructure and waterfront project is likely to be around £106.4 million.**

Comparing this against £19.63 million, which is the cost of the project, suggests that **there is a positive NPV of around £86.8 million.** A 5% uplift in activity leads to a positive NPV of £15.8 million, and the project needs to generate an uplift of 2.7% to achieve a net positive position.



## 7. Rothesay Project

### 7.1 Overview

The Rothesay project consists of two development elements:

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

The restoration of the Pavilion will secure the current fabric of the building and improve its physical appearance. Other improvements include improved disabled access, development of a multi-use facility, and provide indoor activities. The Pavilion will be open to private and public use, the wider community and is expected to generate an increased income as a result.

The regeneration initiative and scheme for Rothesay will improve the appearance of the town centre with structural repairs to historic buildings, which is expected to incentivise in-migration and new businesses and increase visitor numbers to the town.

Compared to the other proposed projects the Rothesay project has a relatively lower cost than the majority and the total cost of the project is £6.3 million. With additional funding being available and sought from elsewhere the cost to the Council is £2.4 million, which is substantially lower than any of the other projects.

### 7.2 Baseline

There are 2,053 people employed in the retail, tourism and leisure industry in the Dunoon and Bute travel to work area. Retail provides jobs for 747 employees, accommodation and hospitality employs 1,029 people, and leisure, sports and culture 279 employees.

Multiplying the total number of employees with the median wage in Argyll and Bute suggests that the **total income is around £36.7 million**. As in earlier sections the income is likely to represent 66% of total GVA as per Scottish Input-Output tables published by the Scottish Government. Applying this to the income suggests that the **total GVA is likely to be around £55.7 million**.

**Map 5: Dunoon and Bute Travel to Work Area**



### 7.3 Socio-economic Impact

As shown in the literature review the restoration of heritage sites can rejuvenate an area and make it unique. Furthermore, cultural landmark buildings create distinction, enable community development and also provide tourist attractions. Rothesay is a popular tourism and sailing destination, and with the proximity to Glasgow and on a popular sailing route the town has the potential to increase its visitor numbers further.

Examples elsewhere in the UK show how cultural centres and landmark have contributed financially to towns and cities. For example, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism, the opening to the New Art Gallery in Walsall led to increased retail spend, and Dundee Contemporary Arts contributed to new jobs being created. The refurbishment of the Pavilion could have similar impacts on the town and the wider community of Bute Island.





The investment in Rothesay could lead to a 5% uplift in economic activity. This suggests the income will increase by around £2.8 million. Some of this increase will be drawn from other areas in the Argyll and Bute Council. Assuming a displacement of 50% suggests that the **additional income will be £1.4 million.**

Retail income represents on average 66% of total GVA. The level of jobs created by the investment is calculated by multiplying the additional income with 66% and dividing by the average income in Argyll and Bute. This suggests **that 43 full-time equivalent jobs or 51 jobs in total will be created** as a result of investment in Rothesay. These levels are expected to be achieved once the investment is made and the full impact and increase in activity is reached.

**Over 25 years the NPV of the Rothesay project is likely to be around £23.0 million**, using a discount rate of 3.5% as advised by the HM Treasury. This gives a positive NPV of £16.7 million. There needs to be an uplift of 1.4% in order for the investment to have a positive NPV value.



## 8. Summary

### 8.1 Results

The results suggest that investment into Oban provides the greatest level of return, with a positive NPV of £86.78 million against total costs and £96.41 million against town totals. This is not surprising as Oban already has strong tourism and retail sectors and therefore an uplift to this baseline has greater economic impact than in other commercially smaller and more remote communities. The potential scale of the Oban project is also significant.

It has been proven that a relatively low investment in Helensburgh can have a considerable impact on its local economy. As suggested, its proximity to Glasgow greatly benefits the town. In terms of benefit-to-cost ratio three projects come out ahead of the others – Helensburgh, Oban and Rothesay. When NPV is compared to Council totals the three towns have a similar level of benefit-to-cost ratio, around 10:1. The investment in Rothesay presents, despite being a relatively small investment, good value for money.

The table below provides an overview of the five town centre and waterfront project considered – Dunoon, Campbeltown, Helensburgh, Oban and Rothesay.

**Table 2: Overview of Net Present Value Analysis**

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



The Net Present Value (NPV) shows the sum of all costs or benefits discounted over time. Costs or benefits arising further into the future will be discounted more heavily than those arising earlier on during the project. Generally most costs arise early on in projects whilst benefits begin flow later on.

The Internal Rate of Return (IRR) is the rate of discount needed to produce a NPV of zero. A project with a high IRR is likely to be more commercially viable.

The estimated impacts do not take into account the phased process of investment or benefits arising as a result. The increase in economic activity is assumed to arise in year one and to remain at the same level during the following 25-year period.

Oban is expected to benefit the most from of this methodology, with a major development road and land releases being planned. However, in this case consideration has been taken to the phasing of the project when estimating the impact of investment in Oban.

The above impacts provide an indication of expected impacts following investment and should be considered as estimations of likely outcomes.

## 8.2 Context

The CHORD projects cover towns of varying affluence. Oban is reasonably wealthy whilst Campbeltown suffers from high levels of deprivation. HM Treasury's Green Book states that effects should outline the costs and benefits accrue to different groups in society and this might involve explicitly recognising distributional effects within a project's NPV.

The impact of a project on a town's well-being will vary according to prosperity, for more prosperous towns, the benefit derived from an additional development will decline. HM Treasury's Green Book states:

“Broadly, the empirical evidence suggests that as income is doubled, the marginal value of consumption to individuals is halved: the utility of a marginal pound is inversely proportional to the income of the recipient. In other words, an extra £1 of consumption received by someone earning £10,000 a year will be worth twice as much as when it is paid to a person earning £20,000 per annum.”

The most reliable source of local income is the Scottish Index of Multiple Deprivation (SIMD). The table below shows the relative weights of income deprivation across the CHORD towns. Helensburgh is the least deprived area with the highest income levels compared to the other towns. The most deprived of the towns is Dunoon.

These weights have been considered together with the total NPV for each project to produce the weighted NPVs. The table shows that the economic impact values change as a result. For example, the economic impact for the Dunoon project is estimated to be £88.15 million, which is higher than the Helensburgh project. When the project costs are taken into account the estimated economic impacts of these two locations are relatively similar.



Table 3: Weighted Net Present Values

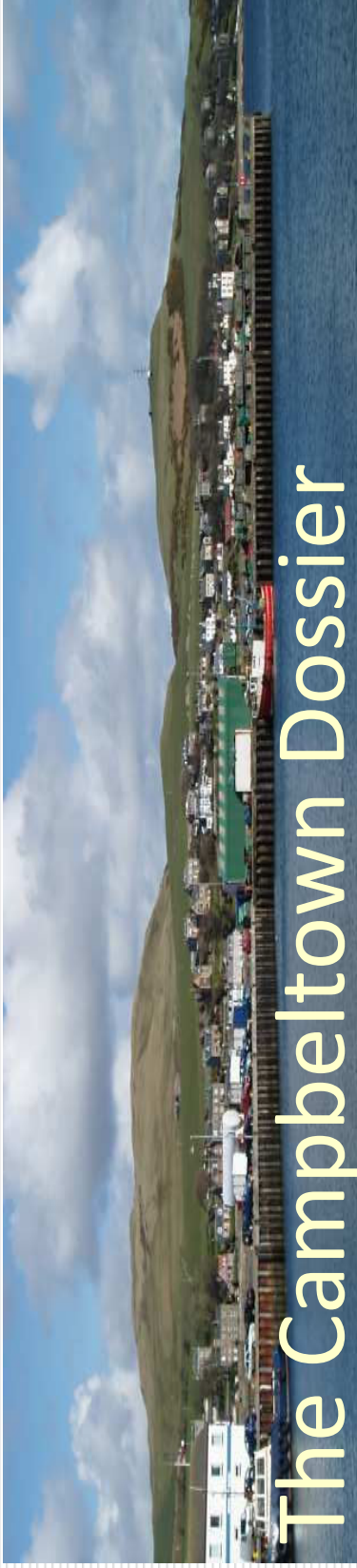
	Dunoon	Campbeltown	Helensburgh	Oban	Rothesay
Income index	192	152	100	106	167
Total Net Present Value (£m)	£45.90	£14.36	£72.37	£106.41	£22.96
<b>Weighted NPV (£m)</b>	<b>£88.15</b>	<b>£21.88</b>	<b>£72.37</b>	<b>£112.73</b>	<b>£38.43</b>
Total Cost (£m)	£27.50	£11.62	£7.66	£19.63	£6.30
<b>Weighted NPV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

Displacement in this report has not been considered in terms of activity within Argyll and Bute. However, much of the activity arising as a result of investment is unlikely to be additional on a Scotland level. It can be argued that the more remote communities will present the lowest cases of displacement, while those close to urban centres will displace activity from the surrounding regions and towns.

The potential for investment in Campbeltown to draw additional income into the west coast of Scotland stands out from the other projects. Displacement will be low and markets in Northern Ireland will be better served along with markets in the east coast of Scotland seeking to sail to Northern Ireland.

By bringing in additional income to the west coast of Scotland, Campbeltown will help secure income in other settlements across Argyll & Bute. Although outside the consideration of this report, Campbeltown offers the most worthy case for Scottish or European funding. The town would draw money and increased activity into the local area from further afield than any other area.

In contrast, projects in towns situated closer to Glasgow, such as Helensburgh look attractive as they have more capacity to absorb benefits within the town. But this will simply move high street spending from the centre of Glasgow to Helensburgh. There is little to gain for the west coast of Scotland overall or other settlements across Argyll & Bute.



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

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**DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL**

# The background

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- Argyll and Bute Council is planning to invest £10 mn in town centre and waterfront development. Campbeltown is one of five candidate towns for these funds.
- Campbeltown's outline business plan has been developed from a masterplanning exercise and has three elements.
- This dossier sets out an outline business case for Argyll and Bute Council to invest in Campbeltown's town centre and waterfront. The dossier consists of three parts:
  - Twenty four panels outlining the business case
  - A set of notes on the panels expanding the discussion and providing additional evidence
  - A number of working papers (listed on Panel 23) which have contributed to the development of the case

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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

**2**

# The town of Campbeltown

- **Campbeltown** is the **most 'peripheral' or remote town** in the mainland United Kingdom, in terms of its distance from other substantial centres of population, from services such as specialised healthcare and higher education, and from national networks such as rail and motorways.
- The **harbour** in Campbeltown Loch is therefore a key feature of the town, currently supporting bulk freight shipments of Argyll and Bute's main physical exports after whisky (timber and turbine towers), and providing limited leisure moorings. Restoration and development of ferry links to Northern Ireland and Ayrshire is a heartfelt priority for community and Council alike.
- **Population has declined** since the early nineteenth century, and a quarter of the current 5300 residents are over retirement age. A recent acceleration in youth out-migration is projected to make the situation much worse, bringing the retirement proportion to a third within ten years and a half by the middle of the century.
- As a result of decline, **market failure is rampant**: there is high unemployment alongside skill shortages, and vacant and derelict property alongside accommodation issues. Incomes and asset prices are very low.
- Campbeltown has faced a number of **specific economic challenges** in recent years, not least the closure of RAF Machrihanish, and the rather short lifespan of the Contact4 call centre. Celtic/Vestas wind turbines, the other major inward investor, operates in a market with substantial uncertainties.
- **Tourism is a positive influence and offers opportunities**. Success in golf, walking/cycling and sailing illuminates one aspect of a better economic future, which a viable ferry link will help to develop.

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**3**

The crucial economic **issues** in Campbeltown are :

- 1) addressing the **ageing dynamic** in people and business in order to reverse the decline
- 2) improving **connectivity** by land, sea and air
- 3) maintaining and developing businesses that earn **income from outside the region**



- Campbeltown's peripheral position makes it hard to overcome personal and commercial poverty. The town has been ageing very rapidly, and is in danger of shrinking into itself as the number of people of childbearing age falls.
- We need to make the town more attractive for people to visit and live in. Many historic and attractive buildings in the town centre are intact, but in danger or in need of significant maintenance and refurbishment. If the local community makes a contribution through the Council, Lottery and Historic Scotland funds will be available to conserve this heritage. ACHA and Scottish Government Housing Investment Division and HIE funds are likely to follow. Altogether these can help us to realise and take advantage of exciting new tourist-attracting investments being made by the private sector.
- Campbeltown needs to hold on to the major employers, and to provide appropriate support to maintain others that generate income from outwith the region and to attract new ones.

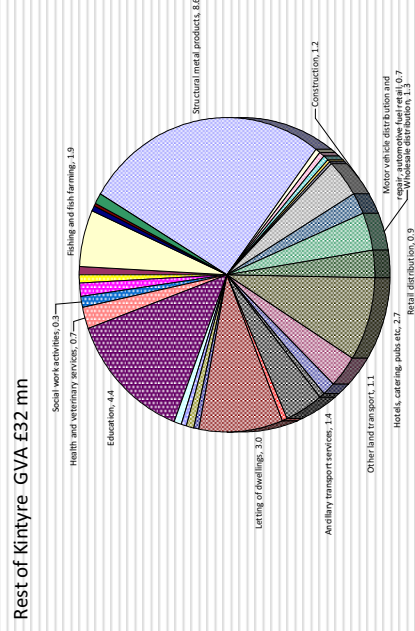
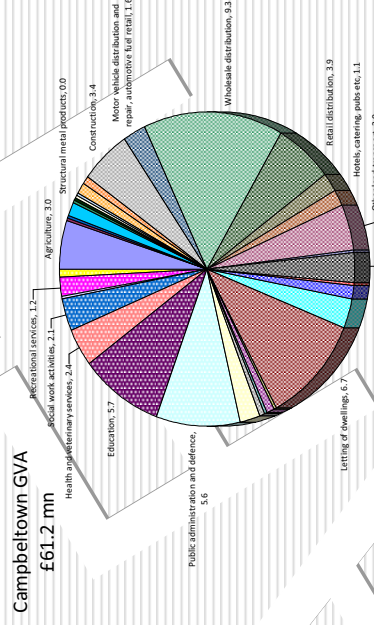
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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL



# The local economy is quite self-contained

- The town of Campbeltown is the economic focus of the Kintyre peninsula: it is the main locus of production and houses the workforce for the larger businesses in the rest of Kintyre
- Campbeltown's GVA in 2004 was £61 mn, and that of the rest of Kintyre £32 mn\*
- Much of this is generated by services, both public and private, for local people
- Industries that earn income from outside are therefore very precious - like the creamery, distilleries, the Celtic/Vestas factory for wind turbine towers, and tourism
- Tourism today is strongly activity-oriented: golf; walking; mountain-biking; sailing; surfing

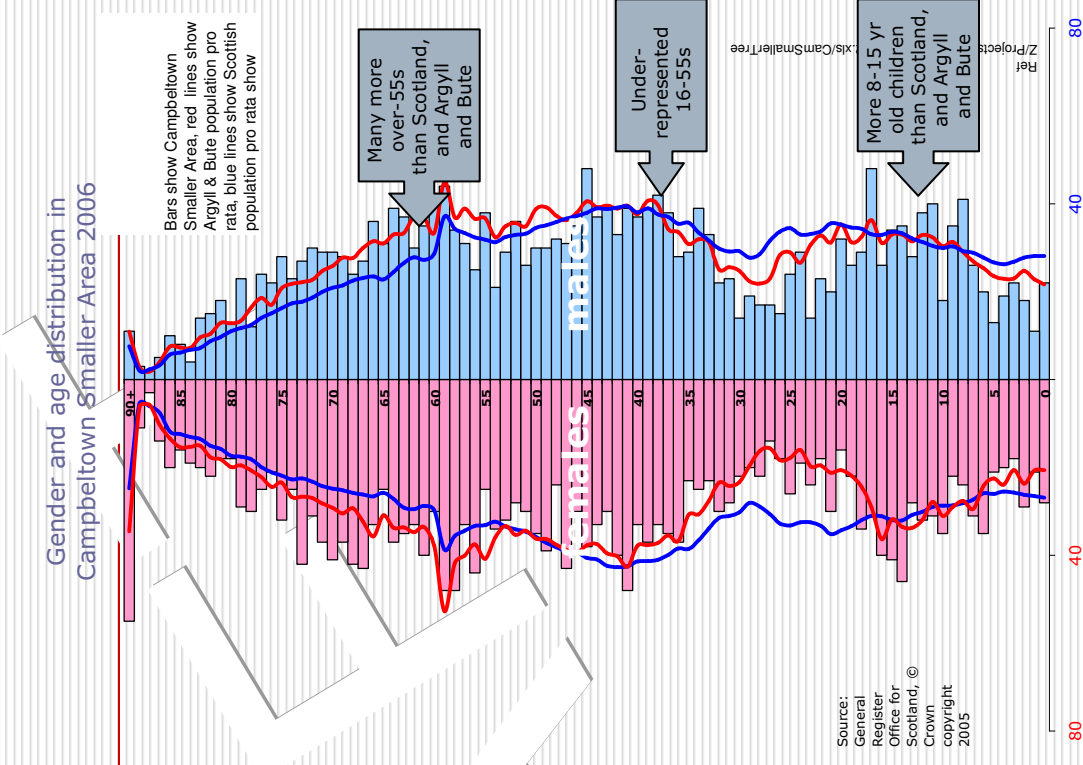
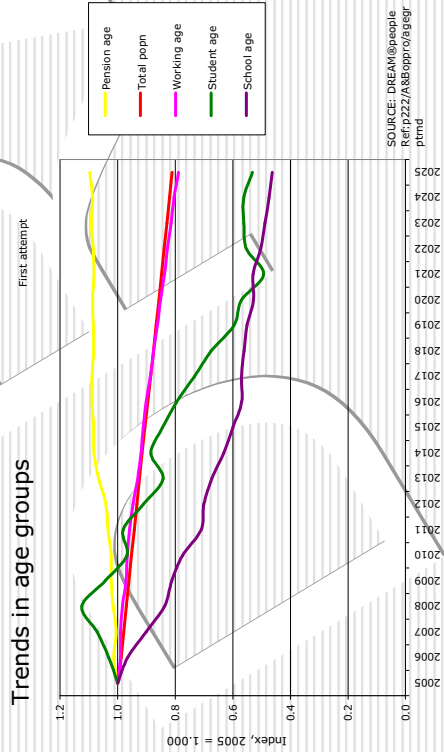


•Data from DREAM@Argyll – see Working paper 15.  
 •To preserve statistical confidentiality, the value added of large employers has been estimated on the basis of national averages for their industry

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# The people balance

- Campbeltown’s demographic issues have a long history. They will continue to develop – but in future some aspects will not be so extreme as in other places
- Campbeltown has (proportionately) slightly fewer births and more deaths than Scotland, or than Argyll and Bute as a whole. Like most rural areas, it loses most of its older teenagers to education and work in the cities.
- However it has (for a rural area) a relatively low rate of in-migration of retirement-age people, and some people move in younger. This means the population will not get ‘top heavy’ so quickly as some other places, and also that the older people in the community have a longer history and a stronger attachment to the town than many older people in other places.



DATA: DREAM@people based on GROS

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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

## Project 1 – Kinloch Road

- Kinloch Road runs from the entrance to the town besides an avenue of trees to the harbour in Campbeltown, past the new Aqualibrium.
- Potentially it offers an attractive approach to the town's scenic asset that is Campbeltown Loch, to the commercial asset of the harbour, and to social and entertainment provision – and it would be able to accommodate both people and businesses in attractive buildings against a striking parkland setting.
- However, Aqualibrium aside, many premises adjoining the road are out of use or serve low grade commercial functions (including the Council's own works depot). Even where the premises have a useful function, the facades are dispiriting. Some plots have been cleared.
- The project is therefore to rationalise residential and business premises around the road, providing sites for expansion and capitalising on the asset represented by the location and outlook to create a new economic neighbourhood
- The intended road route has been realigned, in the course of this project, to facilitate the movement of articulated lorries and especially long loads, such as wind turbine towers, to the harbour. This plan, as it is now, will slightly realign it so that it connects to the entry road to Campbeltown. This involves a diagonal cut through a 'city block' owned by the Argyll Community Housing Association and acquisition of various properties in Kinloch Road itself. The road works in themselves offer significant added value.
- An options appraisal has been commissioned from consultants (Roger Tym and Colliers) and leads to a gross cost estimate of £16 mn over 2008-2014, offset by land receipts of £6mn over 2011-2014 and revenue of £110K per year. This equates to a net present cost of £8mn.

- The proposal will provide attractive sites for housing and business expansion, in a place which is central to Campbeltown.
- Straightening the road is a proposal that arose in the course of the current project. It will considerably ease access to the harbour and ferry dock, assisting passengers to locate it, considerably easing the flow of articulated lorries (currently carrying timber to the harbour, but with a ferry operating expected to include other road freight) and especially special loads (most notably turbine towers manufactured at Machrihanish).
- Consultants (Roger Tym and Partners) estimate that the development will accommodate 91 jobs, but that many of these could be displaced from elsewhere in Campbeltown, leaving only 37 net after multipliers.
- Housing will be for 73 units, implying a very favourable benefit: cost ratio if these are for people who would not otherwise have lived in Campbeltown.
- Overall, we estimate the benefit cost ratio for this project comfortably more than 7:1



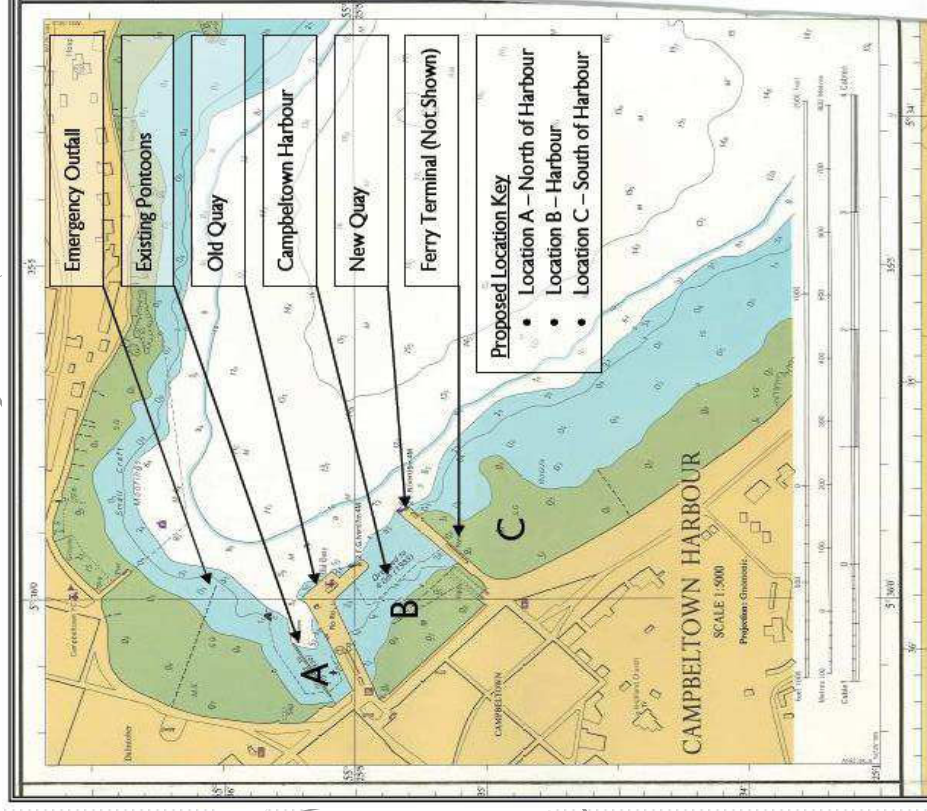
Above: Aqualibrium leisure centre

Below: Kinloch road site

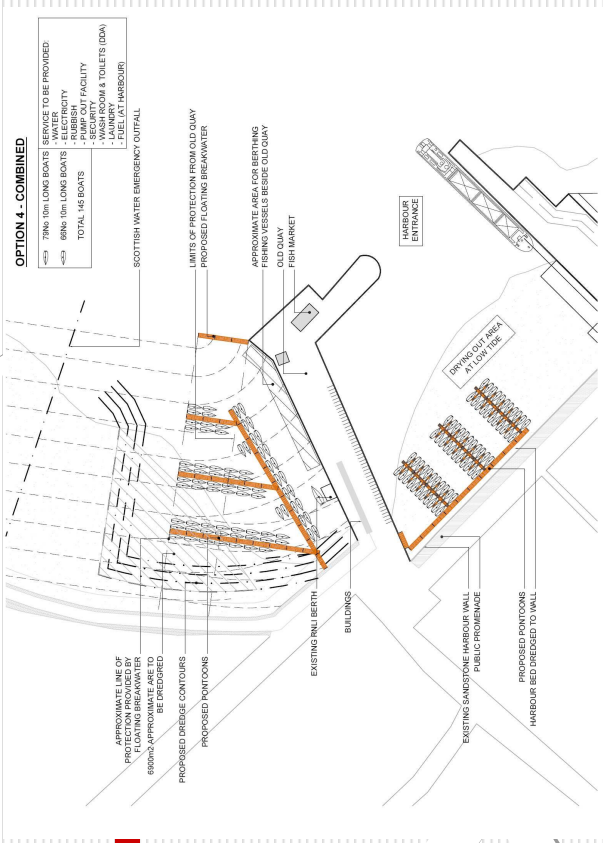


## Project 2 – Campbeltown Loch Marina

- To increase the berthing facility in Campbeltown Marina from approximately 40 berths to 145 berths, by extending (replacing) the existing facility and creating a new facility in the harbour area.
- The scheme shown on the following slide is considered the most attractive of four presented by specialist consultants
- Capital costs are estimated at £2.3 mn.
- The net present value of forecast operating costs (discounted at a 'public sector rate' of 3.5%) is estimated at £0.4 mn
- Assuming no additional market share due to the new capacity the npv of forecast revenues is £0.9mn, giving a net cost figure of £1.8 mn
- Assuming restoration of past market share the net revenue increases to £1.1 mn and net costs fall to £1.6 mn
- Using assumptions compatible with the 'high growth scenario' adopted by other Clyde marinas the cost to Council falls to zero.



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- These figures show a project which is fundamentally viable.
- There are many details to be settled, not all of which are covered in the consultants' report, but it is clear that this is a potentially viable project which would probably require Council funds but on which the expectation is that the Council would in due course earn an adequate revenue return
- The benefits to the town economy – essentially to the non-accommodation tourist trade and some marine suppliers- would be significant, broadly equivalent to those generated by a 100-bedroom hotel – and such a hotel would cost £7mn and might be quite hard-to-fill.
- The benefits to the rest of the town would mainly be tourism revenue, escalating from £200 000 per year, which would create GVA escalating from £80 000.
- The direct GVA stream that Campbelltown gains from the marina, including the stream from the marina itself and that derived by other business that are patronised by visiting yachties, capitalises at £3.6 mn.
- This too shows benefit: cost ratios greater than 4:1

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## Project 3 – Townscape Heritage Initiative (THI) and Conservation Area Regeneration Scheme (CARS)

- These two schemes will run in tandem with each other to preserve and enhance the special architectural, historic and cultural value of Campbeltown town centre by preventing further decay and repairing the built fabric of the town centre
- They are designed to make the town centre a more attractive place to live and work in and a place well worth visiting. The buildings they focus on accommodate heritage and civic functions, retailing and housing.



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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

- Total cost is estimated at £1.4 mn, of which on the conservative assumption that it fills the funding gap the Council is asked to furnish £0.3mn on top of its existing commitment of £0.2 mn. The remainder is expected to be provided primarily by Historic Scotland (the Conservation Area Regeneration Scheme) and the Heritage Lottery Fund (Townscape Heritage Initiative)
- Together with the pure 'heritage value' (which cannot readily be quantified in economic terms) the two strands of housing and improvement of retail-oriented public areas sum up the economic benefits of the town centre project.
- Values: based on analysis of net in-migration to Campbeltown it has been estimated that the value of providing an additional housing space to house an additional household is £240 000. The return per million pounds of retail oriented investment has a capital value of £1.9 mn. Thus the accommodation of six households would have an expected benefit in terms of increasing the capacity of the economy of £1.4 mn (but this would be achieved slowly, over the lifetime of the occupants) and the direct retail benefits of additional GVA over the next 10-15 years could be capitalised at of £0.7 mn (in terms of annual GVA this would be equivalent to a 2-3 per cent increase.
- Thus the community would achieve measurable benefits amounting to £2.1 mn, based on the Council's contribution of £0.2 mn, a ratio of 10:1 (before multipliers).

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## The strategic case

- In 2005 a strategy review for the town painted the following 'vision':

*Campbeltown in 2020 has broken the long-term cycle of decline and is once again a viable, sustainable community. Population has stabilised at the 2010 level, and new economic opportunities – including skilled workers - have drawn new residents to the town.*

*Private sector employment is growing, based largely on the expanding renewable energy sector and the success of Kintyre as a centre for outdoor activities and green tourism. Campbeltown's restaurants and bars are a show case for Kintyre seafood and farm produce, and have become an attraction in their own right.*

*New residential neighbourhoods and waterfront developments have given the town a lively and welcoming appearance, and have played a key role in attracting new residents to the town.*

- This outline business case seeks the resources to continue moving towards that vision

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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

## The economic case

- Private sector investment, in tourism in particular, is picking up in Campbelltown. The Kintyre Way has been open for two years and is attracting more users, with a positive effect on businesses along it. Machrihanish Dunes Golf Links is an important new visitor attraction that will alter Kintyre’s market profile and awareness, bring improved accommodation and underwrite new channels of communication. First Milk Creamery is producing important products for export.
- Public sector investment is also being undertaken by institutions other than the Council – the new police headquarters and housing plans from Scottish Government Housing Investment Division and ACHA being cases in point. The Aqualibrium has commenced a successful track record for public investment, and appears to be yielding not just the benefits promised but a new confidence. Could the economy be turning up from its long term relative decline?
- Three major projects have been identified with very different economic effects, that together can confirm the upturn in Campbelltown investment
  - The **Kinloch Road project** will provide capacity for expansion in the core of the town rather than in peripheral areas, will remove important bottlenecks in terms of logistics, will facilitate housing provision close to the centre, and will dramatically change visual amenity for those entering the town by land or sea
  - Development of the **marina** will build on a natural asset and help to attract high-spending tourists in a growing, green, market
  - The **THI/CARS** project will yield housing and retailing benefits as well as non-quantified heritage values, and a relatively small contribution from the Council will lever in substantial funds from other parties.

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## The economic case (continued)

- Before multipliers the Marina project offers a benefit cost ratio on CHORD funds of 3:1 (4:1 after multipliers), and the THI/CARS project of more than 10:1
- Kinloch Road is considered essential to strategy, but its economic return is hard to assess. As a facilitating development it will need to be instrumental in attracting 25 jobs or housing 35 new households – but the economic appraisal commissioned by the Council estimated 91 gross and 37 net jobs and 73 houses, so it comfortably exceeds these targets. The important thing to achieve these benefits is to attract the necessary investment for the jobs, and to ensure that attractive housing is used to attract desirable working age in-migrants to the region. Achieving this will yield a benefit: cost ratio of a spectacular 7:1
- The cluster of tourism-based activities around Machrihanish Golf Courses makes an important contribution: together with this public sector initiative they can achieve critical mass for Campbelltown. Without the other, each is at risk, whereas the links between them strengthen the projects and the whole community.

## The economic case (continued) - the do nothing option

### To do nothing would simply invite the cycle of decline to continue:

- ❑ In the Kinloch Road project the dilapidation of existing premises would likely become worse, and their influence spread. Shipping difficulties would not only continue to affect current business and deter newcomers, but also reduce the attractiveness of resumed ferry services to operators. At worst, rather than supporting business expansion, they could contribute to the closure of existing operators, who otherwise have significant growth potential.
- ❑ Eventually the summertime pressure on the marina might be sufficient to induce a solely-private-sector investment project, but this would not be for some years and there would be a serious risk of piecemeal development. Predicted growth could be met elsewhere, in Scotland or in Ireland, with permanent loss of Campbeltown's market share. Existing marina facilities are inadequate.
- ❑ External funding for THI could be lost if the Council does not contribute, and loss of the project could lead to further dereliction.
- ❑ Lack of a housing tenure mix and facilities will mean loss of opportunity to attract people.
- ❑ Private sector initiatives could founder because the retail and service offer, and the labour force, were not of sufficient quality or quantity.

## The commercial case

- The Kinloch Road project will involve the Council in a number of property transactions, including disposing of its own depot and acquisition of other premises to allow development. Total expenditure with a present value of £14.6 mn will be offset by receipts with a present value of £6.3 mn so the net requirement for the CHORD initiative is £8.3 mn.
- The cost of the marina has been estimated at £1.5 mn. The Net Present Value is very sensitive to assumptions about the number of visiting boats-nights. Preliminary conservative costings of the marina, and very conservative assumptions about the growth of yachting business, suggest its estimated cost could reach £2.0 mn, predicated on Campbeltown's share of the market shrinking very significantly. If Campbeltown's share were to increase, to levels that pertained before 2003 when the loch began to suffer sewage discharge from the town overflow, the cost could fall significantly below £1mn. Scottish Water has presented proposals to deal with the sewage issue.
- The THI/CARS initiative is projected to cost £1.3mn, of which £220000 is being paid by the Council but funding gaps if still unresolved could leave a further deficit of £300 000.

## The financial case

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- This case poses no unusual financial issues for the Council at all. All projects contain elements of payback. A portion of the funds invested in the Marina (which in any case are recognised as moderate risk) will need to be 'patient money' awaiting growth in yachting and improved water quality in the Loch.

## The management case

- The main management challenge for the Council lies in the fact that these projects underline the imperative for South Kintyre to earn its way in the world. Under the new enterprise arrangements this leaves a much bigger onus on the Council.
- The Council is not alone: its partners on these specific projects include the Scottish Government Housing Investment Department, Argyll Community Housing Association, Heritage Lottery Fund, Historic Scotland and Highlands and Islands Enterprise. This project will help to cement these important partnerships for the Council, with benefits in other areas. For example HIE has previously recognised the Mull of Kintyre as an area of high employment deficit, but capable of transformation through investment. These are part of HIE's strategy and the new HIE operating plan says:
  - Central to our success will be a highly effective close working relationship with the seven local authorities that operate within the Highlands and Islands. Building on the Concordat, we will engage at both the strategic level to develop a shared understanding of long-term goals and at the operational level to ensure effective delivery of GES and the implementation of Single Outcome Agreements across the Highlands and Islands.

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## Risk Register

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Both the Kinloch Road and THI projects are subject to normal construction risks of overrun on costs and time. There is a risk that the take-up of buildings and premises may be slow, but this is not a risk internal to the project.

The marina project is subject to uncertainty about the growth of the market and Campbelltown's share of the market. The latter could be severely diminished if the sewage discharge issue is not resolved.

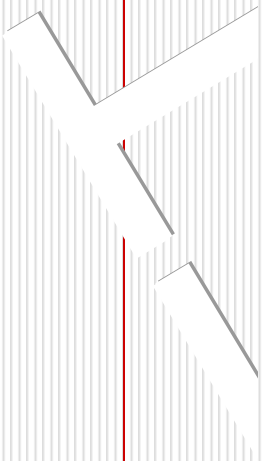


## Benefits Register

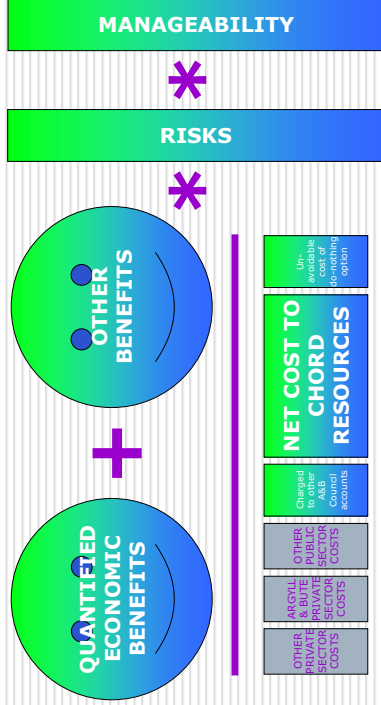
- The major benefits of Kinloch Road and the THI will be realised through increased turnover and employment in the commercial, retail and hospitality sectors and through housing. The Council is recommended to set in place a system for monitoring this and the overall prosperity of Campbeltown . Such a system could include a quarterly tally of accommodation spaces and occupancy, golf rounds, retail turnover, unemployment tracking, and monitoring of employment vacancies advertised in the local press and via JobCentres. It could be summarised in an annual ‘health of the peninsula’ report, covering not only population and economic wellbeing but other aspects of Kintyre life.
- Monitoring the marina is important, and could usefully form part of a council-wide initiative, or of Council participation in a Clyde-and-Council initiative. As a destination development initiative it could expect support from visitScotland.

# A balanced appraisal

- The Kinloch Road project is, according to a separate economic assessment, of high value in 'creating' jobs in commercial and industrial premises, and providing housing.
- This would yield exceptional benefit cost ratios of 7:1 but is predicated on a fairly buoyant economy and attracting new in-migrants of working age.
- Buoyancy in our view is predicated on the private sector, current and planned, continuing to prosper.
- The marina yields a good return, especially if the yachting market grows as predicted by most. Spending outwith the marina itself can turn an adequate Council and private investment in the marina itself into a real money-spinner for the town as a whole.
- The good return to the community on the heritage towncentre initiative is turned into an exceptional one by the willingness of partners to contribute



## Evaluation Formula



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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL.

# Backup and Boilerplate

## □ CHORD PROJECT WORKING PAPERS

1. Campbeltown Economic Profile – cogentsi
2. Campbeltown Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM® people demographic analysis and projections for Campbeltown and Argyll and Bute - cogentsi
4. Project Proforma – Kinloch Road
5. Project Proforma – Campbeltown Loch Marina
6. Project Proforma – THI and CARS
7. Conformity of Campbeltown CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
8. Conformity of Campbeltown CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
9. Economic appraisals including discounted costs and benefits
10. Financial and commercial appraisals including discounted cash flows,
11. Benefits register
12. Draft risk register and risk potential assessment
13. Draft and nominations for commissioner/stakeholder support,
14. Arrangements for post-project evaluation and implementation review.
15. References
16. Consultees

## □ BACKGROUND AND PREPARATORY STUDIES

1. Argyll & Bute Structure Plan
2. Argyll & Bute Finalised Draft Local Plan Maps
3. Argyll & Bute Modified Draft Local Plan Written Statement Working with Argyll & Bute's Built Heritage
4. Argyll & Bute Council Corporate Plan 2007-2011 and beyond
5. Initial Business Case – Campbeltown Town Centre and Waterfront
6. Argyll & Bute Data Set
7. An Economic Strategy for Argyll and the Islands
8. Campbeltown THI Supporting Documents
9. Heritage: Social, Economic and Environmental Benefits
10. GOAD Centre Report - Campbeltown
11. Public Sector Business Cases Using the Five Case Model: a Toolkit
12. The Outline Business Case – Project and Procurement Support for Local Authorities
13. Campbeltown – Town Centre Study
14. Appraisal and Evaluation in Central Government – The Green Book
15. A Smart, Successful Highlands and Islands
16. Campbeltown Settlement – Economic Overview
17. The Campbeltown Book
18. Campbeltown Street Guide
19. Operational Programme – European Territorial Cooperation Objective
20. Campbeltown Marine Tourism and Berthing Study
21. Campbeltown Loch Development Options Appraisal
22. Scottish Small Towns Report 2007-2013)
23. A Smart Successful Scotland
24. National Planning Framework for Scotland
25. National Planning Framework for Scotland Monitoring Report
26. Interreg IV Operational Programme
27. The Scottish Government Economic Strategy
28. VisitScotland Accommodation Guide
29. Campbeltown and Kintyre Strategy
- 30.

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## Campbeltown – the best choice for Argyll and Bute

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- ❑ Trends in leisure tourism are among several factors that are helping to turn the economy in Campbeltown upwards after decades of decline. Public sector investment must play its part in the renaissance
- ❑ These three projects will build on and enhance the unique characteristics of Campbeltown as a place and sort out some of its main outstanding issues as a location for producing goods and services and as a communication node. They will enhance its position as the capital of Kintyre and can have a demonstrable effect in bringing forward new ferry links.
- ❑ The harnessing together of moderate public sector investment and private sector developments, that both link the natural and built environments, will strengthen both and have a permanent positive impact on this special place.

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# The Campbeltown Dossier

# Working papers

These working papers were produced in order to create the Campbeltown Dossier. Although they illustrate the method they may not be exactly compatible with the Dossier itself

Fri, 13 June  
2008

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## Working Paper 1 - Campbeltown Economic Profile

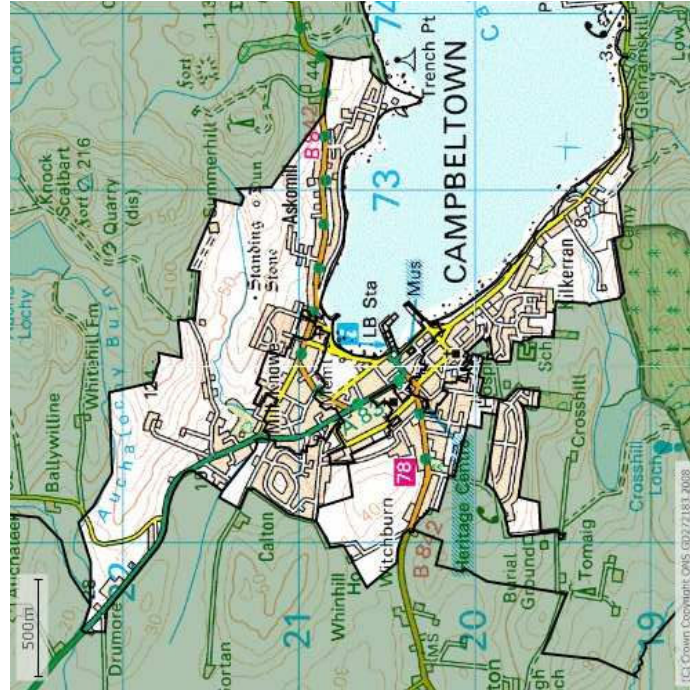
### About Campbeltown

Campbeltown is the largest settlement on the Kintyre peninsula and is the most remote town on the UK mainland. It is the main service centre for the Kintyre area, reflected in the large proportion of the population employed in retailing, wholesaling and public services. The town continues to have a relatively thriving retail centre, mainly as a result of its remoteness from other shopping facilities.

This section provides a snapshot of the current economic conditions in Campbeltown. It considers a number of economic variables including population distribution, employment by sector, business size and unemployment.

Figure 1 is a map of the area considered in this section, and on which the data presented is based.

**Figure 1 : Map of Campbeltown settlement**



### Population distribution

Table 1 shows the population change in Campbeltown between 2001 and 2006 and compares it with the respective changes in Argyll and Bute and Scotland as a whole.

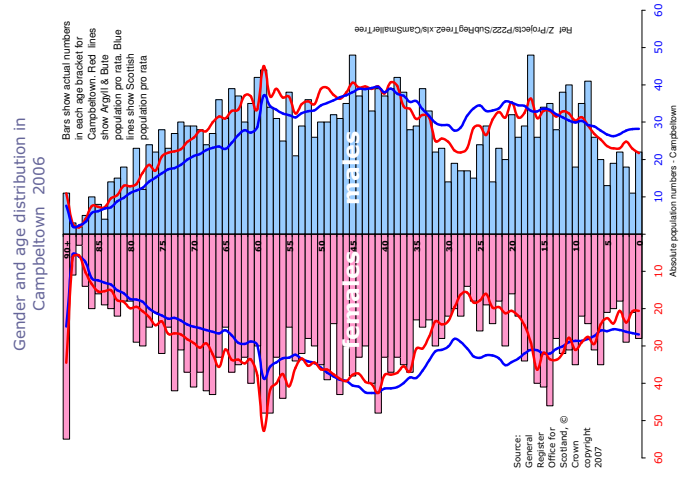
**Table 1 : Population change 2001-2006**

Population change 2001-2006			
Area	2001	2006	% Change 2001-2006
Campbeltown	5,305	5,108	-3.7%
Argyll & Bute	91,390	90	0.1%
Scotland	5,064,200	5,116,900	1.0%

Source: GR05, Small Area Population Estimates, 2001 to 2006

In 2006, the population of Campbeltown was estimated to be approximately 5,110. Between 2001 and 2006, the population decreased by 3.7 per cent compared to a stable population in Argyll and Bute and a slight rise of 1 per cent across Scotland. Annual population estimates suggest that the population of Campbeltown fell year-on-year between 2001 and 2006 except for between 2003 and 2004 where there was slight increase.

**Figure 2 : Gender and age distribution in Campbeltown 2006**







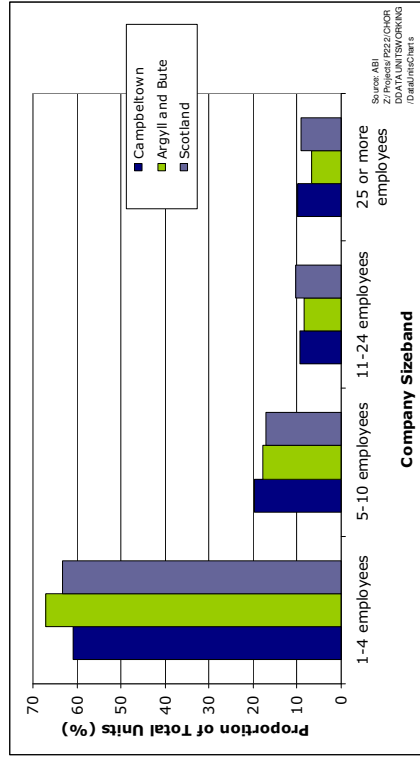
Self employment in Campbeltown, at 7.2 per cent is comparable with other CHORD towns, but is below the Argyll and Bute average of 11.5 per cent, primarily because self employed farmers are concentrated in rural areas..

### Business size

The Annual Business Inquiry provides information on the number of data units located in an area. The number of data units in an area can act as a good indication as to the number of work places operating in an area employing staff. Data units do not correspond directly to the number of work places in an area as self employment is not taken into consideration.

Companies employing less than 5 members of staff are most prominent in all of the areas considered. The proportion of these smaller companies is slightly lower in Campbeltown than elsewhere, accounting for only 60.9 per cent of all business units compared to 67.2 per cent for Argyll and Bute and 63.3 per cent for Scotland. The proportion of medium (5-24 employees) and larger businesses (25 more employees) is higher in Campbeltown and account for 29.2 per cent and 9.9 per cent of all data units respectively.

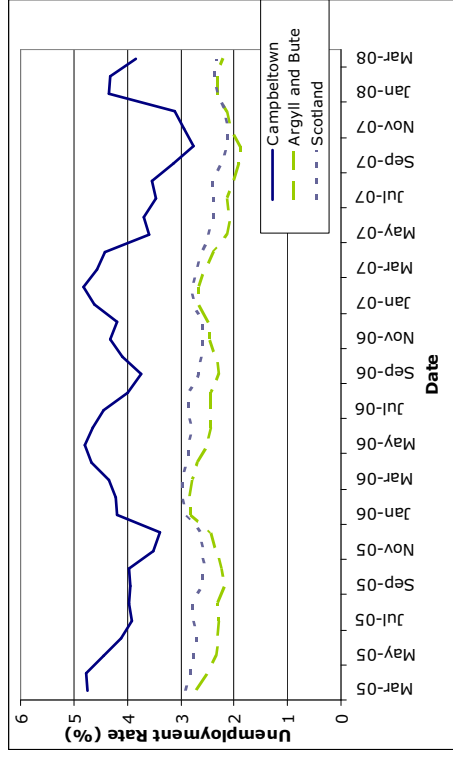
**Figure 5 : Distribution of business units by company size, 2006**



Source: ABI  
Z:\Projects\F222\CHORD  
DATA\ANBUSWORKING  
TABLES\Figure 5

### Unemployment

**Figure 6 : Unemployment rates March 2005 to March 2008**



The level of unemployment in Campbeltown was significantly higher than the Argyll and Bute and Scottish averages from March 2005 to March 2008. However, there is some evidence of a decline in the unemployment rate during this period, falling from 4.7 per cent in March 2005 to 3.8 per cent in March 2008. The rate of decline in Campbeltown's unemployment levels is greater than the decline in both Argyll and Bute and Scotland, although it should be noted there is a lot of fluctuations in the figures.

Despite Campbeltown's high unemployment levels, the proportion of claimants unemployed long-term has decreased dramatically, falling from 43.3 per cent in March 2005 to 20.8 per cent in March 2008. Following this decrease the percentage of claimants unemployed long-term in Campbeltown is below both the regional and national levels. It is important to note however that these changes are based on small absolute numbers.

**Table 3 : Long term unemployment March 2005-March 2008**

Date	Campbeltown		Argyll and Bute		Scotland	
	No. unemployed long term	% of total unemployed	No. unemployed long term	% of total unemployed	No. unemployed long term	% of total unemployed
March 2005	65	43.3	35.7	35.7	30.0	30.0
March 2006	35	25.9	32.9	32.9	30.2	30.2
March 2007	60	42.9	33.5	33.5	31.2	31.2
March 2008	25	20.8	29.2	29.2	25.9	25.9

**Working Paper 2 - Campbelltown Property and Retail Market Review**

**Town centre retail offering**

A recent report<sup>1</sup> indicates that in October 2006 there were a total of 111 retail outlets in Campbelltown with a combined floorspace of 163 000 square feet.

As illustrated in Figure 7 the proportion of vacant retail outlets in Campbelltown is higher, both in terms of the number of units and floorspace than the UK average. 14.4 per cent of all retail outlets in Campbelltown were vacant in October 2006, compared to a UK average of 11.2 per cent.

**Figure 7 : Retail vacancy rates**

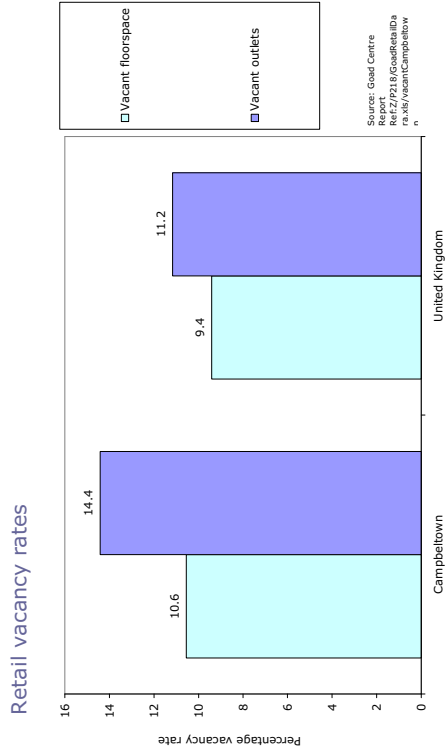


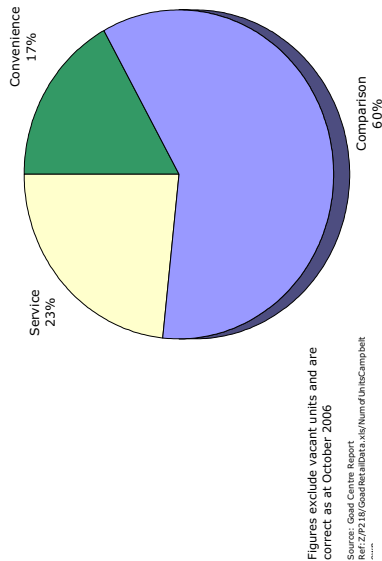
Figure 8 shows how the occupied retail units in Campbelltown are split into three different categories of comparison (non-food retailers), convenience (food retailers) and services (such as banks).

The distribution of Campbelltown's retail units is very similar to the UK as a whole with convenience retailers occupying similarly large shares of all units (60 per cent in Campbelltown and 57 per cent in the UK). This perhaps reflects Campbelltown's remoteness from other retail centres which means that despite its size it is able to offer a range of goods and services.

<sup>1</sup> GOAD report for Campbelltown, October 2006

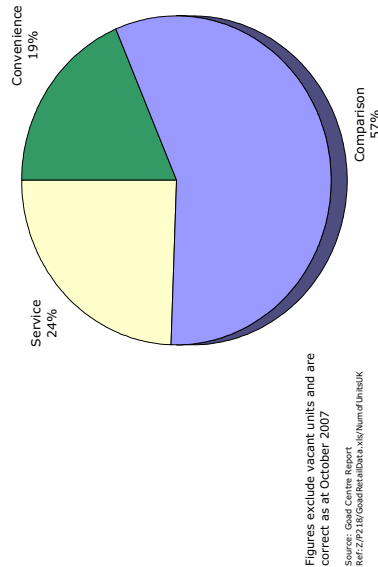
**Figure 8 : Number of occupied retail units in Campbelltown**

Number of occupied retail units in Campbelltown



**Figure 9 : Number of occupied retail units in the UK**

Number of occupied retail units in the UK



**Retail businesses**

Ryden reports that the town's business and industrial sectors are greatly affected by local market activity and also economic decisions taken elsewhere, on investment in local businesses, infrastructure, transport and public services<sup>2</sup>.

<sup>2</sup> Yellow Book. Campbelltown and Kintyre Strategy. November 2005.

There are 423 occupiers in Campbeltown, of which those who employ 20 or more people are: NHS Highland, Vestas-Celtic Wind Technology Ltd, David Oman & Co, Tesco Metro, Campbeltown Grammar School, West Coast Motor Services Co, Bank Of Scotland, Kintyre, J & A Mitchell Co Ltd, Argyll, Peter McKerral & Co, Castiehill Primary School, Scottish Milk Products Ltd, Argyll Arms Hotel, Kintyre Recycling Ltd, Crossreach, McFadyens Transport Ltd, McKinven & Colville Ltd, Wally's Megastore, Royal Mail, Campbeltown Medical Practice, Argyll & Bute Council, Ardsheel Hotel and Gale College.

### **Core retail area**

Most of the retail outlets are on Main Street, Longrow, Hall Street, Burnside Street and Union Street. Although there are no large supermarkets in Campbeltown there are four grocers and convenience stores, including Tesco Metro (Lochend Street), Co-op Foodstores (Croxley Rise), A McKellar (Main Street) and A J MacLellan (Ralston Road). They are reported to be trading relatively well.

### **Multiple retailers and local independents**

Although the town has a relatively self-contained retail sector that serves the Kintyre peninsula its population is too small to attract many national multiple retailers. The larger multiple retailers with a presence in the town include Tesco, Victoria Wine, British Red Cross, Alliance Pharmacy, Woolworths, The Royal Bank of Scotland and Co-op Foodstores.

There is a significant number of local independent retailers and traders in the town, including butchers, pharmacies, mortgage advisers, car body repairs, charity shops, gift shops, property management, pottery suppliers and delicatessens.

### **Demand for retail space and vacant space**

The potential catchment on convenience shopping was estimated at £15 million per annum in 2006, with a very high level (94 per cent) of expenditure retained in the town<sup>3</sup>. Of the potential catchment expenditure for comparison shopping of £19 million per annum, just over 50 per cent is retained with the remainder flowing out to larger centres, via the internet and mail order shopping. Clothing and footwear was reported as a gap in the local market in the G L Hearn report. Given the projected fall in population of the area, there is little additional retail potential for the town.

It was not possible to identify any retail premises currently on the market in the town. This corroborates Ryden's view in 2005 that very few retail properties are sold or leased<sup>4</sup>. Whilst this initially appears to conflict with the 2006 study which suggests a 14 per cent vacancy rate, it could indicate a shift in the retail fortunes of the town, or could suggest that a number of the units are vacant but not on the market.

<sup>3</sup> G L Hearn. Campbeltown Town Centre Study. August 2002. quoted in Yellow Book. Campbeltown and Kintyre Strategy. November 2005.

<sup>4</sup> Yellow Book. Campbeltown and Kintyre Strategy. November 2005.

### **Retail planning applications and inquiries**

No recent retail planning applications could be identified.

### **Recent retail deals**

Two recent sales of retail property have been identified. A traditional 334 square foot shop unit on Longrow South was sold in June 2006 for £9 500 (£28 per square foot), and a 8 732 square foot modern shop on Main Street was sold in April 2006 for £485-587,000 (£56-67 per square foot). Some other small units on Main Street have been advertised for sale but it is not known whether they have been sold<sup>5</sup>.

### **Leisure activity**

The main leisure facility **in** the town is the new Aqualibrium swimming pool and fitness room complex. This award winning building, which has a biomass boiler fuelled by woodchip sourced from a local sawmill, provides a striking landmark on the Campbeltown waterfront.

The main outdoor leisure draws are golf, walking, wildlife and sailing. The Kintyre Way walk opened in 2006 and allows walks over 86 miles around the area. The town has a variety of accommodation (from caravan sites to bed and breakfasts to guest houses to hotels), a museum, heritage centre and the oldest operating cinema in the country.

### **Leisure attractions, investment and planning applications**

The main attractions in the area are:

- Springbank Distillery
- The Campbeltown Heritage Centre
- Campbeltown Museum and Library
- The Picture House (The Wee Pictures)
- Campbeltown Cross

Close to Campbeltown is Machrihanish Golf Links. The first hole at Machrihanish has been voted 'the best first hole in the world' by top Professional Golfers Association golfers. The course is becoming increasingly well known and attracts overseas golfers, especially from the USA.

Planning consent was granted in 2005 for a £20 million development of Machrihanish Golf Links by Brightside Leisure, including a championship course, clubhouse and 32 timeshare lodges. Brightside Leisure is also assembling sites in Campbeltown to expand the Royal Hotel and develop flats and office accommodation on adjoining sites.

Five hotels have been sold since 2006 (the Ardsheel Hotel, Seafield Hotel, Ashbank Hotel, the Hunting Lodge Hotel and Holiday Cottages and the White Hart Hotel on Main Street). There is also a public house for sale (The Ailsa Bar on Shore Street).

<sup>5</sup> Scottish Property Network, searched 4 April 2008.

**Leisure planning applications**

Detailed planning permission was granted in 2003 for a swimming pool and library development at Kinloch Park (7 212 square foot, project value £6 million), which has now been built and called the Aqualibrium Leisure Centre.

**Office market**

**Office market**

The office market in Campbeltown is mainly traditional offices, often upper floors above retail units, although there are some large modern offices. They are mostly occupied by traditional professional service providers.

**Supply and uptake of offices**

Historically, there are very few offices available to lease or buy in the town (although there may be other informal transactions). An illustration of this is that there are no leasehold transactions for the town on the Scottish Property Network database<sup>6</sup>.

One sale is recorded in the database, of a 2 650 square foot traditional upper floors office on Castlehill which was sold in June 2007 for £85 000 (£32 per square foot).

There have been planning applications for two significant office developments since 2000. The Strathclyde Police Joint Board was granted detailed planning consent in August 2007 for a new build 17 653 square foot office on Lady Mary Row with an estimated project value of £4.3 million.

The other consent was for a 10 764 square foot office complex developed by Argyll & Islands Enterprise on Snipefield Industrial Estate which was completed in 2001; this office is now available to rent for £86,000 per annum (£8 per square foot), as the previous tenant which was a call centre business, Contact 4 U, went into liquidation. Ryden has noted that the rents for modern offices in the town are 25-50 per cent lower than for similar premises in central Scotland.

**Council offices**

The Council has six offices in the town, at Witchburn Road, Dell Road, Town Hall, Old Quay Head and Quay Buildings, totalling 32,325 square feet. In 2005 the Council's Campbeltown Property Options Group was reviewing its premises in the town and considering interim actions, such as relocating some staff, before consolidation at a single location.

<sup>6</sup> Scottish Property Network database. Searched 4 April 2008.

**The residential market**

**Population projections**

There is a long-term trend of population decline in Kintyre and this is forecast to continue between 2007 and 2012, both in terms of population and numbers of households (see Table 4). The area has a more aged population profile than the rest of Argyll and Bute and of Scotland, and the proportion of older people is projected to increase.

**Table 4 Population projections**

Projected population and households to 2012 <sup>7</sup>	2002 Population	2002 Households	2007 Population	2007 Households	2012 Population	2012 Households
South Kintyre	8,169	3,678	7,635	3,572	7,022	3,447
Argyll and Bute planning area	87,882	37,758	86,839	38,567	85,567	39,227

There is a lower proportion of owner-occupied houses in Kintyre than in Argyll and Bute and Scotland, and a very small and contracting private rented sector.

The Council has stated that economic regeneration in the area is likely to lead to increased demand for houses and so estimated a requirement for 38 new private sector provided affordable houses per annum in Kintyre (20 on the mainland and 18 on Gigha)<sup>8</sup>. Although there is a general surplus of social housing in the area, there are areas where demand exceeds supply, notably on Gigha and for housing for single people and the elderly.

**Market activity**

Campbeltown house prices are less than half the national average, as shown in Table 5. There is a high degree of 'self-containment' in the housing market (i.e., fewer houses are bought by in-migrants) which is likely to have contributed to the lower prices.

**Table 5 Average house prices**

Average house prices (£) <sup>9</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Campbeltown	£56,869	£66,594	£69,594	18%	4%
Scotland	£117,179	£129,575	£144,807	11%	12%

<sup>7</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>8</sup> Argyll and Bute Local Housing Strategy 2004-2009.

<sup>9</sup> Registers of Scotland; data for April 2005 to April 2008. Data is not available for Campbeltown from HBOS / Halifax.

The number of houses sold in Campbeltown has stayed relatively constant between 2005-2007 at around 100 houses per annum, as shown in Table 6.

**Table 6 House sales volumes**

House sales volumes <sup>10</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Campbeltown	92	120	100	30%	-17%
Scotland	125,523	133,174	136,106	6%	2%

**Residential developments**

Building activity is minimal in the area compared to other areas in Argyll and Bute<sup>11</sup>. Recently, the major new-build housing development has been of 137 new and refurbished houses at Sound-of-Kintyre, Machrihanish; Ryden reported 60 per cent of sales were to local occupiers<sup>12</sup>. There has also been a development of four family homes and four cottage flats on Ralston Road by Fyne Homes Housing Association.

**Residential applications.**

The Local Plan has made allocations for 171 new build houses in the area, as shown in Table 7. The Argyll and Bute Local Housing Strategy 2004-2009 does not envisage the need for large numbers of new affordable houses in the area.

**Table 7 Housing allocations**

Housing allocations – South Kintyre <sup>13</sup>			
Location	Use	Number of units	Affordability minimum %
Campbeltown – Braeside	Housing	56	25%
Campbeltown – Pole Park	Housing	11	0%
Campbeltown – Dalintober	Housing	23	25%
Campbeltown – Fort Argyll	Housing	10	0%
Campbeltown – Kilkerran	Housing	25	0%
Carradale	Housing	22	25%

<sup>10</sup> Registers of Scotland; data for April 2005 to April 2008

<sup>11</sup> Argyll and Bute Council. Local Housing Strategy 2004-2009. February 2005.

<sup>12</sup> Yellow Book. Campbeltown and Kintyre Strategy. November 2005.

<sup>13</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006. Allocations are sites proposed by this local plan for specified development purposes which can be expected to be commenced or delivered within the plan period without having to overcome significant obstacles to the development.

Peninver	Housing	15	0%
Southend	Housing	9	25%
TOTAL		171	

Table 8 details the areas of potential housing development in south Kintyre.

**Table 8 Housing potential development areas**

Housing potential development areas – South Kintyre <sup>14</sup>			
Location	Use	Density	% affordability
Campbeltown – Hillside Farm	Housing	Medium / High	0%
Campbeltown – Craiggowan Road	Housing	Medium	0%
Campbeltown – Balegreggan	Housing	Medium	0%
Campbeltown – Bellfield	Housing	Medium / Low	0%
Campbeltown – Bellfield	Housing	Medium / Low	0%
Campbeltown – Bellfield	Housing	Medium / Low	0%
Campbeltown – Bellfield	Housing	Low	0%
Campbeltown – Bellfield	Housing	Low	0%
Campbeltown – Gallowhill	Housing	Medium	0%
Campbeltown – Witchburn Road	Housing	Medium	0%
Machrihanish	Housing	Medium	0%
Peninver	Housing	Medium / Low	0%

**Areas for action identified in the Local Plan**

Areas for action are areas which, subject to resource availability during the plan period, will be the focus for partnership or community action. The AFAs for South Kintyre are detailed in Table 9.

**Table 9 Areas for action**

Areas for action – South Kintyre
Campbeltown – harbour; strategic; harbour improvements and development.
Campbeltown – Kinloch Park; strategic; leisure development improvement.
Campbeltown – Quarry Green; local; waterfront environmental enhancement.

<sup>14</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006. Potential development areas are broad areas identified by this plan which may emerge during the plan period for infill, rounding-off, redevelopment or new development. Such opportunities are not currently fully resolved and issues may require to be overcome before development can take place.

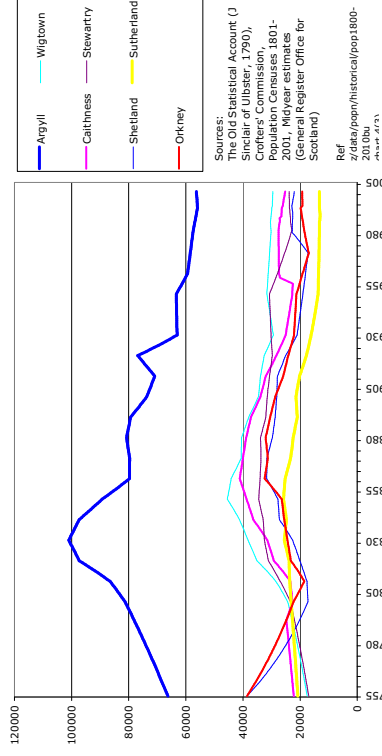
**Working Paper 3 - DREAM®people demographic analysis and projections for Campbeltown and Argyll and Bute**

Considerable attention has been paid to the trends in population, because most CHORD projects aim to make Argyll and Bute a more attractive place to live and work, and thus to bend such trends.

Depopulation in Argyll has been a long term issue since 1830:

**Figure 10 Population trends 1755-2005**

Population trends in Rural Scotland, 1755-2005



Most of the changes have focused in the Kintyre peninsula<sup>15</sup> – including the upswing in the 1920s after formation of the Irish Free State.

**1.1 Population trends in Campbeltown**

Chris Carr, the Council's Research and Information Officer, produced the Council's own forward projections of population in August 2007, based on midyear estimates made by the General Register Office (GROS) for mid 2005. This showed the regional population declining slowly from 91 350 to 87 550 in 2024. It was broken down into five areas, but not to the level of the towns which are the subject of the CHORD studies.

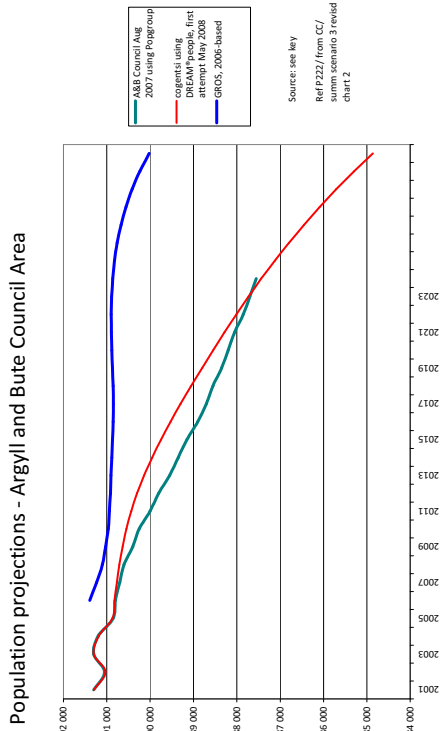
The consultants cogentsi have used their own model, DREAM®people, to generate town projections based on 2006 mid year estimates from GROS. In order to calibrate these projections they allowed the model to project for the whole of Argyll and Bute. The end result, a total population of 87 375 in 2024 is virtually identical to the A&B Council projections.

GROS itself prepared a projection published in January, based on rather higher birth rates and lower death rates, and substantially higher retention of young people. This resulted in a higher and more stable population, but eventually in a decline at an accelerating rate.

<sup>15</sup> The statistics in Figure 10 relate to a narrow historic delineation of Argyll

Campbeltown – Town centre (Longrow/Kinloch Road); strategic; relocation/redevelopment town centre improvement.
Campbeltown – Roading/Glebe Street; strategic; relocation/redevelopment edge of town centre improvement.
Carradale – harbour; strategic; harbour improvements and development.
Machrihanish Air Base – strategic; redevelopment and inward investment opportunities.

Figure 11 Population Projections



While the Council's and cogentisi's forecasts differ little in total, there are differences in the forecast structure of the population. These arise because the models used for projection, while mathematically very similar indeed, differ slightly in the way that migration assumptions are input and are treated. Using a model Popgroup, the council made a single constant level net migration assumption of 241 net in migrants per year, and a single fixed assumption about the age of these migrants. Using DREAM@people, cogentisi assumed constant rates of net migration for five different age groups, based on recent experience.

The cogentisi forecast features out migration of young people (from 16 up to 33) and in migration of all other age groups. The consequence is a slightly more rapidly ageing population. Notably the number of people of childbearing age is projected to fall, so that by the later years of the projection the number of births is much lower in the cogentisi forecast, and this causes the rate of population decline to accelerate.

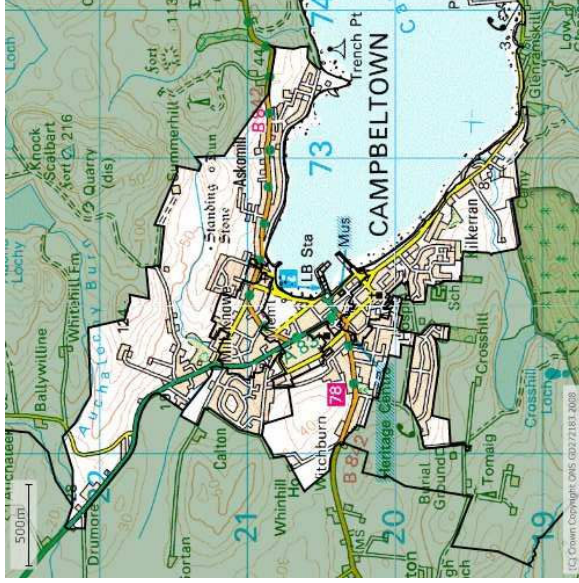
The differences between the three projections for Argyll and Bute are not negligible, but the differences between different parts of Argyll and Bute are much larger. These differences are primarily the consequences of different structures and trends, and the differences between areas are likely to remain broadly the same whichever model is used.

1.2 Campbeltown demographics

Campbeltown (defined as the seven Data Zones shown in Figure 12) had a 2006 population of 2688 females and 2420 males<sup>16</sup>.

<sup>16</sup> Numbers are quoted precisely here because of their use in later calculation. They should not be considered reliable more closely than the nearest 50.

Figure 12 : Map of Campbeltown



Campbeltown has a higher proportion of its population aged over 60 than Argyll and Bute as a whole, as shown in Figure 13. In addition, the deficit, compared to Scottish national figures, in the number of people aged between 18 and 35 is larger in Campbeltown than in Argyll and Bute as a whole. In addition, this deficit extends into older working age groups as far as 50 year olds. Thus Campbeltown already has a smaller-than-normal proportion of its population of working age.

Figure 13 Excess/deficit by age in Campbeltown

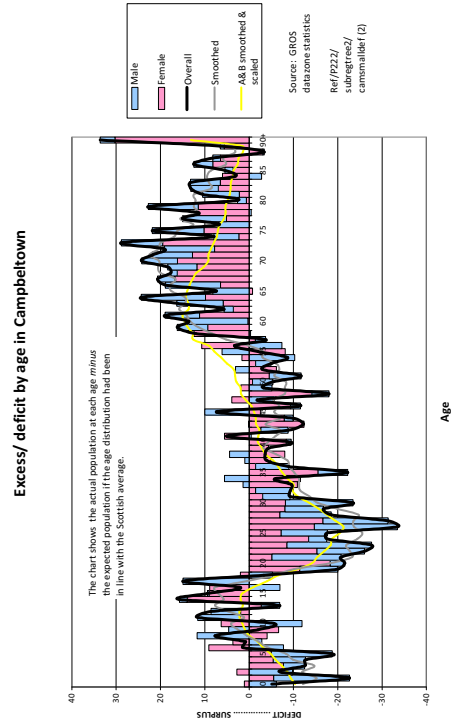
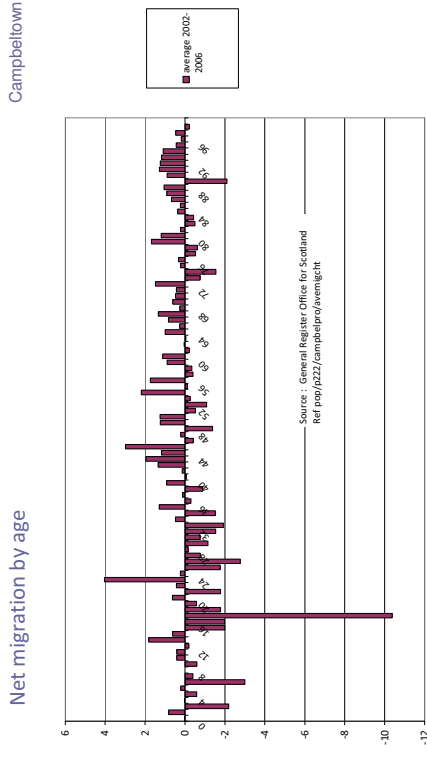


Figure 15 also illustrates the shifts in birth and death rates in Campbeltown, which on the whole mirror the national experience. The recent age pattern of net migration to and from Campbeltown is shown in Figure 14:

**Figure 14 Net migration by age**



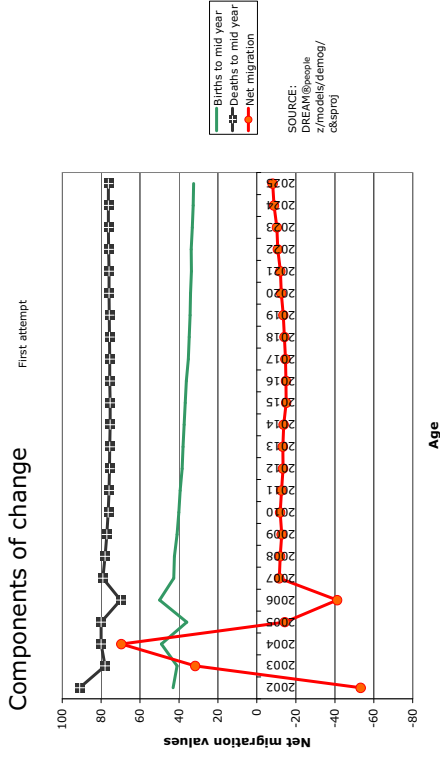
Although the numbers are very small, migration in Campbeltown follows a similar pattern to that of Argyll and Bute as a whole. In Campbeltown, there is an out-migration in the under 32 age group which results in an average loss of around 25 people per year. Over five years at least 20 people left in their late teens but (in net terms at least) a quarter 'came back in their early twenties'. In contrast, in the over 42 age group, there is in-migration resulting in a gain of around 25 people per year; hence the out-migration of the younger age group is balanced by the in-migration of the older age group. Late career and retirement-oriented migration is, however, lower than in Argyll and Bute as a whole – about half the rate. In 2006 there were around 50 births per year in Campbeltown. This is lower than the death rate for the town of around 70 per year. The birth rate in Campbeltown is rather lower than the Argyll and Bute average, while the death rate is slightly higher (both normalised for the age structure of the population).

Thus the population as a whole is declining annually by around 20 people, about 0.4 per cent, per year. This compares with an Argyll and Bute decline of 0.3 per cent.

### 1.3 Projections

The main components of population change have been projected in Figure 15.

**Figure 15 Components of change**



This chart shows that no controversial shifts are included in these projections for either birth rates or death rates, but that net migration is erratic from year to year and so no great certainty can be claimed in projecting it on the basis of only five years measured experience. In general however, the number of deaths is expected to remain relatively stable in the future, at around 70 to 80 per year. The number of births is expected to decrease steadily year on year from its current level of 40 to nearer 30 by 2025, due to a fall in the number of women of childbearing age.

As shown in Figure 16, the population of most sections of the community are projected to fall, with the greatest declines in the student age and school age groups which are expected to roughly halve in size by 2025. The working age population is projected to fall by a fifth over the same period. The number of retired people in Campbeltown is the only section of the population which is expected to grow in numbers. However, due to the lower in-migration, this is to a lesser extent than in the other CHORD towns.



**Figure 16 Trends in age groups**

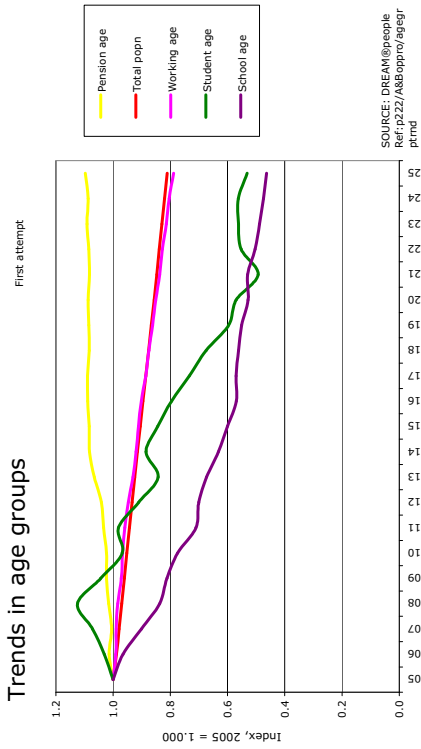
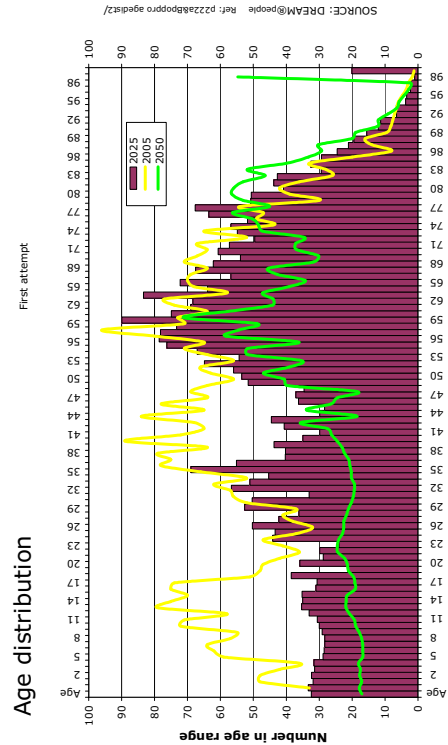


Figure 17 shows how the population distribution of Campbeltown will change between now (yellow line) and 2050 (green line). It shows that in 2025 (illustrated by the purple bars) the retired population is expected to increase slightly on current levels. The under 25s population is expected to see significant declines over the same period as with the 35 to 50 age group. Looking further into the future the declines in the younger population are expected to continue but also the retired population is also expected to decline significantly eventually, except in the over 80 age range.

**Figure 17 Age distribution**

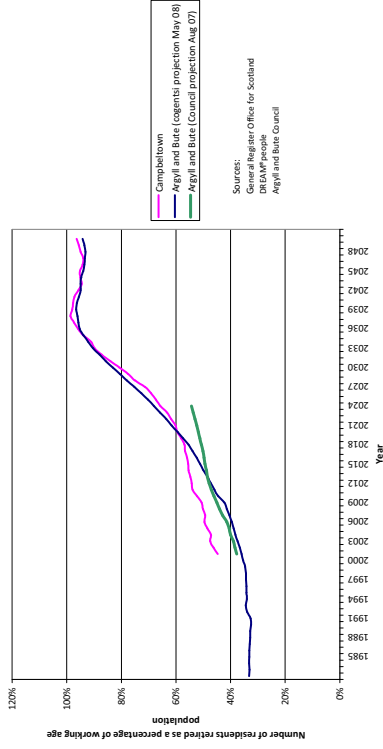


The ratio of people past retirement age (taking current conventions of 60 for women and 65 for men) to those aged between 18 and retirement is

sometimes referred to as a 'dependency' ratio. Currently, this ratio is higher in Campbeltown than for Argyll and Bute as a whole at around 50 per cent compared to 40 per cent for Argyll and Bute. This ratio is projected to increase in Campbeltown to nearly 100 per cent by 2035, a similar level as Argyll and Bute as a whole.

**Figure 18 Ratio of people over pension age to those aged 18**

Ratio of people over pension age to those aged 18-pension age\*



It would be hard to overstate the importance of this demographic trend as an issue requiring attention.

To ensure these forecasts can be reduced, or at least delay the level of dependency Argyll and Bute should adopt policies to attract more young people to live and work in the Campbeltown.

**Working Paper 4 - Project Description: Kinloch Road**

**Short description, including location details**

Kinloch Rd redevelopment – a relocation and development project for a prime site in the town currently occupied by light industrial uses

**Rationale**

**What is the purpose of the project?**

To deliver the Local Plan 'Area for Action' and pursue the opportunity identified in the yellowbook study

**What people or businesses will be able to receive benefit from this project?**

The local community and businesses

**What will be the nature of the benefit?**

The local community should see increase on housing on offer and obtain confidence from the redevelopment of what is currently an unattractive site. Local businesses will be afforded prime opportunities not seen in the town centre and links being made between the town centre, park and waterfront

**Over what time scale?**

5 – 7 years depending on available capital investment

**How many are expected to take up the opportunity/ be affected/, and to what extent?**

There are at least 10 businesses which may have to relocate, but there may be similar opportunities available as a consequence of redevelopment. There are also 20 flats which are likely to be part of the development

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

This will become clear over the coming month, but it is anticipated that it will attract private sector interest, ACHA are currently interested in acting as lead developer. Visitors and residents will find a lot more attractive area, which will complement the attractiveness of its surroundings.

**Options**

**Are there other ways these benefits could be made available?**

Only if the private sector market suddenly picked up which does not appear likely

**Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Unlikely as one of the businesses was recently on the market for 2 years without much interest. It appears that the purchaser was interested speculatively due to the potential for public sector investment in the area

**What will happen if nothing at all is done?**

It will continue to act as blight on the on the townscape and create a barrier between the town centre, park and waterfront

**Resources**

**What specific fixed assets will be used? (and who owns them?)**

Council depot plus variety of privately owned premises

**What new assets must be purchased or otherwise brought into use?**

Approximately 10 businesses and 20 flats

**What human resources will be used?**

A project manager / lead plus input from development control, Legal, Estates and Amenity Services

**What ongoing resources will be used?**

Potentially development services for consultancy or £100k waterfront budget for further studies such as ground conditions and detailed master planning.

**What capital funds are required from the Council and others?**

Yet to be defined (see Roger Tym work to be provided) - potentially £2m --£5m depending on the development option and ground conditions.

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

??

**Additional comments/notes on continuing viability/sustainability.**

Without the capital resource the project will unlikely to succeed at a level which will help to redress the deep rooted problems facing the town. The site has significant development potential and can be very attractive. The fact that it hasn't develop indicates a failure in the market. Therefore, significant public sector investment will be required to make it work. A great start has been made with Aqualbrium which highlights the potential.

**What commitments have already been made (by the Council or other parties) and to whom?**

It is recognised by the town that the Council is looking to develop the site. This has been in the local press on at least two occasions.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

As a CPO / development of such a scale is not a course of action often taken by the Council, strong political leadership will be required to deliver the project

**Timing**

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

Programme to be attached

**Are there any external constraints on either commencement or completion of the project?**

A proper assessment needs to be carried out on the ground conditions. The complexity caused by the different ownerships will be a barrier but with determination they can be overcome. The CPO legislation supports the proposals.

**Strategic fit and externalities**

**How does the project impact on the Council's statutory obligations?**

Will help to deliver Housing Strategy / housing obligations

**What are the relevant parts of the local plan and how does the project fit?**

These are driving the project:

Area for Action (AFA) 14/2 in new Argyll and Bute Local Plan states: To make effective use of post and future investment in Kinloch Park as part of:

The regeneration of fragile communities in the Kintyre Peninsula and in support of the Structure Plan REC SI 3 relating to the "Argyll Isles Rural Development Area".

The promotion of 'action programmes' for Campbeltown town centre and waterfront (see Structure Plan – Schedule 4/5a)

To consider residual issues arising from the swimming pool redevelopment project.

To make more effective use of Kinloch Park recreational and other uses, landward and seaward.

To make more effective use of surrounding road space.

AFA 14/4

To make effective use of this central area of Campbeltown as part of:

(see Structure Plan noted above)

To promote a relocation strategy to address the poor arrangement of land use and compatibility issues within this area (potential to relocate business and industry to alternative plan supported locations).

To consider appropriate redevelopment opportunities.

To undertake land assembly and asset management in association with the above.

To consider traffic management and parking arrangement options.

To consider townscape enhancement opportunities (particularly on Kinloch Road and Longrow frontages)

To consider health and safety zones.

**What are the relevant parts of the structure plan and how does the project fit?**

See above

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Vibrant communities

**How does the project align with the Government's stated objectives of**

**Wealthier and fairer/ Smarter/ Safer and stronger/ Greener?**

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

ACHA, Communities Scotland and HIE have been key partners from the beginning of the project. ACHA would like to consider how they can act as the lead on development

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

This is a component part of realising the vision set out in the yellowbook study. They are all relatively small projects which link together to realise the vision and create a sustainable, vibrant place which builds upon its inherent strengths and assets.

**Could the Council have partners in this project and what commitment could be expected of them?**

Yes – ACHA are likely to act as lead and HIE and Community Scotland have already shown their support by part funding the current study

**Management and monitoring**

**What formal appraisal steps will be required, by whom and when?**

The steering group will need to be formalised and agree this

**What procedures are required to manage the project?**

Formalising the current group

**Who should bear what responsibilities and how should they be answerable?**

Due to the CPO powers, the Council will have to take a lead role until the site is assembled

**What are the main risks to the project?**

Financial – without significant investment, the necessary private capital is unlikely to materialise

**How should they be reduced?**

By a partnership with ACHA and private developer at an early stage

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

The steering group should be able to monitor effectively

**When will the Council be able to withdraw from the project and leave it to its own devices?**

Once the site is assembled and the developer is in place – although there will be some officer support required until it is completed. Potentially 5-8 years away

**When will the project terminate?**

Once the site is fully occupied

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Once the site is developed, and on design terms, if it meets townscape quality of the Conservation area in the town centre and nearby Aqualibrium. The commercial success of the development will be critical, i.e. will it attract a private sector investment on a scale not currently seen in the town. Also its ability to link the town centre, park and waterfront is vital. Finally does it install a confidence in the town and make it an attractive place to live and work. The evaluation should be a continual process by the steering group.

**Working Paper 5 - Project Description: Campbeltown Loch Marina**

**Short description, including location details**

This project seeks to build on the current marina facilities in Campbeltown, with berthing for around 20 vessels to 40 and eventually on to securing over 100 berths. In addition, onshore facilities could be improved as part of the scheme.

**Rationale**

**What is the purpose of the project?**

Regeneration of Campbeltown. Specifically double the number of sailing berths in the Loch.

**What people or businesses will be able to receive benefit from this project?**

The town's tourist and retail businesses. It is estimated that each sailor spends £40 a night when visiting a place. This is likely to be some long term berthing which will benefit local sailors and depending on the size of scheme there is a significant chance that there will be community facilities which can have short and long term benefits for the town.

**What will be the nature of the benefit?**

Increased tourist spend in the area. Potentially social benefits from increased community facilities. If there are related community facilities is there the potential for initially an increased quality of life in the short term but in the long term there is the potential for a local community with the skills to start their own tourist / leisure related businesses.

**Over what time scale?**

It is anticipated that there will be a steady growth in benefits over a 10 year period.

**How many are expected to take up the opportunity/ be affected/, and to what extent?**

There may be an increase of 500 extra boat nights over a 10 year period

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

Total no. 2,303 boat nights. £39,151 income. Projected £5k profit

**Options**

**Are there other ways these benefits could be made available?**

Potentially but this is a relatively small scheme which will become part of a range of activities which help to provide a bright future for the town.

**Are there other uses for the specific resources (eg particular buildings) that might be considered?**

No

**What will happen if nothing at all is done?**

A great opportunity in a burgeoning market will potentially be missed

*Resources*

**What specific fixed assets will be used? (and who owns them?)**

The Council's inner harbour

**What new assets must be purchased or otherwise brought into use?**

Pontoons and breakwaters

**What human resources will be used?**

**What ongoing resources will be used?**

Potentially existing pontoons

**What capital funds are required from the Council and others?**

Approximately £2.6m

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Dependent on ownership

**Additional comments/ notes on continuing viability/sustainability.**

**What commitments have already been made (by the Council or other parties) and to whom?**

The Council is committed to spending 25% of the full feasibility study with the remainder to be funded by the EU

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

*Timing*

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

See Scott Wilson study

**Are there any external constraints on either commencement or completion of the project?**

No

*Strategic fit and externalities*

**How does the project impact on the Council's statutory obligations?**

**What are the relevant parts of the local plan and how does the project fit?**

Area for Action 14/1, 14/2 and 14/3.

**What are the relevant parts of the structure plan and how does the project fit?**

Objective CP1, Tour 1, and Policy LP CST1

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Campbeltown Town Centre Project objectives are fully compatible with each of the strategic objectives of the Council (Page 10) and in particular sits under 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)

**How does the project align with the Government's stated objectives of**

**Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener**

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

Opportunities to align with objectives of HIE and the Crown Estate

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

This is an element of economic activity, specifically tourism, which aligns with the commercial aspects of Kinloch rd, and CARS / THI to provide an overall package of place making

**Could the Council have partners in this project and what commitment could be expected of them?**

Potentially HIE and the Crown Estate and this could be financial

*Management and monitoring*

**What formal appraisal steps will be required, by whom and when?**

The next stage will be full feasibility study, which is already funded

**What procedures are required to manage the project?**

Continuance of the project group

**Who should bear what responsibilities and how should they be answerable?**

Council continues with lead role

**What are the main risks to the project?**

Lack of resources

**How should they be reduced?**

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

Through Kintyre Initiative Working Group and area committee process  
**When will the Council be able to withdraw from the project and leave it to its own devices?**

End of the construction period, if decision is for ownership with another body

**When will the project terminate?**

See above.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

How successful it is in terms of delivering physical project, and ultimately the success in attracting new boats.

### 1.4 Other leisure developments

The marina is usefully seen in the context of other leisure developments. The highest profile of these is the Machrihanish Dunes Golf Course being developed by Brian Keating and associates. Golf's governing body, the Royal and Ancient, describes it as follows in an article 'New natural links for Machrihanish' (1 March 2006)



*'At Machrihanish on the Argyll peninsula in west Scotland, approval has been given for the creation of a new links course running through the coastal dunes.*

*There are very few natural dune sites in the world where development of any kind is permitted. These valuable habitats for coastal protection and specialised wildlife are protected by international agreements that prevent any change to their use. But at Machrihanish, with the full support of Scottish Natural Heritage, a new links development has been given the go ahead on land designated as a Site of Special Scientific Interest.*

*Poor quality grazing and lack of appropriate management to preserve the dunes and its associated vegetation persuaded Scottish Natural Heritage to approve the application.*

*Steve Isaac, Assistant Director - Golf Course Management at The R&A, has visited the site. "This is an impressive project, a sustainable proposal for sympathetic development of the site," he said. "This is exactly the type of development we have been promoting through the work of The R&A Golf Course Committee."*

*Australian entrepreneur, Brian Keating, who is of Irish-descent, leads the development team and golf course architect David McLay Kidd has been asked to mould a natural course within the existing landscape. Earthworks will be minimal, drainage is unnecessary and the indigenous grasses are those on which golf originated.*

*"There are only around 200 true links in the world," commented Keating, "and it is our*

*intention to develop Machrihanish Dunes in the spirit of the golf pioneers and build a course that reminds us of the way that golf began. " Course development is due to start this month".*

## Working Paper 6: Project Description: THI and CARS

### Short description, including location details

We have two town centre heritage-led regeneration projects running in Campbelltown town centre. One is part-funded by Historic Scotland and is one of the first of their **Conservation Area Regeneration Schemes (CARS)**. We are in the second year of the five-year programme and we have a Project Officer (James Lafferty) in post in the town. The other project is a **Townscape Heritage Initiative (THI)** part-funded by the Heritage Lottery Fund. We have passed Stage 1 of the bidding process and are due to submit Stage 2 in October 2008. Both projects are running in tandem. The enterprise agency is our other partner in both schemes.

### Rationale

#### What is the purpose of the project?

#### Key Objectives:

- To preserve and enhance the special architectural, historic and cultural value of Campbelltown town centre by preventing further decay and repairing the built fabric of the town centre
- To help to tackle Campbelltown's socio-economic problems by making the town centre a more attractive place to live and work in and a place well worth visiting.
- To ensure that the demand for grant-aided work can be met locally and bring new skills into the area, providing well-paid and rewarding jobs.
- To support parallel projects aimed at raising local awareness of and pride in the town's historic past, reinforcing a sense of place and sharing this with an increasing number of visitors.

#### Key activities:

- new uses for old buildings (5 targets)
- repair grants (7 targets + 3 public buildings + general grant scheme)
- encouraging planned maintenance
- shopfront repair scheme
- traditional skills training programme
- enhancing streets, spaces & the waterfront
- celebrating local history and sense of place through related arts and other community projects

#### What will be the nature of the benefit?

- An enhanced built environment
- Increased sense of local identity & pride of place
- An enhanced tourism and retail offer
- Improved skills in construction
- More jobs

#### Over what time scale?

Grant spend up to 2014 with sustained results beyond that.

### How many are expected to take up the opportunity/ be affected/ and to what extent?

Owners of 15 target buildings plus lots more owners of buildings in the town centre will directly benefit. The people of Campbelltown and Kintyre generally will benefit from the effects as will visitors and people wishing to invest in the town.

### Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)

One such example is Shop front grants - Using a limited amount of funding there is the potential for a major difference to be made to the town centre. Currently the local authority area dealing with 9 enquiries, all of whom are likely to be offered grants. This level of demand has been generated without proactively marketing the scheme door to door and already the available funds are unlikely to meet all the demands. There is also demand from shops out with the existing target area, such as along Longrow, which would become eligible for grant funding under the THI.

### Options

#### Are there other ways these benefits could be made available?

CARS & THI use successful models for area-based regeneration. Both are on stream. European funding (Interreg 4) could help us here but the delay would be very great. We also hope to utilise LEADER funding, although it appears that only certain aspects of the project would be eligible for such funding and a number of areas have already been ruled out at this stage. Although a LEADE application is not yet ready to be submitted, a first application could be made to the scheme for assistance with set up costs of a 'Project Shop' to provide a base to work from, once a suitable building was identified.

#### Are there other uses for the specific resources (eg particular buildings) that might be considered?

Yes, we will be doing Options Appraisals / Feasibility Studies for the target buildings to be brought back into use

#### What will happen if nothing at all is done?

"Nothing" is not an option as both schemes are on course. However, a capital injection at this stage will help us to re-profile our partnership funding and will enable a number of priority buildings to be tackled. Including:

- The Town Hall
- The Court House in Bolgam Street (although there is some concern at substantial funding being spent on this building)
- 13-15 Kirk Street
- 50-52 Main Street / Cross Street

The latter two sites are residential properties and local developers have not ruled out developing the sites.

**Resources**

**What specific fixed assets will be used? (and who owns them?)**

The Council owns the Town Hall and the Burnet Building

**What new assets must be purchased or otherwise brought into use?**

We are likely to have to purchase the Court House (through a compulsory purchase order)

**What human resources will be used?**

The current CARS Project Officer is employed part-time (half). We envisage extending his post to a full time one when we start the THI (April 2009). The new Conservation Officer will project manage the work. Additional help is available through the Strathclyde Building Preservation Trust. See also the Project Management Structure (below).

**What ongoing resources will be used?**

Both schemes usually involve an intervention rate of 50% by the major funder with the local authority developing a package of partnership funding.

Conservation Area Regeneration Scheme (CARS)

Historic Scotland	£385,000
Argyll and Bute Council	£200,000
HIE AI	£100,000
<u>Shortfall</u>	<u>£85,000</u>

Townscape Heritage Initiative (THI)

Heritage Lottery Fund	£700,000
CARS (as above)	£658,000
<u>Shortfall</u>	<u>£42,000</u>

We hope to meet the shortfall(s) with LEADER funding for specific elements of the project but have not been able to proceed because of the delay in launching the new LEADER.

On the face of it we have an adequate funding stream with only minor shortfalls. However, on closer inspection, it is apparent that the gearing level for this £1.4m project with an investment of only £200,000 from the local authority is too good to be true. The difficulty is that we will have spent a lot of the CARS funding before the THI comes on stream. If the CARS is successful we will have very little match funding available for the THI by the time it comes on stream in 2009.

Both schemes are 5-year projects made up of 3 years of offer and spend plus 2 further years of spend. How the two schemes fit together is as follows:

	CARS	THI
2006/7	Develop	
2007/8	Year 1 offer and spend	Bid

2008/9	Year 2 offer and spend	Develop
2009/10	Final year of offer & 3 <sup>rd</sup> of spend	Year 1 offer and spend
2010/11	4 <sup>th</sup> year of spend	Year 2 offer and spend
2011/12	last year of spend	Final year of offer & 3 <sup>rd</sup> of spend
2012/13		4 <sup>th</sup> year of spend
2013/14		last year of spend

The above table shows that we will be able to offer grant under both the CARS and THI for only one year (2009/10).

While we have asked Historic Scotland if they will provide further funding and extend by one year the offer period for the CARS, they are unable to agree to this at present as it will rely on there being adequate money available to fund a further year when the time comes.

While the package of funding shown above has been adequate to secure a Stage 1 pass from the Heritage Lottery Fund (plus £25,000 to develop the project) they will need to see a much more closely worked out package of match funding when we submit the Stage 2 Action Plan in October 2008.

In addition to this problem with slippage, there are a number of elements in the projects (such as the Town Hall and the Court House in Bolgam Street) that will require additional capital funding to enable full repair, up-grading and re-use. While some of this might be met from private investment, we still need considerable additional funds if this regeneration project is to have the success it deserves.

In total, we have estimated that we have a shortfall of match funding to do what we want to do under the THI of £808,750 plus the £85,000 CARS shortfall.

While a small proportion of which can possibly be met with the help of LEADER, and the Arts Council may be able to help fund an arts-related project for the Town Hall or Bolgam Street Court House, the only other potential source of external funding is Interreg IV. We do have some very good contacts with Northern Ireland in Campbelltown and can find partners south of the border and will use these as part of our LEADER bids. The 35% LEADER funding for the 'Shop for base' programme to help with shop front renovation and set up costs of the scheme will be examined, however, these opportunities have not yet been fully explored.

In addition, adding European funding to the pot is likely to be very complicated and time-consuming and we have no guarantee that this project is the best fit for Argyll and Bute Council's Interreg IV venture. Bearing in mind the Council's limited financial input so far of only £200,000 over 8 years for the CARS and THI, the substantial socio-economic need in Campbelltown and the great potential of the project, a capital injection of £800,000-£1m for the life of the THI, would secure certain success for this town centre and waterfront regeneration project.

**What capital funds are required from the Council and others?**



See "Funding Packages" (below)

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

All staff and accommodation costs (maybe renting or buying and repairing a shop of our own), printing, publicity, financial administration and other costs associated with managing the scheme are being partly met by A&BC and partly by Historic Scotland (CARS) or the HLF (THI).

**Additional comments/ notes on continuing viability/sustainability.**

As both the CARS and the THI are tried and tested models these things are built in to the process.

**What commitments have already been made (by the Council or other parties) and to whom?**

The Council is fully committed to both schemes.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

We have a project support group (led by Arlene Cullum the funding officer) that will be used when required

**Timing**

**Please provide an appropriate schedule, including both any development time and the time span over which any facility will operate and over which benefits will be delivered.**

Work programme will be available at the interviews

**Are there any external constraints on either commencement or completion of the project?**

Risk assessment will take place throughout the process. We have recently overcome one of our biggest risks and are confident that progress can now be made with confidence

**Strategic fit and externalities**

**How does the project impact on the Council's statutory obligations?**

High level of community engagement

Preserves and enhances the conservation area

**What are the relevant parts of the local plan and how does the project fit?**

The local plan commits us to producing comprehensive Conservation Area Appraisals which is part of the THI development Preserves and enhances the conservation area

**What are the relevant parts of the structure plan and how does the project fit?**

Preserves and enhances the conservation area

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Vibrant communities

MAKI Area Strategy 2008

**How does the project align with the Government's stated objectives of**

**Wealthier and fairer/ Smarter/ Safer and stronger/ Greener?**

Very well.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

Perfect fit with Historic Scotland and the HLF

Partnership working with HIE(AI) – construction skills and removing dereliction in town centre.

Communities Scotland, ACHA & Fyne Homes all fit well on housing, factoring and maintenance.

Also, see bodies involved in the Management Structure.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

The proposed THI area is part of the Kinloch Road AFA. This expands the opportunities available for action

This town centre regeneration project is a component part of realising the vision set out in the yellowbook study.

**Management and monitoring**

**What formal appraisal steps will be required, by whom and when?**

See Work Programme (to be available at the interview)

**What procedures are required to manage the project?**

See Work Programme (to be available at the interview)

**Who should bear what responsibilities and how should they be answerable?**

See Management Structure diagram (to be available at the interview)

**What are the main risks to the project?**

Financial – we may not be able to find adequate match funding to make the THI Action Plan workable (to be submitted October 2008). See Match Funding paper below

**How should they be reduced?**

By increased capital commitment from the Council

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

Quarterly reports and annual reviews with main funders

The steering group will also monitor

**When will the Council be able to withdraw from the project and leave it to its own devices?**

We will be devising an exit strategy. Some of the sub-groups may well continue and may require some staff resource.

**When will the project terminate?**

2014

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Historic Scotland has a list of criteria but this is likely to be reviewed.

The HLF is engaged upon a UK-wide evaluation of the first 10 years of THIs. The results of this will be rolled out to active THIs.

## Working Paper 7: Conformity of Campbeltown CHORD proposals with Argyll & Bute planning policies

All of the projects in the Campbeltown Outline Business Cases have been considered by the Head of Planning at Argyll and Bute Council, Angus Gilmour who has confirmed that there are no strategic development plan or land use issues which would represent a fundamental constraint on the delivery of the list of projects associated with each of the Outline Business Cases. However individual projects will have to be the subject of planning applications which will be subject to the "due planning process" and will have to address all material planning considerations.

### Argyll and Bute Structure Plan 2002

The Argyll and Bute Structure Plan 2002 identifies as one of its seven strategic issues;

*"promoting regeneration and economically focused initiatives for the west and the islands and peninsular areas of Argyll and Bute, including the Kintyre peninsulas and Campbeltown."*

*" exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transit opportunities"*

*In addition Schedule 4 of the Structure Plan lists the opportunity to promote an action programme for;*

*"Campbeltown town centre and waterfront: to include consideration of redevelopment areas and areas to support the expansion and attraction of Campbeltown for employment-led investment."*

Diagram 5 of the Structure Plan sets out the objectives for tourism infrastructure in Argyll and Bute and Kintyre is within a Tourism Development Area.

All of the projects in the Campbeltown OBC are therefore compliant with the Structure Plan.

### Argyll and Bute Modified Finalised Draft Local Plan June 2006

The Argyll and Bute Modified Finalised Draft Local Plan June 2006 sets out Policy 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 (AFA)14/1 Campbeltown Harbour sets out a range of actions required to promote the harbour area including marina potential and to consider the inner harbour/marina potential of the inner harbour area.

Meanwhile Area for Action (AFA)14/2-14/4 are also relevant to the projects being put forward under the CHORD scheme.

### **Argyll and Bute Council Corporate Plan 2007-2011 and Beyond**

The Corporate Plan sets out five strategic objectives of Environment, Social Change, Economy and Organisational Development. 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.

The principle of town centre and waterfront projects in Campbeltown are therefore supported by the Council's Corporate Plan.

### **The Economic Strategy for Argyll and the Islands, 2005**

The Economic Strategy for Argyll and the Islands, published by the Local Economic Forum in 2005 identifies five objectives: growing businesses; making global connections; developing skills; strengthening communities; and making best use of the environment.

Although the publication of the Scottish Government's Economic Strategy has meant that this strategy will need to be revisited, it is the current economic strategy document for the region and so its priorities still need to be considered.

Each objective has a number of priorities. Under the 'making global connections' strategic aim a specific priority is 'encouraging more people ... to live and work in Argyll and the Islands'.

The 'strengthening communities' priorities include a number of directly relevant priorities for a number of the Campbeltown projects such as 'investment in community assets and services and culture' and 'enhancement of the quality of the environment and culture'. The regeneration through the THI and CARS schemes could be seen as contributing to these objectives.

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 Campbeltown marina would be consistent with this aspect.

In addition, securing of funding for the town could improve community confidence in the future, which currently appears to be pessimistic. This change in attitude amongst the local community would contribute to the 'development of the community strengths, leadership and confidence' priority.

Campbeltown now falls into one of HIE's priority 'fragile' area, the only one of the mainland CHORD towns to do so.

### **Campbeltown and Kintyre Strategy 2005 (Yellow Book)**

This strategy was developed as a regeneration strategy and action plan for Campbeltown as a whole. One of its key recommendations is for a Town Centre Masterplan including the Kinloch Road area and reference is also made to the marina development.

### **Campbeltown and Kintyre Action Plan**

The Campbeltown and Kintyre Action Plan developed out of the Strategy and has six key Council supported projects from which the four projects promoted by the Project Board have arisen.

## Working Paper 8 - Conformity of Campbeltown CHORD proposals with Scottish Planning and Economic Strategies

### National Planning Framework

The first National Planning Framework (NPF) was published in April 2004. It set out a strategy for Scotland's development to 2025, providing a national context for development plans and planning decisions and helped to inform the wider programmes of government, public agencies and local authorities.

The second National Planning Framework (NPF2)<sup>17</sup> develops the first and describes Scotland as it is in 2008, identifies key issues and drivers of change, sets out a vision to 2030, and identifies priorities and opportunities for different parts of the country in spatial perspectives. It contains both thematic and spatial perspectives and focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development.

It should be borne in mind that national strategies by their very nature invariably contain something for everyone. NPF1, for example, contains some advice on economic development which is relevant to all of the CHORD projects.

*As far as spatial planning is concerned, there are two main issues:*

- *ensuring that priorities for economic development are chosen in a way which takes account of the location of communities where the need for regeneration and renewal is most pressing; and*
- *once long-term commitments to economic development have been made, timely investment is needed to ensure that hard to reach groups in disadvantaged areas are put in a position to benefit from the jobs and opportunities that will be created.*

NPF1, p.90

Campbeltown receives a specific mention in the NPFs in relation to the restoration of ferry services to Ballycastle in Northern Ireland.<sup>18</sup> References to the wider Argyll and Bute area are relatively few and often presented in the context of either the wider Highland area or the River Clyde corridor. There are nevertheless several aspects of the NPF and NPF2 that the Chord projects can draw on.

### Regeneration

The NPFs are generally positive about the economic conditions and growth potential of the Argyll and Bute area as a whole<sup>19</sup>. Both NPFs emphasise that sustainable growth should benefit all parts of Scotland<sup>20</sup> and focus heavily on the role of community led regeneration. There are several references to social capital and community enterprise and

<sup>17</sup> <http://www.scotland.gov.uk/Resource/Doc/208174/0055210.pdf>

<sup>18</sup> NPF1 paras 40 & 52, NPF2 paras 14 & 67

<sup>19</sup> NPF1 paras 10 & 40, NPF2 para 18

<sup>20</sup> NPF2 paras 148, 150 & 158

empowerment.<sup>21</sup> Connectivity and environmental quality are two of the NPFs other watchwords, and attention is drawn to the need to co-ordinate infrastructure improvements with other economic investments.<sup>22</sup>

When the first NPF was written, area regeneration was delivered through 32 Social Inclusion Partnerships, one of them covering Argyll and Bute. NPF2 instead presents Urban Regeneration Companies (URCs) as the effective agents of change, although none are yet identified in the A&B area.<sup>23</sup> NPF2 also points out that the Highlands and Islands are to receive EU Convergence funding whereas the Lowland and Upland parts of Scotland are covered by EU Competitiveness and Employment funding. Campbeltown, like Oban, Dunoon and Rothesay falls under the former<sup>24</sup> while Campbeltown is also located within HIE fragile areas.<sup>25</sup> The town also lies within the Northern Periphery co-operation zone making them eligible for funding to support cross-border co-operation with the Republic of Ireland.<sup>26</sup>

### Transport & infrastructure

Both NPF1 and NPF2 place great emphasis on improving connectivity, recognising that improvements in transport infrastructure are needed to support economic activity.

The physical barrier of sea crossings is recognised as a challenge and both NPFs note the vital importance of ferry services both for sustaining communities, particularly remote communities, and in the promotion of tourism. NPF 1 is generally positive to ferry improvements, although NPF2 goes further still stating that there is likely to be scope for further ferry and hovercraft services for firth crossings and on coastal routes.<sup>27</sup> The importance of improving ferry links with Ireland is mentioned several times and specific reference made to an economic appraisal of the case for restoring the ferry service between Campbeltown and Ballycastle funded by The Scottish Government and the Northern Ireland Executive<sup>28</sup>. A review of lifeline ferry services is also promised.<sup>29</sup>

Both NPFs state that "Ports make a vital contribution to the economy"<sup>30</sup>. A commitment to freight, and not least sea freight, is made apparent in Government incentives such as the Freight Facilities Grant and Waterborne Freight Grants.<sup>31</sup> Map 16 in NPF2 shows strategic freight corridors leading to Kintyre as well as through Argyll. The Firth of Clyde is identified as a global shipping route. Timberlink services and sea routes

<sup>21</sup> NPF1 para 177, NPF2 para 147

<sup>22</sup> NPF1 para 88 & 177, NPF2 paras 105 & 158

<sup>23</sup> NPF1 para 70, NPF2 para 148

<sup>24</sup> NPF2 para:110

<sup>25</sup> NPF2 Map 9, Community Regeneration Priorities

<sup>26</sup> NPF2 Map 12, NPF2 para 112

<sup>27</sup> NPF1 para 175, NPF2 para 121

<sup>28</sup> NPF1 para 127, NPF2 para 209

<sup>29</sup> NPF2 para 62

<sup>30</sup> NPF1 para 49, NPF2 para 62

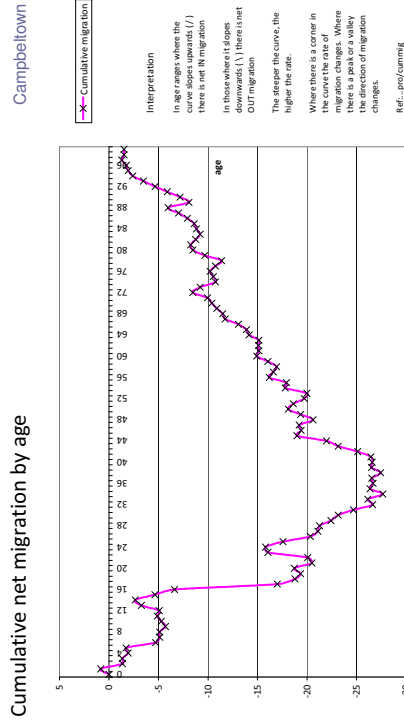
<sup>31</sup> NPF2 para 223

**Working Paper 9 - Economic appraisals including discounted costs and benefits**

**1.5 Economic development benefits of providing housing**

The demographic situation of the town is delicate. Despite an expectation of declining population, new housing is required to cater for modern rates of household formation. People are needed to come and work in the town, because in the long run a wide gap is opening up between the development of population and the expected population of working age. Thus building a house creates a space for someone to live, and that someone will always bring demand to the town and may, if they are of working age, increase the supply capacity of the town's economy. A person moving to Argyll and Bute at the start of a full working life at average wage has expected earnings of approximately £400 000 and will create added value of £700 000 (both discounted at 3.5 per cent). However, most people do not move in at the start of their career, and in general the local economy is not in a position to provide a steady stream of early-career jobs. When we break down migration by age we find net in-migration in Campbeltown starts in the mid-30s age group and continues at a steady rate into old age.

**Figure 19 Cumulative net migration by age**



So an appropriate assumption is required to cover the average in-migrant, at whom – whether directly or indirectly – housing provision is addressed. For simplicity the ‘value’ to the economy of the person who occupies a housing space has been taken as that appropriate to 8 years working life. This is based on the calculation that approximately half of net in migrants have no remaining working life, and the other half have between 32 and 0 years, say on average 16.

Thus the value of the contribution of the people accommodated in a new housing unit is  $1.7 \times 700 \times 8/40$  which rounds to £240 000.

leading from Kintyre and across Argyll are identified on NPF2's map 14: strategic forest resources and timber transport infrastructure.

**Quality environments, tourism and heritage regeneration**

The NPFs make frequent reference to the role that environmental quality, built heritage and cultural life can play in providing a focus for regeneration, as resources that can support economic and social development, and in helping to create strong, positive community identities.<sup>32</sup> The NPFs also acknowledge the contribution that tourism and leisure activities make to the economy, noting tourism's symbiotic relationship to the conservation and promotion of the historic environment as well as freshwater and marine environments.<sup>33</sup>

**Coastal areas and energy**

The role of coastal areas is further expanded on in relation to renewable energy. The strategy map in NPF2 draws attention to the untapped potential for marine energy development on the West Coast. References are made to the key role of wind and marine power technology and locations for turbine fabrication are also mentioned.<sup>34</sup> The need for accompanying grid connections is highlighted and Argyll and Bute is identified as an area where the transmission system needs to be strengthened.<sup>35</sup> NPF2's Map18: *Transmission system reinforcements* shows grid improvements down the Kintyre peninsula. It is also noted that the Scottish Government is working with the Republic of Ireland and Northern Ireland to investigate the potential for developing sub-sea cable routes to harness marine energy resources.<sup>36</sup>

The potential impact of sea level rises on communities and business in coastal areas is also highlighted and caution urged in the siting of new development.<sup>37</sup>

**Synergies with the Chord projects**

Whilst all of the Chord projects have the potential to convey benefits on their particular communities, a national dimension is difficult to find in every instance. The Campbeltown project that appears to be most consistent with the National Planning Frameworks' strategies and goals is the Kinloch Road Development. 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.

In addition, NPF2 makes reference to respecting local identity and the historic environment, something of particular relevance to the Townscape Heritage Initiative and Conservation Area Regeneration Scheme Initiative.

<sup>32</sup> NPF1 paras 67 & 93, NPF2 paras 18, 79, 160 & 248

<sup>33</sup> NPF1 paras 40, 109 & 164, NPF2 para 21

<sup>34</sup> NPF1 para 173, NPF2 paras 162 & 187

<sup>35</sup> NPF1 para 139

<sup>36</sup> NPF2 para 230

<sup>37</sup> NPF2 para 87, NPF2 para 242

This leaves finally the question of how important is the provision of housing: we have made the assumption that in a position of housing shortage it is critical.

1.6 Marina economics

Table 10 Marina DCF and projections

Marina economics Campbeltown

Capital cost																			
		1.0%	2.0%	4.0%		2.0%	2.5%	2.5%		Visitor spend in town	Revenue	Costs	Labour	GVA	visitor spend	GVA			
No berths	Ave length (m)	Price/ metre	Charge/ night	Nights/ year	Total mooring fees	Rental	Mtce, matls, svces	Labour	Op margin										
2009	10.00	1.60	16	1800	28.800	5.000	8.000	12.000	3.800	115.200	30	25	12	17	120				
2010	10.10	1.70	17	2000	34.342	5.101	8.646	12.969	7.625	137.367	30	25	12	17	120				
2011	10.20	1.80	18	2082	38.226	5.204	9.044	13.566	10.412	152.904	31	25	12	18	122				
2012	10.30	1.84	19	2167	40.998	5.309	9.460	14.191	12.037	163.991	31	25	12	19	125				
2013	10.41	1.87	19	2255	43.970	5.416	9.896	14.844	13.814	175.882	32	25	13	20	127				
2014	10.51	1.91	20	2347	47.159	5.526	10.351	15.527	15.754	188.635	32	25	13	20	130				
2015	10.62	1.95	21	2443	50.578	5.637	10.828	16.242	17.871	202.312	33	25	13	21	132				
2016	10.73	1.99	21	2542	54.245	5.751	11.326	16.989	20.178	216.982	34	25	14	22	135				
2017	10.83	2.03	22	2646	58.179	5.868	11.848	17.771	22.692	232.715	34	25	14	23	138				
2018	10.94	2.07	23	2754	62.397	5.986	12.393	18.589	25.429	249.588	35	25	14	24	141				
2019	11.05	2.11	23	2867	66.921	6.107	12.963	19.445	28.406	267.686	36	25	14	25	143				
2020	11.16	2.15	24	2984	71.774	6.230	13.560	20.340	31.643	287.095	37	25	15	26	146				
2021	11.27	2.20	25	3105	76.978	6.356	14.184	21.276	35.161	307.912	37	25	15	27	149				
2022	11.39	2.24	26	3232	82.559	6.485	14.837	22.255	38.982	330.238	38	25	15	28	152				
2023	11.50	2.29	26	3364	88.546	6.616	15.520	23.280	43.130	354.183	39	25	16	29	155				
2024	11.62	2.33	27	3501	94.966	6.749	16.234	24.351	47.631	379.864	40	25	16	30	158				
2025	11.74	2.38	28	3644	101.852	6.886	16.981	25.472	52.513	407.407	40	25	16	32	162				
2026	11.85	2.43	29	3793	109.237	7.025	17.763	26.645	57.804	436.948	41	25	16	33	165				
2027	11.97	2.48	30	3948	117.157	7.167	18.581	27.871	63.539	468.630	42	25	17	34	168				
2028	12.09	2.53	31	4109	125.652	7.311	19.436	29.154	69.751	502.609	43	25	17	35	171				
2029	12.21	2.58	32	4277	134.763	7.459	20.330	30.496	76.478	539.053	44	25	17	36	175				
2030	12.34	2.63	32	4451	144.535	7.610	21.266	31.899	83.759	578.138	45	25	18	37	178				
2031	12.46	2.69	33	4633	155.015	7.764	22.245	33.368	91.638	620.058	45	25	18	39	182				
2032	12.59	2.74	34	4822	166.254	7.920	23.269	34.903	100.162	665.017	46	25	19	40	186				
2033	12.71	2.79	36	5019	178.309	8.080	24.340	36.510	109.379	713.237	47	25	19	41	189				
2034	12.84	2.85	37	5223	191.238	8.244	25.460	38.191	119.344	764.952	48	25	19	43	193				
2035	12.97	2.91	38	5437	205.104	8.410	26.632	39.948	130.114	820.417	49	25	20	44	197				
2036	13.10	2.97	39	5658	219.976	8.580	27.858	41.787	141.751	879.904	50	25	20	45	201				
2037	13.23	3.03	40	5889	235.926	8.753	29.140	43.710	154.322	943.705	51	25	20	47	205				
2038	13.36	3.09	41	6130	253.033	8.930	30.482	45.722	167.899	1012.131	52	25	21	48	209				
2039	13.50	3.15	43	6380	271.380	9.111	31.885	47.827	182.558	1085.519	53	25	21	50	213				
npv @ 3.5%					1779.673	121.667	291.283	436.924	929.800	7118.693	£709.30	£459.80	£283.72	£533.22	2837	1135			
npv @ 8.0%					855.758	69.312	152.727	229.091	404.628	3423.031	£415.22	£276.28	£166.09	£305.03	1661	664			

1.7

**Table 11 Pontoon Development 145 berth**

Campbeltown  
Pontoon Development (145 berth)

Income Growth Factor 2012 on 5%  
Running Cost Growth Factor 2.50%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009 Yr 0	£ 1,130,220	£ -	£ 27,000	£ 21,770	£ -		£ 1,124,990	£ 1,124,990	
2010 Yr 1	£ 1,315,080		£ 28,350	£ 22,314	£ -		£ 1,309,044	£ 1,309,044	
2011 Yr 2			£ 29,768	£ 22,872	£ -		£ 6,895	£ 6,895	
2012 Yr 3			£ 31,256	£ 23,444	£ -		£ 7,812	£ 7,812	
2013 Yr 4			£ 32,819	£ 24,030	£ -		£ 8,789	£ 8,789	
2014 Yr 5			£ 34,460	£ 24,631	£ -		£ 9,829	£ 9,829	
2015 Yr 6			£ 36,183	£ 25,247	£ -		£ 10,936	£ 10,936	
2016 Yr 7			£ 37,992	£ 25,878	£ -		£ 12,114	£ 12,114	
2017 Yr 8			£ 39,891	£ 26,525	£ -		£ 13,367	£ 13,367	
2018 Yr 9			£ 41,886	£ 27,188	£ -		£ 14,698	£ 14,698	
2019 Yr 10			£ 43,980	£ 27,867	£ -		£ 16,113	£ 16,113	
2020 Yr 11			£ 46,179	£ 28,564	£ -		£ 17,615	£ 17,615	
2021 Yr 12			£ 48,488	£ 29,278	£ -		£ 19,210	£ 19,210	
2022 Yr 13			£ 50,913	£ 30,010	£ -		£ 20,902	£ 20,902	
2023 Yr 14			£ 53,458	£ 30,760	£ -		£ 22,698	£ 22,698	
2024 Yr 15			£ 56,131	£ 31,529	£ -		£ 24,602	£ 24,602	
2025 Yr 16			£ 58,938	£ 32,318	£ -		£ 26,620	£ 26,620	
2026 Yr 17			£ 61,884	£ 33,126	£ -		£ 28,759	£ 28,759	
2027 Yr 18			£ 64,979	£ 33,954	£ -		£ 31,025	£ 31,025	
2028 Yr 19			£ 68,228	£ 34,803	£ -		£ 33,425	£ 33,425	
2029 Yr 20			£ 71,639	£ 35,673	£ -		£ 35,966	£ 35,966	
<b>TOTAL</b>	<b>£ 2,445,300</b>		<b>£ 964,420</b>	<b>£ 591,780</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 2,072,660</b>	<b>£ 2,072,660</b>	

IRR	#DIV/0!
NPV (Discount Rate)	3.50%
	-£ 2,086,167

**NOTES**

1. Based on Scott Wilson April 2008 report.
2. Assumes steady income growth per annum(see above)
3. Based on Scott Wilson Report.
4. Assumes that the facility is built in two phases Phase 2 first
5. It is assumed that the inner harbour work can be completed without delay.

**Table 12 Kinloch Road Ex Areas 2 & 4**

Campbeltown  
Kinloch Road (Ex Areas 2 & 4)

Income Growth Factor 2012 on 2.00%  
Running Cost Growth Factor 0.00%  
Finance Costs 0.00%

Period	Initial Capital Expenditure	Less Grant/Other Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009 Yr 0	£ 4,030,000				£ -		£ 4,030,000	£ 4,030,000	
2010 Yr 1	£ 4,155,595	£ -	£ 2,099,866		£ -		£ 2,055,729	£ 2,055,729	
2011 Yr 2	£ 4,030,000	£ -	£ 2,099,866		£ -		£ 1,930,134	£ 1,930,134	
2012 Yr 3	£ 1,100,000	£ -	£ 1,500,000		£ -		£ 400,000	£ 400,000	
2013 Yr 4	£ 1,100,000	£ -	£ 639,000		£ -		£ 461,000	£ 461,000	
2014 Yr 5	£ 1,600,000	£ -	£ 51,200		£ -		£ 1,548,800	£ 1,548,800	
2015 Yr 6	£ -	£ -	£ 51,200		£ -		£ 51,200	£ 51,200	
2016 Yr 7	£ -	£ -	£ 53,204		£ -		£ 53,204	£ 53,204	
2017 Yr 8	£ -	£ -	£ 54,268		£ -		£ 54,268	£ 54,268	
2018 Yr 9	£ -	£ -	£ 55,353		£ -		£ 55,353	£ 55,353	
2019 Yr 10	£ -	£ -	£ 56,461		£ -		£ 56,461	£ 56,461	
2020 Yr 11	£ -	£ -	£ 57,590		£ -		£ 57,590	£ 57,590	
2021 Yr 12	£ -	£ -	£ 58,742		£ -		£ 58,742	£ 58,742	
2022 Yr 13	£ -	£ -	£ 59,916		£ -		£ 59,916	£ 59,916	
2023 Yr 14	£ -	£ -	£ 61,115		£ -		£ 61,115	£ 61,115	
2024 Yr 15	£ -	£ -	£ 62,337		£ -		£ 62,337	£ 62,337	
2025 Yr 16	£ -	£ -	£ 63,584		£ -		£ 63,584	£ 63,584	
2026 Yr 17	£ -	£ -	£ 64,855		£ -		£ 64,855	£ 64,855	
2027 Yr 18	£ -	£ -	£ 66,152		£ -		£ 66,152	£ 66,152	
2028 Yr 19	£ -	£ -	£ 67,476		£ -		£ 67,476	£ 67,476	
2029 Yr 20	£ -	£ -	£ 68,825		£ -		£ 68,825	£ 68,825	
<b>TOTAL</b>	<b>£ 16,015,595</b>	<b>£ -</b>	<b>£ 7,291,009</b>	<b>£ -</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 8,724,586</b>	<b>£ 8,724,586</b>	

IRR	#DIV/0!
NPV (Discount Rate)	3.50%
	-£ 8,297,579

**NOTES**

1. Estimated Gross cost based on RTP/Colliers report £14.93mn (Ex Council Depot). Plus cost of new Road £500,000.
2. Assume ACHA are compensated for loss of units estimated to be 6 at cost of £130,000 land value. Estimated only. Assumes other Council land available to ACHA
3. Assumed ACHA development extends to 30 units. Land take extends to 21% so ACHA loose 6 units.
4. Finance costs are included in the RTP/Colliers report.
5. No provision has been made for site costs (ground or contamination issues).
6. Cost of moving Council Depot £1.1mn
7. Site Assembly Cost £4.155mn. Excludes the Council Depot.
8. Assumes rental growth as shown above.
9. It is assumed that no other Council funding available for road works.
10. Phase 2 is excluded and Phase 3 and 5 are brought forward.

### Working Paper 11 - Benefits register

The benefits will be realised in terms of the housing facilitated and the GVA of businesses accommodated as a result of the Kinloch Road Scheme and increased retail turnover, margins and value added as a result of all the proposals.

There is at present no mechanism for measuring either the baseline or progress, and we would strongly recommend that one is established, perhaps as a 'town monitor'. A separate proposal will be put to the Council

### Working Paper 12 - Draft risk register and risk potential assessment

The execution risks assessed are considered very slight. The works required are well within the proven capability of the Council.

In a fragile area there is of course a significant risk that private sector investment which is hoped for will not materialise, but a significant amount has already been undertaken. When risks are unavoidable, a common strategy followed is one that aims to minimise regret if things do not turn out as planned. . In this case the proposed strategy fulfils that requirement, in that the public sector engagement would be beneficial to the Campbelltown economy even if the private sector is not as strong as is hoped.



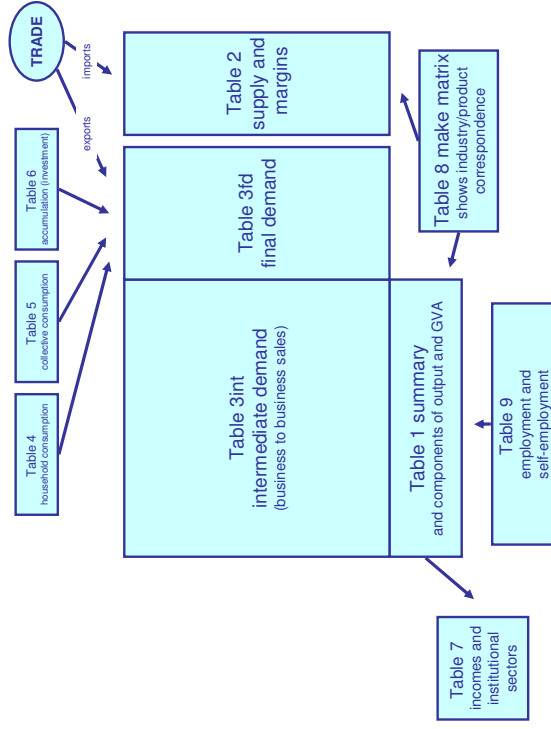
Working Paper 14 - Arrangements for post-project evaluation and implementation review

Working Paper 13 - Draft nominations for commissioner/  
stakeholder support.

The Project Board has been an effective vehicle in mobilising support and can usefully be built upon to resource the project as it progresses.

- ⊖ Economic performance measures against national averages and other areas
  - ⊖ Market shares, productivity, competitiveness, balance of trade
- Primary data is held in a set of 9 tables which reflect the layout of the Supply and Use tables in the UK national accounts:

**Figure 20 Tables in DREAM@Argyll and Bute**



The construction of the main variables is as follows:

**1.8.1 Production**

For statistical purposes Europe is divided into a hierarchy of territories. NUTS0 is usually an EU member country, and NUTS1 a major region or constituent country (eg Scotland, Wales, Bavaria), with NUTS2, 3 and 4 being finer and finer subdivisions.

Argyll and Bute consists of three NUTS4 areas: the mainland part of the former AIE area, the island parts, and Helensburgh and Lomond. These are parts of two NUTS 3 areas:

- ⊖ UKM43 Lochaber, Skye and Lochalish and Argyll and the Islands
- ⊖ UKM31 East and West Dunbartonshire, Helensburgh and Lomond

In the DREAM® model Gross Value Added to NUTS3 for the whole UK level is estimated for 123 industries by an iterative process constraining initial estimates to Regional Accounts as published for NUTS1, NUTS2 and NUTS3 levels, to the Annual Business Inquiry (employment) at the 4-digit SIC level, to the Annual Business Inquiry (financial) at region by division level and the

**Working Paper 15: DREAM@ Detailed Regional Economic Accounting Model and DREAM@people demographic projections**

The GVA estimates and demographic projections relied on in the report are from two sources:

- ⊖ DREAM@snapshot is used to provide detailed information on output, GVA, earnings, employment and most other economic variables
- ⊖ DREAM@people is used for demographic projections

The aim of the DREAM® family of products is to provide for regional and local economies the economic information usually analysed only at national level. DREAM@ snapshot is the nucleus of the system and for most users provides by far the most detailed picture they have ever have seen of the local economy, fully consistent with all valid summary views that are available. DREAM® is constructed following the European standard ESA95 and the UN convention SNA93. It is fully consistent with the UK national accounts and official regional data from ONS and the Scottish Government, and each DREAM® model is consistent and comparable with the model for every other region and locality.

The basic DREAM®model is not like other economic models, which normally are used for forecasting,

**1.8 DREAM@snapshot**

In principle, DREAM® takes in all the nationally-published economic data on Argyll and Bute, harmonises it and removes inconsistencies and obvious errors, and adds in considerably more detail.

Except for employee totals, the nationally published data is limited: regional accounts data on GVA for the areas which best approximate Argyll and Bute consists of only a 3-way sectoral split (agriculture including forestry and fishing/ production/ other). A 16-sector breakdown of costs and revenues is published by the Scottish Government in Scottish Business Statistics, but unfortunately this does not cover the whole economy and is not consistent with the national accounts. DREAM® makes the necessary adjustments to achieve consistency and combines these with national data at a fine industry level. The resulting model is a detailed picture of the regional economy based on 123 products/ industries specified to cover the entire economy and including:

- ⊖ Sourcing by geography of each product used locally
- ⊖ Markets – by industry and by geography – for each local product
- ⊖ Accounts for each industry, including cash flows, profit and loss and annual investment.
- ⊖ Linkages within and between local industries
- ⊖ Flows of income within the community
- ⊖ Employment by industry, gender, hours and occupation, including self-employment
- ⊖ Spending by local people and businesses, product-by-product

National Accounts (Supply and Use tables). Additional data is brought to bear in Scotland, Northern Ireland<sup>38</sup> and the Republic of Ireland so that there are more than a dozen sources. The diagram on the following page sets out the iterative process.

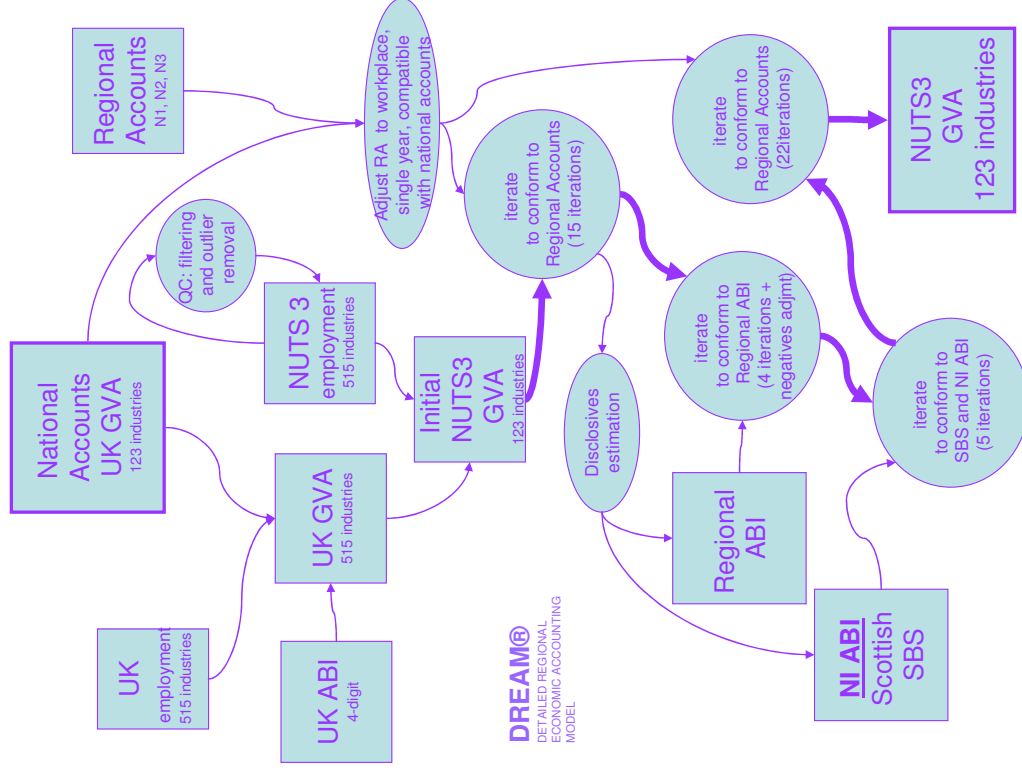
For the towns in Argyll and Bute we have then taken the 123-industry breakdown of each NUTS3 GVA, and disaggregated it geographically in line with employment. Special calculations are made for agriculture (employment data is patchy) and for housing (employment not an appropriate basis to split rents and imputed rents).

A similar procedure is followed for Compensation of Employees, also making use of local data from the Annual Survey of Earnings and Hours. This has been used to estimate commuting income.

The final estimates are constrained to the national accounts, SUTS, even though the Regional Accounts may not exactly match due to data timing issues, and ABI frequently is significantly different. The differences between ABI and National and Regional Accounts arise because the ABI is only one early source for national accounting data, does not have complete coverage, and the later balancing and adjustment stages take into consideration many other sources. This is especially important in the hospitality industries where national accounts estimates of GVA are about £7bn higher than ABI estimates. Type 2 multipliers (see below) are particularly affected because much of the additional GVA is allocated to compensation of the employed and self-employed.

<sup>38</sup> For Northern Ireland the Census of Employment replaces ABI, interpolated between census years by the Northern Ireland Labour Force Survey. The Northern Ireland Annual Business Inquiry, the Manufacturing Sales and Exports Survey and the Business Insurance Survey are used. For Scotland use is made of the Scottish Input Output Tables and Scottish Annual Business Statistics down to Local Authority level. Irish estimates are based on the Republic's input output tables and national accounts, and re-disaggregated only to NUTS2. Trade statistics are constrained to HMRC national estimates through the national accounts constraints but HMRC regional figures are used as a diagnostic tool only.

**Figure 21 Iteration procedure for detailed GVA estimates**



About a dozen industrial submodels are also used, in certain industries, normally to identify physical products and disaggregate activities. The industries particularly relevant to Argyll and Bute include

- ⊖ Agriculture by farm type
- ⊖ Forestry by country, activity, maturity and timber type

- ⊙ Fishing between caught (by species) and farmed
- ⊙ Energy: multi industry multifuel sub model including generating mix, disaggregation of oil and gas extraction, refining products etc
- ⊙ Food and drink: additional disaggregation of production and consumption
- ⊙ Timber, pulp, paper etc by product and process
- ⊙ Chemicals: some products identifies and some IO sectors disaggregated to 4-digit SIC
- ⊙ Construction: by activity/market
- ⊙ Hospitality to 4-digit SIC
- ⊙ Education by level

Depending on the client base and the stability or otherwise of the industry, not every industrial submodel is used every year at every geographical level.

**1.8.2 Absorption**

Households' consumption is estimated to NUTS1 level by disaggregating the national SUTS table (Table 4) using the Expenditure and Food Survey. Below NUTS1 disaggregation is modelled based on household disposable income. NPISH consumption (Non-Profit Institutions Serving Households) is estimated using demographic and occupational structure, weighting according to the population in appropriate age groups, student numbers from the Census of Population, and employment in higher and further education and membership organisations.

Collective consumption is estimated on a 'who benefits' basis using the Public Expenditure Statistical Analysis (PESA) estimates published by the Treasury.

Regional estimates of fixed capital formation have not been available in the Regional Accounts since 2000. After that date NUTS1 figures are based on ABI2 data and housing statistics, with geographical disaggregation to NUTS3 based on turnover and profits.

Stock changes are allocated based on weights averaging production and absorption.

**1.8.3 Trade**

DREAM@trade is a complete model of the internal and external trade of Great Britain and Ireland for the 123 goods and services of the United Kingdom IO classification. It is based on production and absorption as outlined above, together with a DREAM@ input output model of the Republic of Ireland, in which production and absorption are informally disaggregated to the Republic's eight NUTS2 areas.

The data sources are national accounts SUTS, Northern Ireland Manufacturers' Sales and Export Survey, HMRC regional trade estimates, the Scottish Input Output tables, which in turn are based on an unpublished origin and destination survey by the Scottish Executive, the SCDI survey of Scottish Manufactured Exports, the Scottish Global Connections Survey, Republic of Ireland Trade Statistics, and United Nations Comtrade Commodity Trade Statistics.

Initial estimates are prepared using the production/absorption estimates as origin-destination values in a 'gravity' model. In such a model the trade between two areas is proportional to the total flows from the origin, the total flows to the destination, and inversely related to the distance between them. The importance of distance is summarised in a 'friction' coefficient.

Origin and destination for each product and territory combination are based on production and absorption above.

The friction coefficient of the gravity model for each product is primarily based on the only official internal trade statistics for Great Britain, the Scottish Executive origins and destinations survey which reports trade between Scotland and the other constituent countries. Where this is problematic (for example if a Scottish trade flow as reported by the Scottish Executive is greater than a UK flow estimated by ONS) some coefficients are imposed based on experience elsewhere, notably the Canadian interprovincial input output tables which are the most detailed intra-national trade statistics in the world.

The distance parameter of the trade model is based on road distances between NUTS3 areas (NUTS4 in Scotland, NUTS2 in the Republic of Ireland).

Adjustments based on crossing time and frequency are made for ferry routes. In the case of crossings to Northern Ireland the distance equivalent is an empirical estimate based on the NIMSAGES. A 'national border' effect is estimated for the Republic of Ireland.

The trade estimates are then constrained successively to the various sources. The first constraints applied are based on the international trade data and the final constraints applied are the production/absorption estimates again, to ensure consistency with the national accounts. The intermediate data sources are sometimes in conflict (eg Irish exports to the UK differ from UK imports from Ireland) so adhoc adjustment is sometimes needed.

**1.9 DREAM@people**

Every year or two the General Register Office for Scotland produces a set of population projections for Scotland and for each Council area within it. However, as GROS itself emphasises, the population can evolve according to a number of possible scenarios, and the central projections are but one scenario, based on simple assumptions.

DREAM@people is a simple model designed to release those responsible for regional and local planning and policy from the confines of a single centrally-approved projection. It allows them to protect themselves from sudden and apparently arbitrary changes in forecast numbers and to explore the robustness of policy alternatives to different assumptions about the economy, society and the environment.

Making a demographic projection involves making assumptions about how people will behave and how they will make major life-forming decisions. In most places DREAM@people does this in a similar way to the GROS models. In some places it is simpler than the GROS model, and in other cases it is more subtle: most importantly it can be controlled by the user.

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Feature	GROS	DREAM®people
Scope	Separate for each gender, ages 0-89 plus '90 and over'. Projects ahead one-year at a time from latest available mid-year estimate and terminates 2027.	All people, ages 0-99 plus '100 and over'. Projects ahead one-year at a time from latest available mid-year estimate and continues without limit.
Births	Scotland level assumption adjusted to reflect regional differentials in fertility rates based on female population	Scotland level assumption adjusted to reflect regional differentials in fertility rate based on total population
Deaths	Scotland-level assumption based on trends in mortality rates (up to age 89), adjusted by age-specific mortality ratio for the locality	Scotland-level assumption based on trends in mortality rates (up to age 99), adjusted by age-specific mortality ratio for the locality
Migration total	Single net number from 2007 to 2027 for each council area – 400 for D&G	Sum of five identified flows as indicated below
Migration by age	Total as above is divided up to reflect the recent age composition of net flows.	<ol style="list-style-type: none"> <li>Bellwether migration of 21-33 olds at rates based on labour market</li> <li>Prime working migration of 34-49 year olds at rates based on labour market and housing</li> <li>50-67 'end career' migration at rates based on housing markets</li> <li>0-15 child migration based on prime migration and local family size</li> <li>Student age migration at rates based on age participation index.</li> </ol>

DREAM®people as a whole has been used for Argyll and Bute and a special version based on datazones for the towns.

Note: although cogentisi has used its DREAM® models on a grace-and-favour basis for the CHORD project, neither the results nor the models form part of any contract between cogentisi and Argyll and Bute Council. Raw data may be Crown copyright where indicated but all information and intellectual property contained in the DREAM® models that is not Crown copyright is the property of Cogent Strategies International Ltd and Hervey Gibson and all rights are reserved.

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### Working Paper 17 – Consultees

Cllr Rory Colville  
Cllr John Semple  
Cllr Donald Kelly  
Nigel Stewart – Argyll & Bute Council  
Alison Hurd – Communities Scotland  
James Lafferty - CARS  
Felicity Kelly - Argyll & Bute Council  
Audrey Martin - Argyll & Bute Council  
Jim Martin - Campbeltown Community Council  
Andrew Robertson - Argyll & Bute Council  
Jenny Carille - Argyll & Bute Council  
Alison Younger - Argyll & Bute Council  
Linda Haig - ACHA  
Matthew MacAuley - ACHA  
David MacAllister – Marina Sub Group  
George McMillan - Traders  
Deirdre Henderson – Cultural Forum  
Fergus Younger – Argyll & Bute Agricultural Forum  
Peter Ward - Traffic Management  
Roger Clark – Craigard Hotel  
Lori Smith – Craigard Hotel  
David MacAllister – Campbeltown Berthing Company  
Duncan McLean - Property Developer  
Frank McHardy – J & A Mitchell  
Peter Currie – J & A Mitchell and Breaks Surf Shop  
Don Mitchell – Argyll & Bute Council(retired)  
Douglas Cowan – Area Manager for Highlands & Islands Enterprise  
Les Oman – Dalriada Business Action Group  
Mike Staples – Roger Tym & Partners  
Matt Bellshaw – Colliers  
Judith Arnett - Countryside Consultancy  
Brian Keating – Brightside Leisure Developments

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RPS  
7 Clairmont Gardens  
GLASGOW  
G3 7LW

Our Ref: JS/KR/4112

Your Ref:

Date: 22<sup>ND</sup> October 2008

**Dear Sirs**

As Chair of the Campbeltown Project Board I am delighted to put forward for consideration the finalised Outline Business Case for Campbeltown Town Centre / Waterfront Project which is seeking a capital investment of £6.46million from Argyll and Bute Council

The Project Board, which comprises Ward 1 and 2 Councillors, Council officials and representatives from Campbeltown Community Council, ACHA, Scottish Government and HIE, are grateful for the support of the number of community and business interests who have participated in the discussion and drafting of the Outline Business Case. This community and stakeholder support for the projects proposed is an essential ingredient supporting its deliverability.

The Project Board would like to make the following specific comments with regard to the Outline Business Case as presented by Cogent:

- The Project Board fully supports the agreed Council scoring methodology which supports the identification of outcomes desired by the Council in pursuing the Waterfront / Town Centre initiative.
- That in considering the difference between the DTZ benefit figures and the Cogent benefit figures the Project Board noted that the methodology used by DTZ was very limited - a desk based exercise could not take into account the 'on the ground' picture of economic opportunities and deprivation in the area in the same way which the Cogent report had managed to do. It was felt strongly that in addition to the market return for investment the social return also had to be acknowledged and the DTZ methodology had not done this with regard to the Campbeltown analysis.
- The Project Board believes that the DTZ 30% displacement figure for Argyll and Bute is high and that it does not fully recognise or add value to the fact that the OBC, in particular the marina project, would attract new investment and spend from markets outwith Argyll and Bute e.g. Northern Ireland, Ireland, England and East Scotland.

**Vice Chair of Mid Argyll, Kintyre and the Islands Area Committee  
Chair of Environment Policy and Performance Group  
Depute Spokesperson for Transportation and Infrastructure**

Both DTZ and Cogent recognise the importance of Place in realising sustained economic development. There are a number of significant issues effecting, or likely to effect Campbeltown in the near future:

- 1) the sale of the MOD base (potential loss of 20 jobs and contribution to depopulation of area),
- 2) the potential closure of the Vestas manufacturing plant (potential loss of 92 jobs and contribution to depopulation of area)
- 3) The outcome of the STAG appraisal for the Campbeltown / Ballycastle Ferry route (with potential linkages to Ayrshire)
- 4) The Highlands and Islands Operating Plan 2008-2011 has identified the need for a Kintyre Action Plan as a “Transformational Project” under its Regional Competiveness heading. Its target will be the development and early implementation of an action plan to address the current economic challenges facing the Kintyre peninsula. This status has been given to only five areas in the HIE area and is the only one in Argyll and Bute. This means that of the towns in Argyll and Bute only Campbeltown will receive special attention and additional resourcing from HIE over the next few years

Analysis from Cogent based on information available to date has confirmed no significant impact on the assumptions within the Outline Business Case – particularly as this Business Case focuses on opportunities.

It is noted that these three issues are largely outwith the control of the Council, unlike the Outline Business Case which presents the Council with a direct opportunity to respond directly to the current critical economic issues faced within Campbeltown and South Kintyre. Support for the Outline Business Case is as equally important should these issues have positive outcomes as it will be if they have negative outcomes. Indeed the improvement of Campbeltown as a Place through this project is likely to have a significant impact on how these three issues can be affected to the benefit of the local community.

The Project Board commends the Outline Business Case to the Council as a Waterfront / Town Centre project of substance which is focused, deliverable and presents a unique opportunity to attract growth into Campbeltown from hitherto untapped markets.

Yours faithfully

Cllr John Semple  
Chair, Campbeltown Project Board

**Vice Chair of Mid Argyll, Kintyre and the Islands Area Committee  
Chair of Environment Policy and Performance Group  
Depute Spokesperson for Transportation and Infrastructure**

# The Campbeltown Dossier

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## Notes pages

These notes are intended to expand informally upon the panels presented in the Dossier itself. They should be compatible with the Dossier.

Fri, 13 June 2008

### **\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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## Panel 1: The Campbeltown Dossier

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 area 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

(reprinted from Dossier for convenience)

## Panel 2: The background

Waterfronts and town centres in settlements across Argyll & Bute need investment to rejuvenate them as the main centres of economic activity within the region. Argyll & Bute Council's Corporate Plan identifies waterfront and town centre regeneration as a strategic priority.

However, the work programme and required investment is huge and hence the Council wish to prioritise its limited regeneration resources in terms of officer time and capital spending on its five largest waterfront towns, namely Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.

Each of these towns had an Initial Business Case produced for them, and at a meeting of the council on the 26<sup>th</sup> September 2007 it was agreed to move each of these forward to an Outline Business Case (OBC) in order to equitably determine a priority for undertaking the work. On 20<sup>th</sup> December 2007, Argyll & Bute Council's Executive agreed to appoint external consultants to help with the preparation of the OBCs using a common format.

Initially £3 mn of Council funding was identified to be spent on priority areas of action. However, as part of the budget setting process additional funding was identified, taking the funding to a total of £10 mn to be distributed as part of this process.

This report is one of five OBCs produced and seeks to put the case for priority funding for Campbeltown.

The information in the report includes an economic and social review of the economy of Campbeltown and a summary of each of the projects being proposed as part of the investment in the town centre and waterfront area.

The Project Board originally selected four projects, but after consideration the three shown were chosen on the grounds that they are **clearly defined, have been thoroughly researched, show measurable benefits, and partners have expressed enthusiasm for them.**

This summary information is supplemented with more detailed information contained within a pro-forma, each of which are attached as an appendix to the report. The report also examines the interactions between the individual projects and also briefly considers projects or other activities which are ongoing within the town, but do not form part of the specific projects identified for funding.

For each town's proposals, a strategic fit with key strategies is identified, the economic case for undertaking the work is considered and the commercial case in terms of how the project could be put together is dealt with. The financial case

considers how the council's finances will be affected, in terms of both revenue and capital funding and finally the management case considers how the individual projects could actually be delivered.

The next phase of this work will be to score each of the town's proposals on an agreed scoring matrix using these OBC reports as the basis for consideration.

## Panel 3-6: Campbeltown

The unique geographic position of Campbeltown is of the utmost importance, especially now that the economic development agencies for Scotland are paying much less attention to regional issues and leaving the regeneration responsibility to Councils. In anything less than a strictly literal sense, situated at the end of a long peninsula, Campbeltown is an island and has an island economy. The six highlighted features are of the essence:

- ⊖ Peripherality
- ⊖ Harbour and connectivity
- ⊖ Declining population
- ⊖ Rampant market failure in labour and property markets, and gross imbalance of market power in goods markets (check out the local supermarket prices, quality and offer)
- ⊖ Sensitivity to specific challenging economic events and to branch plant syndrome
- ⊖ Opportunity offered via tourism – but this heightens connectivity issues

Vestas wind turbines (and in due course Machrihanish Dunes Golf) lie just outside the town but are part of the town's economy because they are part of its labour market

Figure 1 Campbeltown GVA

Campbeltown GVA  
£61.2 mn

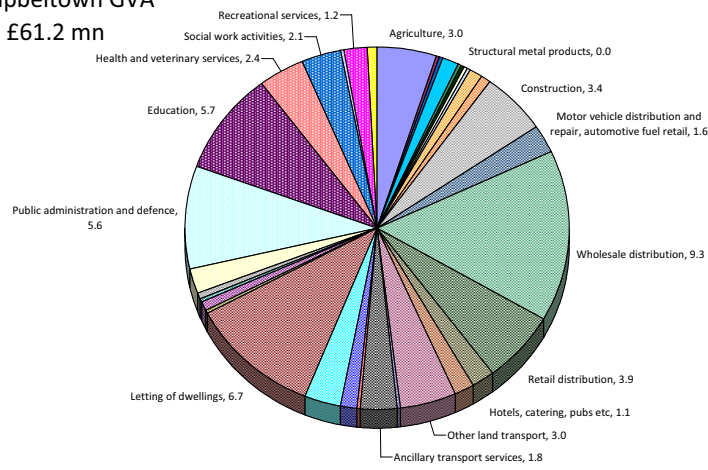
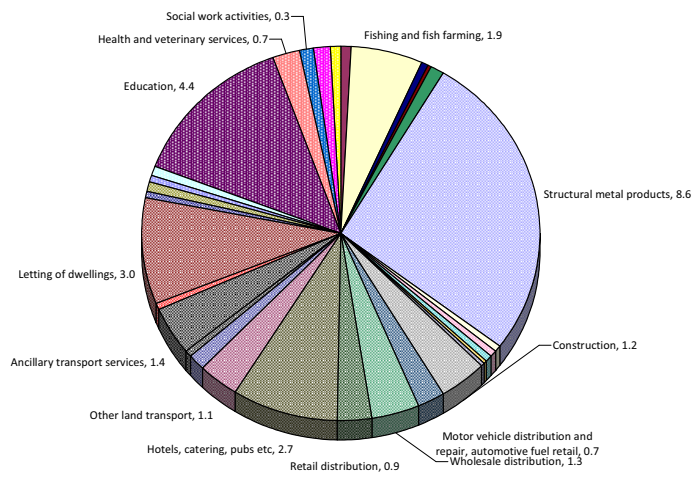


Figure 2 Rest of Kintyre GVA

Rest of Kintyre GVA £32 mn



## Panel 7-8: Project 1 – Kinloch Road

This project seeks to provide a mixed use scheme on a prominent site owned by West Highland Housing Association and Argyll and Bute Council between the waterfront and Campbeltown town centre. Kinloch Road itself runs from the harbour in Campbeltown past the new Aqualibrium leisure centre. This plan includes a road realignment to create a new strategic approach to the town which creates an impressive vista of the waterfront. The realignment will also allow easier access to the harbour area for large lorries transporting wind turbine towers.

The realignment emerged as part of the project walkabout and the CHORD project can claim a part in its acceptance by partners.

A deal will need to be done with the Housing Association in connexion with the land, ideally a swap with some other site or part site: this is in our view not material to project selection.

Roger Tym's estimates for economic impact are based on traditional 'job creation' arithmetic, and we have adjusted this to provide estimates of Gross Value Added generated.

## Panel 9-10: Project 2 – Campbeltown Loch Marina

This project seeks to build on the current marina facilities in Campbeltown, with berthing for around 20 vessels to 40 and eventually on to securing over 100 berths. In addition, onshore facilities could be improved as part of the scheme.

The owner of the Royal Hotel – who is planning to refurbish it to accommodate Machrihanish Dunes golfers – expressed his willingness to provide shower and changing facilities for yachties using the marina. This seems to us an excellent solution – the Royal Hotel will obviously have their eye on the potential takings and the marina cost would be reduced below the Scott Wilson estimates.

Panel 11-12: Project 3 – THI and CARS

These are two geographically overlapping, but not exactly coterminous, initiatives to improve the townscape and key properties in some of the most attractive parts of this ancient Scottish town. The options are to increase the pedestrianisation so that attractive historic buildings are not obscured and to have a pro-active plan for development of housing above shops so that the centre of the town is re-populated.

1.1 Economic development benefits of providing housing

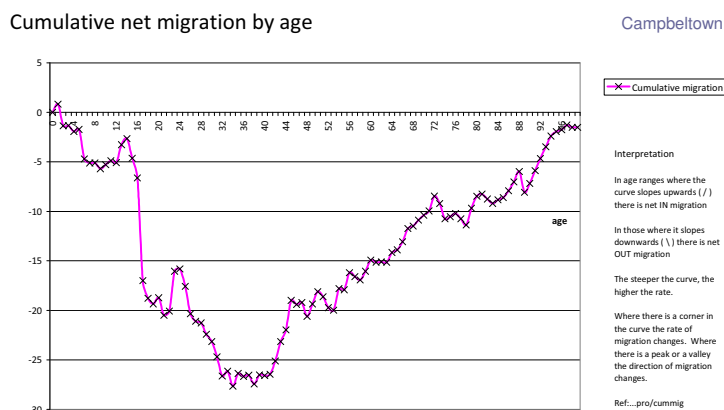
The demographic situation of the town is delicate. Despite an expectation of declining population, new housing is required to cater for modern rates of household formation. People are needed to come and work in the town, because in the long run a wide gap is opening up between the development of population and the expected population of working age.

Thus building a house creates a space for someone to live, and that someone will always bring demand to the town and may, if they are of working age, increase the supply capacity of the town's economy.

A person moving to Argyll and Bute at the start of a full working life at average wage has expected earnings of approximately £400 000 and will create added value of £700 000 (both discounted at 3.5 per cent).

However, most people do not move in at the start of their career, and in general the local economy is not in a position to provide a steady stream of early-career jobs. When we break down migration by age we find net in-migration in Campbeltown starts in the mid-30s age group and continues at a steady rate into old age.

Figure 3 Cumulative net migration by age



So an appropriate assumption is required to cover the average in-migrant, at whom – whether directly or indirectly – housing provision is addressed. For simplicity the 'value' to the economy of the person who occupies a housing space has been taken as that appropriate to 8 years working life. This is based on the calculation that approximately half of net in migrants have no remaining working life, and the other half have between 32 and 0 years, say on average 16.

Thus the value of the contribution of the adults accommodated in a new housing unit is  $1.7 \times 700 \times 8 / 40$  which rounds to £240 000.

This leaves finally the question of how important is the provision of housing: we have made the assumption that in a position of housing shortage it is critical.



## 1.2 The economic value of £1 mn invested in improving the shopping area<sup>1</sup>

A key question in any public sector investment is 'Is it additional or is it deadweight?'. In other words, is this investment really making a difference, or is it just paying for something that would have occurred anyway?

Often improvements made to shopping streets and even individual shop fronts will be additional, in the sense that they would not occur without public sector intervention (and in point of fact have not occurred despite ample opportunity). In the case of improvements to individual shops in relatively low income areas this is because often the shops wouldn't have done it anyway, either because they lack funds to do their own shop fronts, or (in the view of some civic societies and even town planners) they lack the motivation, taste and coordination to do it appropriately.

In more general cases, the improvement is additional because it is a widely-shared public good, like sorting out the pavement or street lighting, which no individual or single company is likely to fund. In both these cases the 'additional' improvements usually benefit local people and possibly attract tourists by providing a more pleasant or striking shopping experience. This makes the shops more competitive, generating higher sales with greater added value and employment. To a small degree it makes the town a better place to live.

Even if the improvements are not 'additional' then the shopkeepers would in principle have done them anyway, but they and the local community of course still benefit directly at the expense of the wider community that is providing the funds. If they are in a particularly disadvantaged situation this may be fair enough.

We have estimated the additional value on the basis that it will yield the same return as an average investment in UK retailing. This is perhaps generous, as no public sector project is likely to be so well-focused on retail GVA as an investment by the retailer himself - but after a history of under-investment it should not grossly exaggerate the takings.

### 1.2.1 Putting figures on this

If a butcher invests £1 mn in sausage machines, and they produce a zillion sausages per year, and sausage materials cost so much a ton and sausages sell for so much, it is *reasonably* easy to work out the benefits arising from the investment (Perhaps if you don't look too close, like counting the cost of the cholesterol induced heart attacks ... ..).

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<sup>1</sup> © COGENT STRATEGIES INTERNATIONAL LTD 2008

But if a shopkeeper invests so much in new shelving to display goods better, or in new facades to attract people into his shop ...

Or if a Council invests so much to attract people to shop in a town centre....

As explained above, in the CHORD project we have valued town centre ambience projects aimed at predominantly shopping environments at the same yield rates that would apply to general retail investment.

A workbook sets out retail and related value added and investment in the UK from 1992 to 2004. The value-added average of £38.9 bn (at 1995 prices) can be compared with the national accounts estimate of capital employed in the distribution and hospitality industries of £220 bn (at 1995 prices) (2001 Blue Book).

This would suggest that investing £1 mn in these industries yields on average £177 000 per year in additional value added. The capital employed figure is equivalent to nearly 18 years' average capital investment, or to investment over the preceding 20 years or so. As a conservative measure we have discounted the benefits over 15 years at 3.5 per cent, in which case the present value of £177 000 is £1.93 mn (microsoft excel npv function).

Thus the immediate benefit:cost ratio of investment aimed at retailing is almost 2:1. This is excluding multipliers, and assuming all funding for the investment comes from the Council.

1.2.2 National accounts data

Figure 4 National Accounts

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average 1992-2004
<b>Distribution and hospitality investment</b>														
Retail investment - national accounts	4054	4273	4149	5096	4872	5538	7164	5933	6290	6304	6770	6013	6375	5602
Retail gross margins - national accounts	4452	45634	49184	51144	54184	56918	60687	65002	68392	71083	73291	75711	78559	61095
Retail value added - national accounts	31621	31990	33198	33651	34934	36215	38281	40632	42336	43725	44879	46024	47804	38868
Retail employment costs - national acc	20280	20195	20482	20654	20554	20861	22066	23232	24277	24963	25485	26323	27546	22840
Taxes less subsidies on prodn (mainly f	2571	2478	2484	2426	2991	2667	2740	2808	3035	3216	3269	3267	3378	2871
Gross operating surplus, including self	8770	9317	10232	10571	11389	12687	13475	14591	15024	15547	16126	16433	16881	13157
Inv/GVA	12.8%	13.4%	12.5%	15.1%	13.9%	15.3%	18.7%	14.6%	14.9%	14.4%	15.1%	13.1%	13.3%	14.4%
Inv/profits	46.2%	45.9%	40.5%	48.2%	42.8%	43.7%	53.2%	40.7%	41.9%	40.5%	42.0%	36.6%	37.8%	42.6%
<b>Hospitality investment - national acco</b>														
Hospitality investment - national acco	1985	1476	1510	2679	2899	3138	3357	3704	3901	3715	3146	2606	2797	2840
Hospitality gross margins - national acc	34148	35565	36503	37872	40198	41522	44509	46187	48682	50185	51641	52570	56005	44276
Hospitality value added - national acco	14487	14522	15162	16108	17562	18884	20694	22116	23162	23729	24293	24858	26447	20156
Hospitality employment costs - nation	9789	9769	10073	10699	11508	12186	13156	14098	15358	16062	16282	16637	17728	13334
Taxes less subsidies on prodn (mainly f	945	912	710	750	921	831	899	994	1123	1194	1293	1262	1383	1017
Gross operating surplus, including self	3753	3841	4378	4661	5134	5867	6639	7023	6680	6473	6718	6958	7337	5805
Inv/GVA	13.7%	10.2%	10.0%	16.6%	16.5%	16.6%	16.2%	16.7%	16.8%	15.7%	13.0%	10.5%	10.6%	14.1%
Inv/profits	52.9%	38.4%	34.5%	57.5%	56.5%	53.5%	50.6%	52.7%	58.4%	57.4%	46.8%	37.5%	38.1%	48.9%
<b>Wholesale investment - national acco</b>														
Wholesale investment - national acco	2311	2578	2824	3065	2854	3647	4271	3618	3339	3502	2997	2641	2206	3066
Wholesale gross margins - national acc	51890	54094	54456	58740	62986	68991	74982	78578	79554	81367	77116	77266	79643	69205
Wholesale value added - national acco	27136	27072	28002	28613	29555	31488	33942	34903	35392	36447	34487	35277	36705	32232
Wholesale employment costs - nation	16116	16468	17484	17707	17330	18153	20070	21853	23633	24732	23866	23997	24592	20457
Taxes less subsidies on prodn (mainly f	1003	964	941	986	1104	1080	990	1035	1142	1231	1008	968	1029	1037
Gross operating surplus, including self	10016	9640	9577	9920	11121	12255	12942	12015	10618	10484	9613	10312	11084	10738
Inv/GVA	9.1%	9.9%	10.3%	10.7%	9.3%	10.9%	11.5%	9.4%	8.4%	8.3%	7.3%	6.1%	4.8%	8.9%
<b>Motor trade investment - national acco</b>														
Motor trade investment - national acco	635	683	672	717	764	864	1017	1029	1066	1049	1140	1262	1182	929
Motor trade gross margins - national a	20890	21693	22593	23507	24494	26705	28368	30027	30043	31046	31517	33473	34284	27588
Motor trade value added - national acc	11449	11524	12052	12447	12220	13050	13659	14805	14821	15715	16945	16964	17459	14016
Motor trade employment costs - natio	7333	7559	7912	8177	7851	8032	8387	9559	9948	10634	11208	11556	11974	9241
Taxes less subsidies on prodn (mainly f	822	849	808	835	905	807	739	697	678	641	566	626	624	738
Gross operating surplus, including self	3294	3116	3332	3435	3464	4211	4533	4549	4195	4440	4271	4783	4862	4037
Inv/GVA	6.0%	6.2%	5.7%	5.8%	6.0%	6.2%	6.8%	6.3%	6.4%	5.8%	5.9%	6.1%	5.4%	6.0%
<b>Total investment - national accounts</b>														
Total investment - national accounts	8985	9010	9155	11557	11389	13187	15808	14284	14596	14570	14053	12522	12561	12437
Total gross margins - national accounts	44452	45634	49184	51144	54184	56918	60687	65002	68392	71083	73291	75711	78559	61095
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<b>Deflator 1995-100</b>														
Deflator 1995-100	0.932	0.959	0.976	1.000	1.035	1.064	1.090	1.107	1.123	1.154	1.195	1.227	1.251	
Total at 1995 prices	9299	9325	9474	11961	11787	13647	16361	14783	15106	15080	14544	12960	12999	

Source: UK National Income Accounts (UK BLUE BOOK) and ONS

Ref: P122/retail etc investment.xls

**Panel 13: The strategic case**

The *Yellow Book* report on Campbeltown is good and the vision is taken from that. Unusually, we find this vision quite realistic

## Panel 14-16: The economic case

The THI and CARS schemes will cost £1.4 mn in total, of which £200 000 will be provided by the Council. We have treated this as £700 000 leading to benefits for retailers, £400 000 for residential benefits and £300 000 for non-quantifiable 'heritage and existence value' benefits.

### 1.3 Benefits to the town's retail offer

Often improvements made to shopping streets and even individual shop fronts will be additional, in the sense that they would not occur without public sector intervention (and in point of fact have not occurred despite ample opportunity). In the case of improvements to individual shops in relatively low income areas this is because often the shops wouldn't have done it anyway, either because they lack funds to do their own shop fronts, or (in the view of some civic societies and even town planners) they lack the motivation, taste and coordination to do it appropriately.

In more general cases, the improvement is additional because it is a widely-shared public good, like sorting out the pavement or street lighting, which no individual or single company is likely to fund. In both these cases the 'additional' improvements usually benefit local people and possibly attract tourists by providing a more pleasant or striking shopping experience. This makes the shops more competitive, generating higher sales with greater added value and employment. To a small degree it makes the town a better place to live.

Even if the improvements are not 'additional' then the shopkeepers would in principle have done them anyway, but they and the local community of course still benefit directly at the expense of the wider community that is providing the funds. If they are in a particularly disadvantaged situation this may be fair enough.

We have estimated the additional value on the basis that it will yield the same return as an average investment in UK retailing. This is perhaps generous, as no public sector project is likely to be so well-focused on retail GVA as an investment by the retailer himself - but after a history of under-investment it should not grossly exaggerate the takings.

### 1.3.1 Putting figures on this

If a butcher invests £1 mn in sausage machines, and they produce a zillion sausages per year, and sausage materials cost so much a ton and sausages sell for so much, it is *reasonably* easy to work out the benefits arising from the investment (Perhaps if you don't look too close, like counting the cost of the cholesterol induced heart attacks ... ..).

But if a shopkeeper invests so much in new shelving to display goods better, or in new facades to attract people into his shop ...

Or if a Council invests so much to attract people to shop in a town centre ...

As explained above, in the CHORD project we have valued town centre ambience projects aimed at predominantly shopping environments at the same yield rates we would apply to general retail investment.

A workbook sets out retail and related value added and investment in the UK from 1992 to 2004. The value-added average of £38.9 bn (at 1995 prices) can be compared with the national accounts estimate of capital employed in the distribution and hospitality industries of £220 bn (at 1995 prices) (2001 Blue Book).

This would suggest that investing £1 mn in these industries yields on average £177 000 per year in additional value added. We have used a factor of 0.18 in our calculations

For the £700 000 identified as 'retail-related' this suggests an annual GVA benefit of £130 000 which, discounted (at the public sector rate) over 15 years, gives an npv of £1.5 mn

### 1.4 Multipliers

Cost benefit ratios are 'before multipliers'. Multipliers for Campbeltown could be quite high, because of the isolation. It is quite difficult for expenditure to 'leak' from a local economy if there is nowhere for it to leak to.

We have a capability to model this, but it's beyond the scope and time allowance of the CHORD project. We'd be happy to discuss with the council how to model the A&B economy and its parts!

## Panel 17: The commercial case

### **Kinloch Road Redevelopment**

The Project Board hope to regenerate the Kinloch Road area by acquiring the third party interests and redeveloping the site for commercial and housing use. To this end they commissioned a study (the Report) into the area by Roger Tym and Partners (RTP) and Messrs Colliers. As part of this study, the area in question has been appraised by an architect and the site tested<sup>2</sup>, with the outcome attached below. The outcome of this exercise has been accepted by the Board and as such its findings have been relied upon for the purpose of this report. However the Project Board have indicated that they wish to leave out at this stage the development of the community facility (area 4 on the plan (Figure 5)) and area 2, preferring to keep this land for future development once the project has progressed in the case of area 4. Area 2 is felt by the Board to be an area that might attract external funding in future and so has been excluded from the project at this stage.

In addition to the above proposal, the Project Board have asked that the project is extended to include the costs of realigning Kinloch Road, so that it passes through land owned by Argyll Community Housing Association (ACHA), linking Kinloch Road and Longrow/Lochend Street.

If areas 2 and 4 are excluded from the Report and the cost of constructing the realigned road across the site owned by ACHA, which has been estimated at very approximately £500,000<sup>3</sup>, the cost of compensating ACHA<sup>4</sup> and the costs of relocating the Council depot which is estimated to be a minimum of £1,125,000<sup>5</sup>, the expected outturn is a cost of approximately £8.70 million, before these are discounted.

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<sup>2</sup> Reference email from RTP to Argyll & Bute Council (Andrew Robertson) 29 April 2008 (10:35).

<sup>3</sup> Rough estimate provided by Argyll & Bute Council. Detailed design and costings need to be prepared.

<sup>4</sup> This estimated to be £130,000, though further detailed work is required as ACHA have not planned there site in detail and so it is not certain how their site will be affected by the road. It is assumed that they will lose approximately 20% of their developable area. Following discussions with ACHA it is believed that they intend to develop 30 units on the site. ACHA consider that this level of compensation would be subject to other land being available elsewhere in Campbeltown.

<sup>5</sup> Email Sandy Mactaggart 2 May 15:17 to Andrew Robertson

If the additional costs above are included then discounted using Treasury Green Book criteria i.e. that interest is excluded and that the values should be discounted by 3.5% then the costs of the project capitalise at a Net Present Value(NPV)<sup>6</sup> of negative £8.30 mn.

THE Roger Tym study is certainly an adequate basis for prioritisation, and the project begins to address some of the difficult issues in attracting development to Campbeltown, that of providing work and workplaces within the community, and not at or beyond its periphery. A good start has been made on a sequence of progressively more detailed business cases, and following inclusion in CHORD detailed discussions should be had with the various land owners and their tenants as to their view of the project. They are understood to be broadly supportive. The project is susceptible to changes in the market.

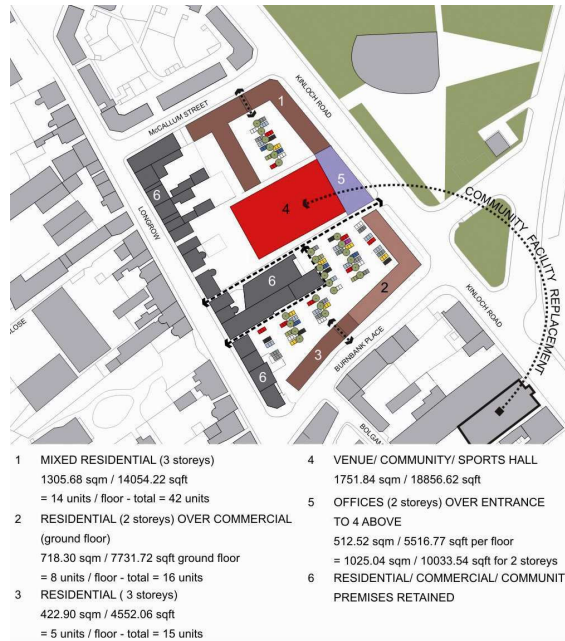
In addition to the above it should be noted that no attempt has been made to add value to the development in the context of interactions with the extension to the marina, but it should be noted that this might have a positive effect on the value placed on the parts of the site.

It is considered that to deliver this project will require dedicated officer time and potentially the appointment of a town centre manager.

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<sup>6</sup> NPV – Compares the present value of future receipts from a proposed investment with future outgoings and if the value of receipts exceeds the outgoings the investment is deemed worthwhile.

Figure 5 Kinloch Road Redevelopment Area Plan



### Campbeltown Marina

The Project Board aim to increase the berthing facility in Campbeltown Marina from approximately 40 berths to 145 berths, by extending (replacing) the existing facility and creating a new facility in the harbour area. This option is contained as Option 4 in the Scott Wilson report prepared in May 2008<sup>7</sup>. The proposal includes the provision of berthing for some 79 boats to replace and enhance the existing facility and new berthing capacity for a further 66 boats in the existing harbour. Both figures assume an average boat length of 10m.

The current facilities, which are run by the Campbeltown Berthing Company, extend to approximately 100 metres of pontoons, which it is estimated are currently used for 1500 boat-nights per year, down from a peak of 1800. The facility is regarded as relatively unattractive as in high season, while the pontoon can be fully utilised, the use results in boats being tied up 4 deep along its length. This spoils the enjoyment of those visiting Campbeltown and is felt to be putting people off visiting the marina and/or staying thus reducing the income received from sailors both to the Berthing Company and to the town itself.

The loch has and is suffering from frequent discharges from Scottish Water's Waste treatment works and while these are expected to be resolved during the next two years, these discharges are felt to have damaged the reputation of the Loch for visiting sailors. It will be necessary looking forward to improve the facilities provided at the marina and also to improve the local water quality in order to enhance the reputation of Campbeltown as a sailing destination.

It can be seen from the discounted cash flow contained in Working Paper 10 that an analysis of the project applying Treasury Green Book criteria i.e. ignoring interest and applying a discount rate of 3.5 per cent, shows a negative Net Present Value<sup>8</sup> of approximately £2.1million. For the purpose of the model it has been assumed that approximately 145 berths are created, but that the rate of growth of income is restricted, but steady. It has been assumed that there will not be a significant increase in these numbers after an initial surge and as such growth of 5% has been assumed. It is felt that this may be achieved as a result of improved reputation, increased prices as facilities improve and as a reflection of the growth that is anticipated in sailing locally<sup>9</sup>.

<sup>7</sup> Scott Wilson – Campbeltown Loch Development Options Appraisal Final Report May 2008.

<sup>8</sup> NPV – Compares the present value of future receipts from a proposed investment with future outgoings and if the value of receipts exceeds the outgoings the investment is deemed worthwhile.

<sup>9</sup> McKenzie Wilson "Sailing on the Clyde Estuary"

Growth has been limited to reflect the fact that currently users are forced to tie up 4 deep on occasions and creating greater capacity will initially only result in a spread of use and not an increase in users.

It can be seen from the above modelling that the project is not self sustaining and will need public money to pump prime it to allow the project to move forward. Scott Wilson's have identified possible sources of additional funding that have existed and been used in the past and section indicates what might be available currently. Of the likely funding opportunities identified it is possible, if a robust and detailed business case can be put to them that the Crown Estate might be persuaded to invest in the project.

However, it is felt that the future management of the marina is crucial to its success and the ability to attract funding. It is felt that as part of any detailed business case a clear target market should be defined, the balance between permanent berthing and transit activity, and that a more aggressive marketing strategy could be adopted targeting a greater number of sailing events and cruise ships. It is felt that the financial performance of the marina could be enhanced with a more proactive approach, though this will require the other improvements identified above to be put in place.

The management of the marina has been well set out in the Scott Wilson report and can be summarised as follows:

- Maintain the Status Quo – Campbelltown Berthing Company
- Council invest and manage through the Harbour Master
- Management by a Community/business partnership (not for profit)
- Private sector investor owned and managed

It is felt that the preferred structure should be defined once a detailed business case is prepared. For the purposes of the CHORD evaluation it has been assumed that the Council will have a half interest in the Marina, a commitment of £1.2 mn.

It is noted that further studies are required to progress the detail of this proposal and that a commitment has been made by the Council to spend up to £54,096 on further studies for the town centre and the water front.

It is also noted that repair work is required to the existing pier and as such should the council not proceed with this project expenditure will be required to the existing pier. It is not known at the time of writing what this cost will be<sup>10</sup>.

<sup>10</sup> ABC are currently investigating this cost.

## Panel 18 – The financial case

The Projects being put forward for CHORD can be categorised in 5 ways in terms of their effect on the Council's finances, as shown in Figure 6.

**Figure 6** Categorisation of projects based on effect on council funding

Categorisation	Description
A – Public sector investment (No Payback)	A straightforward public sector investment that is essential as part of the overall infrastructure/support to the project and where no related payback can be identified. Capital investment in this category will count against the £10m provided in the Council capital plan.
B – Public sector investment (With Payback)	Similar investment in public sector infrastructure as above but where the investment can be related to the release/development of a specific asset or other project and the effect is a full or partial payback of the initial investment. Where a full payback is achieved then this expenditure will not count against the £10m available in the capital plan. Any unfunded element of a partial payback will count against the £10m.
C – Business Opportunity (Requiring Pump Priming)	Some projects will be viable business opportunities on an ongoing basis but will require initial pump priming. Where the Council is to make the initial investment of pump priming then this will count against the £10m available in the capital plan.
D – Business Opportunity (Joint Venture)	Some projects will be viable business opportunities without any requirement for pump priming. However in some cases there may be a benefit from the project being delivered on a joint venture or partnership basis. Any investment by the Council should be off set by a return or payback in later years and as a result does not need to count against the £10m available in the capital plan. The nature of the joint venture or partnership will need to be assessed in the OBC eg develop and lease, develop and operate partnership.
E – Business Opportunity (Standalone)	Some projects will be viable business opportunities without any requirement for pump priming or partnership. There will be no role for the Council in the financing of these. These will not count against the £10m available in the capital plan.

At one end of the spectrum this involves projects which are fully funded by the Council with no direct pay back and at the other end, projects which are entirely business opportunities requiring no Council financial intervention. There is a range of other scenarios in between these two financial situations.

Sources of grant funding have been identified wherever possible. Many of the projects require greater definition of elements and outcomes in order for the grant opportunities to be explored in greater detail. In addition, many grant sources are currently in a state of transition and many programmes are not developed to a stage whereby the eligibility of the projects can be assessed in more detail. However the most likely sources have been identified below with input from the Councils Funding Officer and European Manager.

The Campbeltown projects all sit within the Categories as follows;

**1) Kinloch Road development including road realignment plus acquisition and redevelopment of the land.**

A – Public sector investment (No Payback)

This project is costed at approximately £16 million and it is anticipated that it would be funded by the Council, Argyll Community Housing Association, Communities Scotland and Highlands and Islands Enterprise. There may be some element of private sector input but it is not anticipated that this will generate any significant returns to the Council. Elements of the redevelopment may attract ERDF from the Highlands and Islands Convergence Programme if it provides community or business facilities.

**2) Campbeltown Marina Development**

B – Public sector investment (With Payback)

It is anticipated that this project will involve up front investment by the Council with some element of payback. As stated under the Commercial Case, the project is not self sustaining and will need some public money to pump prime it to allow the project to move forward. Scott Wilson has explored options for the management of the facility which in turn relate to the funding approach to be undertaken. It is understood that no final decision has as yet been taken on the preferred way forward but that the project is likely to cost in the region of £2.5 million.

Of the likely funding opportunities identified it is possible, if a robust and detailed business case can be put to them that the Crown Estate might be persuaded to invest in the project (see the Commercial case).

There may be scope for the project to attract grant funding from a Transnational Project under Interreg or from Leader. The Interreg project will involve a significant amount of work as it needs transnational cooperation as a critical element of the project. A LEADER grant would be dependant on the scale of the project and the degree of community involvement/ownership. Further exploration is required into the Growing Community Assets element of the Big Lottery and there may be sources of funding from social investment banks depending on the management and ownership of the marina.

**3) Townscape Heritage Initiative and Conservation Area Regeneration Scheme**

This is a category A project requiring – Public sector investment with no anticipated Payback. They are partnership schemes where the principle external funders require match funding from local partners including the local authority and other stakeholders. European and LEADER funding can also be used to create the funding package.

Both schemes usually involve an intervention rate of 50% by the major external, funder with the local authority developing a package of partnership funding. The basic current funding package is as follows:

**Conservation Area Regeneration Scheme (CARS) (All funding committed)**

Historic Scotland	£385,000
Argyll and Bute Council	£200,000
HIE AI	£100,000



## **Townscape Heritage Initiative (THI)**

Heritage Lottery Fund                    £700,000 (+ £25,000 Development Project)

CARS (as above)                            £685,000 (+ £12,500 Development Project)

The CARS schemes is entirely committed and in place and will not draw on the Council's CHORD monies. The Strathclyde Building Preservation Trust is working with the CARS project and would also be involved with the THI. They are working with the third sector to take forward projects, undertaking options appraisals and identifying sources of funding including income generation opportunities thereby imbedding the projects more into the community.

The THI scheme has received a Stage 1 pass which gives the opportunity to draw down £25,000 development money. October 2008 is the deadline for the Stage 2 monies. The CARS money is partly being used to match fund the THI but a wider funding package is required. Private sector funding is not considered possible at this stage. Future funding options include Leader, Scottish Arts Council and Interreg but an initial funding shortfall to match fund the THI adequately has been identified. The Heritage Lottery Fund will wish to see a closely worked out package of match funding in the Stage 2 Action Plan to be submitted in October 2008. The Council has invested £200,000 over 8 years to the CARS project but a much greater contribution to the funding package for THI is likely to be required by the HLF.

The shortfall is considered to be £808,750 to £1million.

Other potential funding sources are mentioned in more detail below.

- Campbeltown may attract funding from Highlands and Islands Enterprise because of its current Fragile Area status.
- ERDF – There appear to be few opportunities for funding for the townscape activities through this source, unless there was an identified outcome/end use relating to economic growth and built/cultural heritage.
- Leader – may be able to provide support activities which contribute to the themes of Revitalization of Communities and Progressive Rural Economies. Leader supported projects must have a strong element of community involvement and cooperation between communities.
- Interreg – This international cooperation programme can assist with large projects with a strategic impact and a Transnational cooperation element. For the Campbeltown projects to benefit they would require to be part of a larger bid encompassing a number of locations. Transnational projects take time to put together and require a number of very committed partners. There are a number of areas of cooperation under Interreg as listed below where applicable.

- The Atlantic Area Cooperation Strategy (Interreg IV) has a category for conserving and promoting Atlantic cultural heritage of transnational interest.
- . The Northern Periphery Programme (Interreg IV)has an objective relating to improving sustainable development in peripheral regions by strengthening urban-rural relations and enhancing regional heritage
- The ERDF Objective 3 Interregional Cooperation Programme INTERREG IV C has a category under Priority 2 Environment and Risk Prevention which has a sub theme of cultural heritage and Landscape.

The suitability of these grants will require further assessment as the projects develop further.

## Panel 19: The management case

We see no serious issues with this – except as we've pointed out that the economic development duties that the Government has now focused on the Council bring a special responsibility in the case of peripheral Campbeltown.

## Panel 20: Risk register

The Council should be aware that we have followed the view of the Council's consultants, Roger Tym, that of the commercial premises on Kinloch Road which are expected to accommodate 91 jobs, 37 will be additional ('New to Campbeltown'). This take up may be slow, but in the special circumstances of Campbeltown it is reasonable to say that advance provision is a prerequisite.

We have discounted the risk that the sewage overspill problem will persist beyond three years.

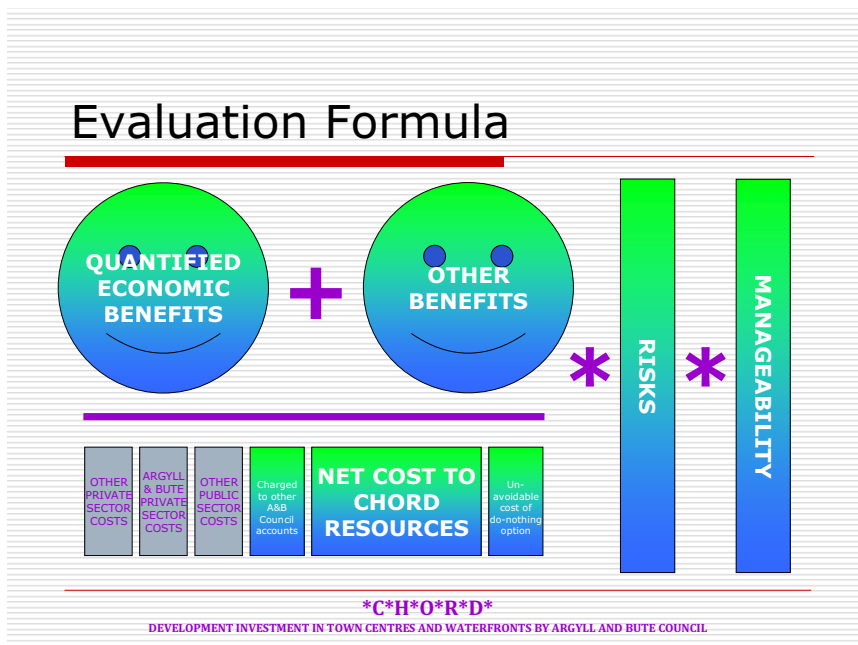
Panel 21: Benefits register

The major benefits of Kinloch Road and the THI will be realised through increased turnover and employment in the commercial, retail and hospitality sectors and through housing. The Council is recommended to set in place a system for monitoring this and the overall prosperity of Campbeltown. Such a system could include a quarterly tally of accommodation spaces and occupancy, golf rounds, retail turnover, unemployment tracking, and monitoring of employment vacancies advertised in the local press and via JobCentres. It could be summarised in an annual 'health of the peninsula' report, covering not only population and economic wellbeing but other aspects of Kintyre life.

Monitoring the marina is important, and could usefully form part of a council-wide initiative, or of Council participation in a Clyde-and-Council initiative. As a destination development initiative it could expect support from visitScotland.

The idea of monitoring these fragile local economies so we can see if benefits are getting through, and have early warning if they are not, seems to us an important one. We hope the Council will follow it up.

Panel 22: A balanced appraisal



The diagram above summarises the evaluation formula that is to be applied to the projects in this dossier. More detail is provided in the working papers to this dossier and in the CHORD project working paper 'Assessing business cases'.

## Panel 23: Backup and boilerplate

1. Campbeltown Economic Profile – cogentsi
2. Campbeltown Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM@people demographic analysis and projections for Campbeltown and Argyll and Bute - cogentsi
4. Project Proforma – Kinloch Road
5. Project Proforma – Campbeltown Loch Marina
6. Project Proforma – THI and CARS
7. Conformity of Campbeltown CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
8. Conformity of Campbeltown CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
9. Economic appraisals including discounted costs and benefits
10. Financial and commercial appraisals including discounted cash flows,
11. Benefits register
12. Draft risk register and risk potential assessment
13. Draft and nominations for commissioner/stakeholder support,
14. Arrangements for post-project evaluation and implementation review.
15. References
16. Consultees

## Panel 24: Campbeltown – the best choice for Argyll and Bute

- Trends in leisure tourism are among several factors that are helping to turn the economy in Campbeltown upwards after decades of decline. Public sector investment must play its part in the renaissance
- These three projects will build on and enhance the unique characteristics of Campbeltown as a place and sort out some of its main outstanding issues as a location for producing goods and services and as a communication node. They will enhance its position as the capital of Kintyre and can have a demonstrable effect in bringing forward new ferry links.
- The harnessing together of moderate public sector investment and private sector developments, that both link the natural and built environments, will strengthen both and have a permanent positive impact on this special place, unique in the United Kingdom.



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## **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

DTZ  
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Edinburgh  
EH3 9QG

September 2008

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## 1. Introduction

DTZ was commissioned by Argyll & Bute Council to carry out a brief, independent review of the outline business case (OBC) for five town centre and waterfront projects including Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The business cases are being prepared and will be scored once each of the business cases are approved by each project board.

The Council has made a sum of money of £10m available through its capital program, but it will only be available to one of the five waterfront projects being considered. These all come under the moniker of “CHORD”. Elements across the proposed projects include:

- Campbeltown;
  - Kinloch Road - Area Regeneration;
  - Marina Development;
  - Townscape Heritage Initiative;
- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.



## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press





### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttik<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttik, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

#### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.**<sup>7</sup> Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

## 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

## 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

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<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006



## 3. Campbeltown Project

### 3.1 Overview

The Campbeltown project consists of three development elements:

- Develop its existing **loch 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 through the Townscape Heritage Initiative (THI) and Conservation Area Regeneration Scheme (CARS); and
- 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.

The total capital cost for the developments is £11.62 million, of which the cost to the Council is £6.46 million.

The loch marina will be expanded and improved to accommodate around 100 extra berths, increasing its size from 40 to 145 berths. The return on this investment will be dependent on growth of the tourist market for Campbeltown and the subsequent increase in tourism revenue.

The THI will involve the preservation and enhancement of historical and cultural buildings in the town centre which are expected to increase the attraction of the town. The investment will ensure that heritage and civic functions can be accommodated, and benefits are expected in terms of housing, tourism and retail growth or improvements.

The Kinloch Road investment will provide sites for housing and business expansion through rationalisation of current residential and business premises. It is expected to accommodate 73 new housing units in the development area.

### 3.2 Baseline

The leisure, tourism and retail sectors across Campbeltown's travel to work area (see map below) will be positively affected. In 2006 751 people were employed in these sectors,<sup>12</sup> which represent 25% of the employment in the area. 401 people were in retail, 186 in accommodation providers, 93 in food and drink and 44 in sport related activities. In addition to these numbers, 14 people were working in industries relating to marine, transport and tour operators.

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<sup>12</sup> Sourced from ONS using Standard Industrial Classification 50, 52, 55 and 92.

**Map 2: Campbeltown Travel to Work area**



The median annual wage for all workers in Argyll and Bute is £17,897.<sup>13</sup> Multiplying the number of retail, tourism and leisure related jobs by the median wage for all workers suggests **total income of around £13.4 million.**

The latest Scottish Input-Output tables published by the Scottish Government suggests that income from employment is around 66% of Gross Value Added (GVA) in the hotels and restaurants sector and around 64% of GVA across the whole Scottish economy. Applying this ratio to the estimate of total income suggests **total baseline GVA of £20.4 million for the retail, tourism, leisure and marine industries.**

<sup>13</sup> Annual Survey of Hours and Earnings, 2007



### 3.3 Socio-economic Impact

A report by GOAD<sup>14</sup> indicated that in October 2006 the proportion of vacant retail outlets in Campbeltown was higher than the UK average, both in terms of the number of units and floorspace. In October 2006 14% of all retail outlets in Campbeltown were vacant, compared to a UK average of 11%. However, it is suggested that many of these properties are not currently on the market despite being vacant.

The town serves a relatively small population of the Kintyre peninsula and due to its remote location it is difficult to market itself to a wider catchment. Given the projected fall in population of the area<sup>15</sup>, there is limited additional retail potential for the town based on residential population only.

Building activity is minimal in the area compared to other areas in Argyll and Bute and the Argyll and Bute Local Housing Strategy 2004-2009 does not envisage the need for large numbers of new affordable houses in the area.

The THI initiative to preserve and enhance historical and cultural buildings in the town centre would increase the town's attraction to visitors. Benefits of this scheme are expected to be mainly housing and retail-orientated. Together with the Kinloch Road development the initiative is expected to attract and accommodate around 100 households.

The average household size is 2.24 in Argyll and Bute<sup>16</sup> and gross disposable income per person is £12,350<sup>17</sup>, which suggests a total household spend of £2.8 million for the housing development. While the deadweight is expected to be large, the new housing in the town is a real prospect in attracting new blood. Around 25% of the new units could potentially accommodate individuals from outside the area, while the majority (85%) will be for people already living in the Campbeltown travel to work area. **The additional income to the town as a result of housing is expected to be £0.7 million per annum.**

Along with the new Aqualibrium swimming pool and fitness room complex on the Campbeltown waterfront, the main outdoor leisure attractions are golf, walking, wildlife and sailing. The Kintyre Way walk opened in 2006 and allows walks over 86 miles around the area. The town has a variety of accommodation, a museum, heritage centre and the Springbank distillery.

The development of the marina is expected to add to this stream of tourism coming into Campbeltown. With berths increasing from 40 to 145 berths there will be additional spending in the town arising from more visitors, but there will also be additional income channelled into the area with new jobs associated with the marina and with income fees from boat owners.

Marinas would generally aim to have a base of income guaranteed through permanent or seasonal berthing. For a boat of average length (35 feet) the charge generally stands around £2,000 to £3,000 per year. Normally a marina would expect to have around 75% of the permanent berths occupied by non-local boat owners coming in from surrounding areas.

<sup>14</sup> GOAD report for Campbeltown, October 2006

<sup>15</sup> CogentSci, Campbeltown Dossier Working Papers, 2008

<sup>16</sup> [www.scrol.gov.uk](http://www.scrol.gov.uk) – Census 2001

<sup>17</sup> Based on £12,000 as gross disposable income in 2006



However, the remote location of Campbeltown makes the marina difficult to market for permanent and seasonal berths.

The marina at Campbeltown may have to expect lower numbers of permanent berth holders as a result of its location and would therefore have a larger share of berths available for visiting boats. These would on the other hand add more retail and leisure spend to the town compared to the permanent berths who will mainly be adding to the boat repair, maintenance and operational spend in Campbeltown. Table 3.1 sets out the current and expected return to the marine investment and shows the estimated economic impact of a developed marina.

Some of the estimated additional spending in Campbeltown will originate from the marina through increased number of visiting boats, and seasonal and permanent pontoon berthings. **By assuming the same occupancy rates as present the spend increase by more than £0.5 million.** However, if the occupancy rate increases as a result of improved marina the economic activity will increase by just under £0.7 million.

**Table 1: Estimated Economic Impact of Marina Development**

	40	145	145
Berths	(current)	(assuming same occupancy)	(25% increase in occupancy)
<b>Visiting boat nights</b>	1,800	4,725	5,906
<b>Market share</b>	6%	8%	10%
<b>Average spend - £125/boat</b>	£225,000	£590,625	£738,281
<b>Permanent</b>	26	68	85
<b>Market Share</b>	1%	1%	2%
<b>Average Spend - £3,000/boat</b>	£78,000	£204,750	£255,938
<b>Seasonal</b>	9	24	30
<b>Market Share</b>	2%	3%	4%
<b>Average Spend - £2,000/boat</b>	£18,000	£47,250	£59,063
<b>Total</b>	<b>£321,000</b>	<b>£842,625</b>	<b>£1,053,281</b>

The Campbeltown project includes the option for a major realignment of Kinloch Road. While this investment would release sites for development, it is expected that new businesses will simply relocate from other sites and most of the new activity will be displaced activity within the town. This suggests that there will be few jobs created as a result of the Kinloch Road development.

Improvements in transport infrastructure can impact on economic activity in a number of ways, for example:

- Impacts on inward investment;
- Impacts on organisation of land use;
- Opening up of sites;
- Improving access to declining industrial areas;
- Improving access to rural/more peripheral areas to maintain population; and
- Improving access as a response to economic pressures.





There is strong evidence of road improvements opening up new sites for development, although the size and nature of the developments are dependent on the specific project and local economic circumstances. The Kinloch Road project in Campbeltown is on a relatively small scale and is not designed to improve the connections to and from the town, but rather within the town itself. It is also largely an aesthetic project to rejuvenate an area, but it is an important opportunity to realign the road network to also account for future development.

An earlier study by DTZ on the impact of road infrastructure improvements<sup>18</sup> showed there is little evidence that road improvement projects had a material impact on population, employment or unemployment. The results for rural areas showed even weaker linkages and impacts.

Kinloch Road is however expected to improve the character and appearance of the town by rationalising low grade commercial and residential properties. One of the main objectives is to improve the confidence of this site which is perceived as unattractive, and generate interest for what could be an attractive and sought-after area.

It is suggested that public sector funding is necessary for this change to take place. We agree with this sentiment and believe that if it was left to the market it is unlikely that this investment will be realised. Kinloch Road will improve access to the harbour and nearby parkland, increasing visitor number to the town and waterfront which will have a positive effect on local retail and tourism sectors as well as bringing about housing benefits.

Investment in the three project elements outlined above will lead to an increase in economic activity in Campbeltown. The greatest effect will be in retail and leisure related spend which relies heavily on visiting numbers to the town. The literature reviewed suggests that the character and appearance of a town can have a major impact on spend in these two sectors. Particularly, restoration of historic buildings can rejuvenate an area.

Based on earlier calculations the income uplift for Campbeltown is expected to be around 6%. This suggests that **the annual income will increase by around £1.2 million, including the increased marina and boat related activities**. It is important to recognise that some of this activity will be displaced from other towns and areas within Argyll and Bute. This will be most prevalent for the additional spend arising from the marina, as sailors are likely to switch between locations in Argyll and Bute. A study carried out by McKenzie Wilson in 2006 showed that Campbeltown was in sixth place in terms of the most visited place within the Clyde estuary, with 14% of survey respondents having visited the marina.

The report also suggested that the market for additional boat ownership in England is fairly static, while it shows a steady, but slow, increase in Scotland. The market in Northern Ireland is growing and their visitor numbers to Scotland are increasing. It is suggested that there will be an increased market demand which will enable a doubling of berths in the Clyde estuary by 2015.

Assuming a displacement of 30% from elsewhere in Argyll and Bute for retail, leisure and marine spend suggests an additional increase of £0.9 million. This is the lowest level of displacement across all of the projects as the town is looking at funding to attract increased

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<sup>18</sup> DTZ, Economic Effects of Road Infrastructure Improvements, 2002



visitors from Northern Ireland. Although some displacement will occur, most activity will be additional to the area.

Using HM Treasury Green Book guidelines on Net Present Value, this level is discounted by 3.5% per annum. **Over 25 years the NPV is likely to be around £14.6 million. This gives a positive NPV of £2.8 million.**

A sensitivity analysis shows that if the economic activity in Campbeltown is raised by only 5%, the NPV is positive by £0.3 million. Therefore the project investment must raise economic activity by 4.9% to achieve a net positive position.

This required level is relatively high and much of the explanation for this lies in the high cost of the Kinloch Road investment. However, it is worth pointing out that the current activity base is also low in Campbeltown which results in modest impact levels. There is a potential to raise the economic activity in the town, and wider investment is needed to realise that potential fully.



# Dunoon Waterfront Project

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## Outline Business Case



**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL

## DUNOON WATERFRONT PROJECT: "Big Ideas with a Big Payback"



**This document makes the clear business case for Argyll and Bute Council to invest in Dunoon's waterfront. The Dunoon waterfront project is an exciting development with the potential of revitalising the Dunoon area. Dunoon should be the favoured project because:**

- ❑ The town envisions a striking waterfront development including a marina with eventual private participation supplying conference/ holiday accommodation. This will help to significantly revitalise the area.***
- ❑ Dunoon sits ideally placed as the marine gateway to the Loch Lomond and Trossachs National Park. This project carries major strategic importance.***
- ❑ Dunoon town's population shows more signs of developing youthfulness and vigour than any other town in Argyll and Bute. Investment makes sense.***
- ❑ The existing pier is at the end of its useful life and will need a solution sooner rather than later. The status quo is not an option.***
- ❑ Dunoon has demonstrated that it is able to recover from adversity and seize opportunity. This project is the next important opportunity.***

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL**



# Dunoon Waterfront project

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## Context and Background



**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL

# The background

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- Argyll and Bute Council is planning to invest £10 m of new money in town centre and waterfront development. Dunoon is one of five candidate towns for these funds. Dunoon's strategic position on the Clyde estuary gives it strong transport connections to the central belt, and makes it the natural Marine Gateway to the National Park and all of the West Highlands as well as being a service centre to the National Park itself.
- Dunoon has aimed to produce an outline business plan which by tackling pressing problems in an imaginative fashion, opens the way to a visionary future. It draws on existing financial provision, on funding previously set aside by the Council, and on prospective partner contributions. The technical basis has been thoroughly scoped and costed by the Council's own services and professional consultants.

# The town of Dunoon

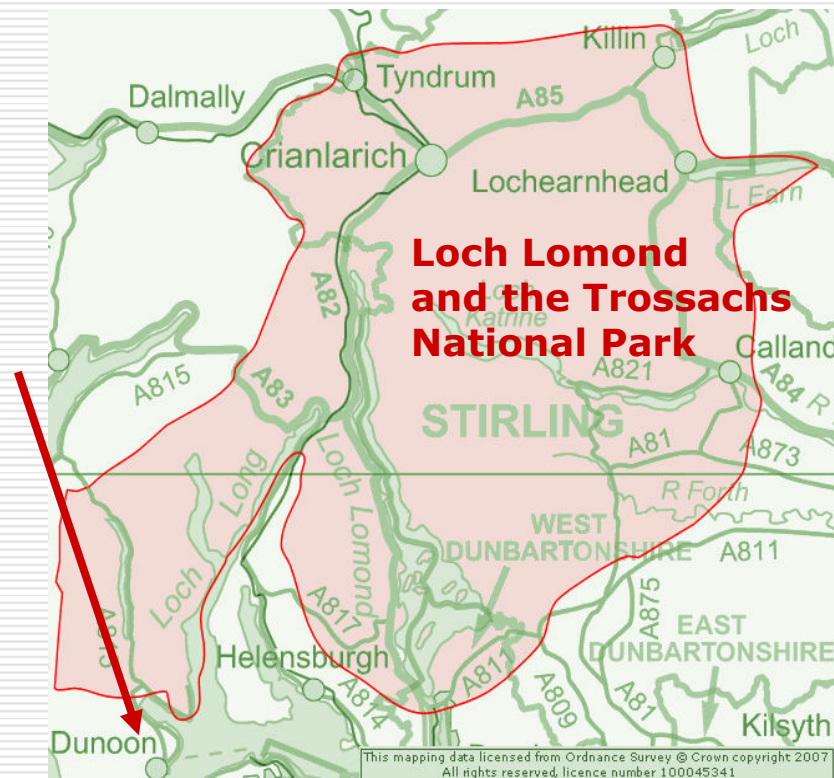
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Dunoon and Cowal have recovered from a shocking economic blow: now they are gathering their resources and preparing to step further ahead

- ❑ 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.
- ❑ From total Gross Value Added (GVA) of almost £60m generated in the town, 90 per cent comes from service industries and construction makes up 3/4 of the remaining 10 per cent.
- ❑ 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 blow. In today's money, the GVA attributable to the Holy Loch US Navy Base would also be about £60m (based on 2000 personnel). Thus the loss of the base, in broad terms, was equivalent to losing half the town's economy (assuming a total GVA of £120m) and the recovery to normality should be looked at in this light.
- ❑ In particular Dunoon has successfully attracted younger migrants than other towns and has built up its role as a tourism centre. The town's energy and imagination can drive it ahead, but it needs to garner resources from the Council and elsewhere.
- ❑ Dunoon's pier and waterfront is no longer suitable for the 21<sup>st</sup> 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.

# The crucial economic issues in Dunoon are ...

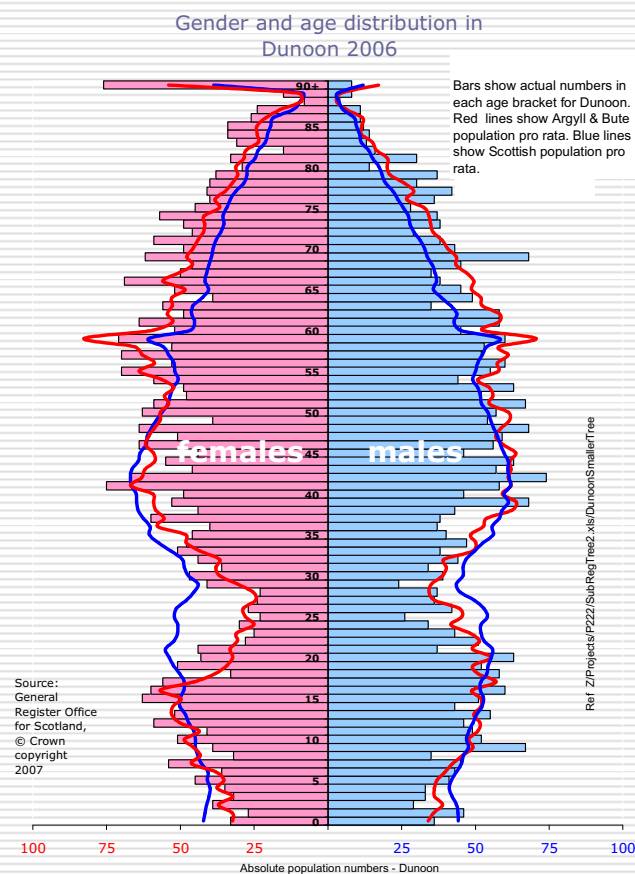
- ❑ Developing Dunoon's role as a destination and as the Marine Gateway to Scotland's first National Park and to Argyll and the Isles
- ❑ Maintaining and developing connectivity and transport links
- ❑ Demography – continuing to attract younger people to give the town its positive dynamic
- ❑ Enhancing the competitiveness of the local service economy, public and private
- ❑ The provision of housing services and infrastructure to meet and encourage projected population growth
- ❑ Increasing visitor numbers to maximise the area's potential in terms of more diverse tourist sectors such as marine leisure, conference, environmental and cultural markets.





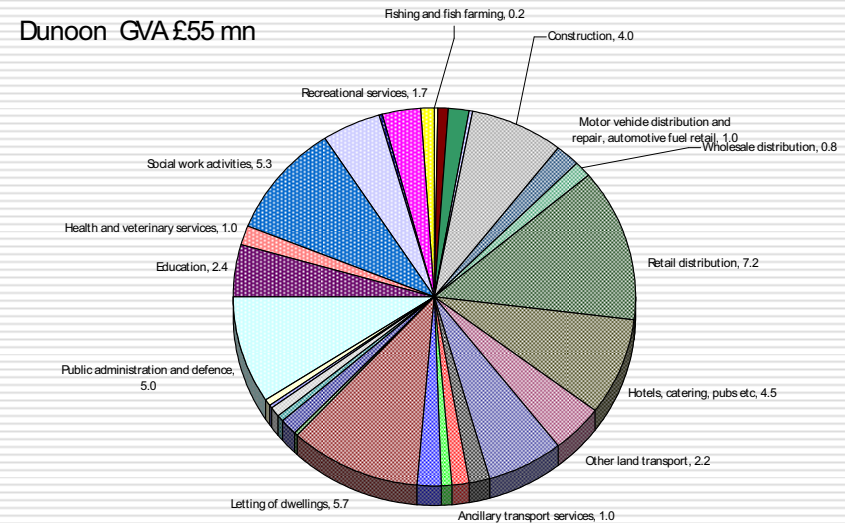
## Keep the people balance improving ...

- The Census showed Dunoon to have one of the highest rates of in-migration in the west of Scotland, and significantly higher than the Scottish average
- Post-census estimates show that although, like everywhere in Scotland without a long-established university, Dunoon loses people in their late teens and early twenties, it gains them at all other stages of life, pre-retirement. It is gaining young families.
- In comparison to other places, the town itself has ***not*** become a significant magnet for people of retirement age, and so in future is likely to have a younger age profile than many.
- On balance, and unusually in Argyll and Bute, Dunoon's population is projected to ***grow*** and hence investment now is underpinned by a growing revenue base

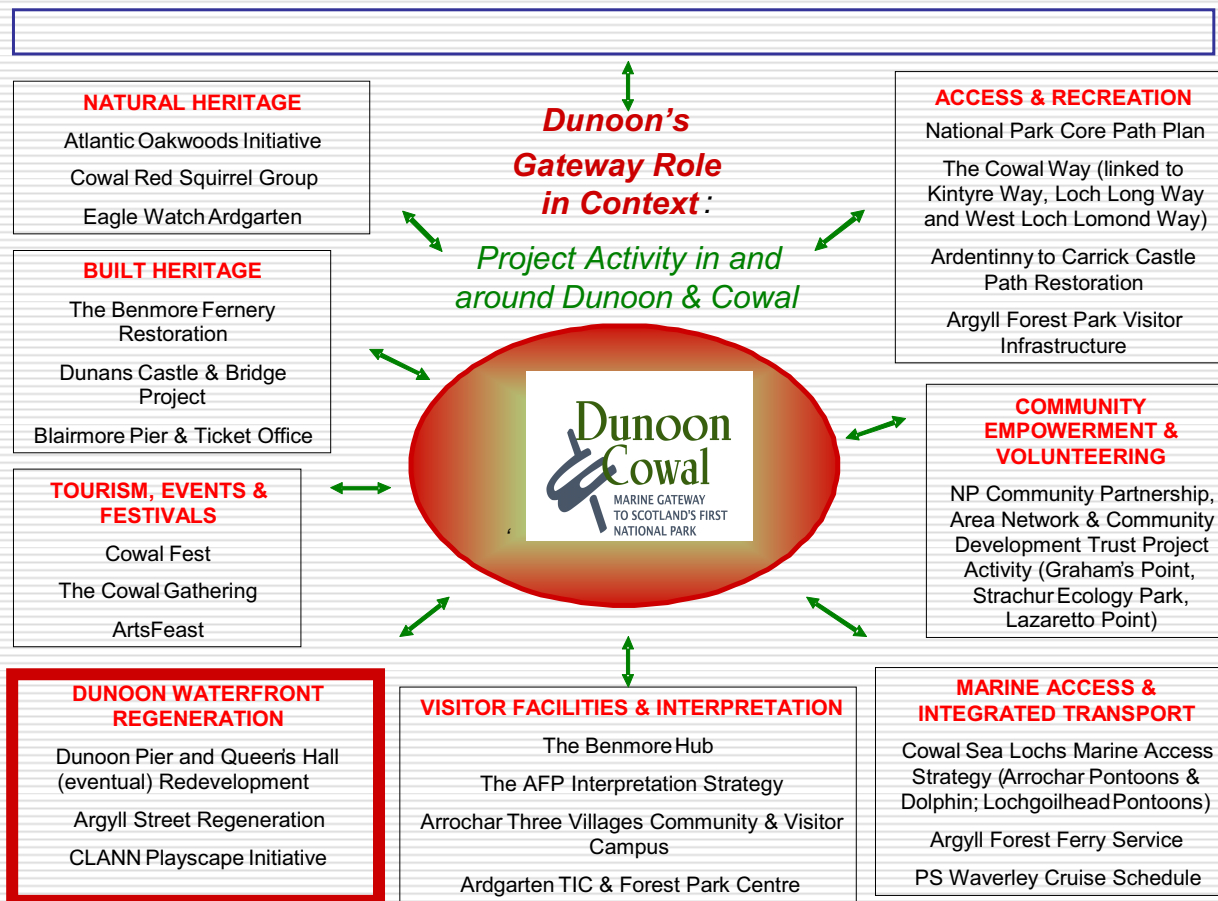


# The local economy is a service and visitor-oriented economy

- Most of the town's economic activity is focused on serving people in Dunoon itself and in Cowal. However there is significant provision for tourist services. Dunoon itself attracts about £14m revenue from overnight tourists each year and a similar sum from day visitors.
- Retail, tourism and leisure provide 2,053 related jobs in the Dunoon and Cowal area
- While overnight tourism through traditional outlets has been waning slowly, as elsewhere in Scotland, there have been new developments nearby, including marinas, speciality catering, activity and environmental tourism, and caravan holiday park accommodation
- Growing events and festival provision including the world famous Cowal Highland Gathering, the biggest in the world



# DESTINATION DUNOON & COWAL: Marine Gateway to Scotland's first National Park





# Dunoon Waterfront Project

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## The Project



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DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL

# The Waterfront Project: Synopsis

- This project covers the primary physical aspects of an improved Gateway to the National Park. It includes the removal of the timber pier, the provision of areas of reclaimed ground, a new pier to provide sheltered harbour for a short stay marina, and a replica of the Victorian pier building for retail and restaurant use and possibly for marina services.
- The harbour will be able to accommodate the equivalent of approximately 40 yachts plus other marine operations such as tours of the firth, Waverley cruises etc.
- There are currently two feasibility studies under way to provide fast link services between Clyde settlements and Glasgow (Boat and Hovercraft). An easy-to-use town centre terminal would be crucial to Dunoon's benefiting from these. The journey time would permit commuting and provide easy access to visitors to the central conurbation (3m population) bringing Dunoon into Glasgow City region. This will build on the existing effective joint working with Inverclyde Council to promote and sustain integrated transport links for passengers and vehicles through the Gourrock transport interchange.



# Successful Waterfront developments from elsewhere in the UK\*

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- ❑ **Greenwich Peninsula in London**-until 1997 it was considered unsuitable for sustainable mixed use development. Subsequent investment has acted as a catalyst for major regeneration
- ❑ **Cardiff Bay**-work of the Cardiff Bay Urban Development Corporation created net additionality to the local economy from new businesses and expansions.
- ❑ **Clyde Waterfront Regeneration**-Visionary regeneration of the River Clyde corridor



\*Numerous studies have shown the economic gains achieved by iconic waterfront projects

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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

# Project in line with the strategic development framework (2006, Land Use Consultants)

- subscribed to by HIE\*, LLTNP^ and A&B Council

- become more closely associated with the National Park
  - Maritime and public transport gateway
  - Service centre with wet weather facilities
  - Welcoming point of orientation
- environmental improvements
  - make most of waterfront and pier
  - attractive, vibrant, contemporary town centre
- nine actions
  1. change perceptions
  2. enhance town centre
  3. capitalise on special qualities of natural environment
  4. develop higher quality accommodation sector
  5. foster events and cultural heritage
  6. encourage retail diversity
  7. improve public transport
  8. adequate water and sewage
  9. extend triumvirate (A&BC, LLTNP, HIE) to partnership with business and community



\* Highlands and Islands Enterprise

^ Loch Lomond and Trossachs National Park

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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

# Vibrant and progressive Partnership Working

- ❑ Excellent relations are enjoyed with the National Park authority. They support Dunoon being the prestigious marine gateway to the Park
- ❑ Similar relations exist with HIE and along with the Council, all 3 organisations are committed to supporting the project and its benefits
- ❑ Crown Estates and Historic Scotland are positively engaged in the process.
- ❑ Involvement with private sector partners will be confirmed at the Final Business Case stage.

**Crown Estates**



**Historic Scotland**

**Private Sector**

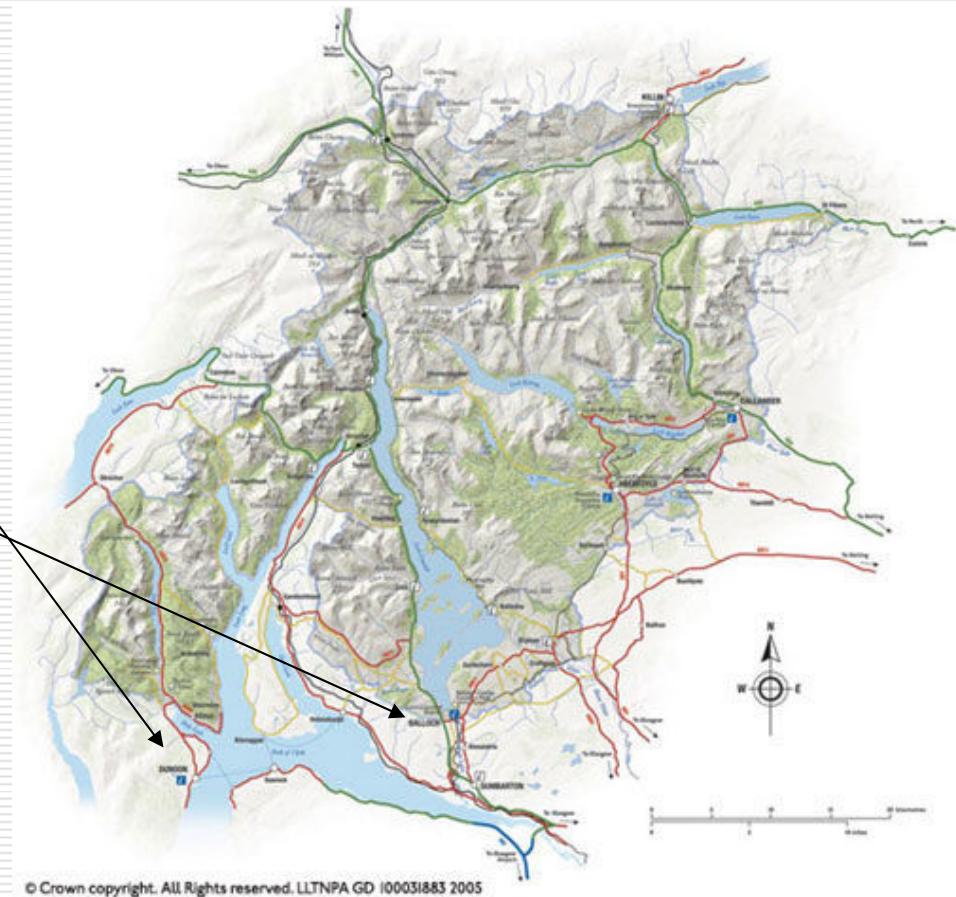
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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**



# Dunoon and the National Park Gateway

- ❑ Dunoon is designated as the marine gateway to Scotland's first National Park
- ❑ It offers a significant alternative to the existing road gateway at Balloch (creating market diversity)
- ❑ Dunoon is also a natural service centre for the National Park



# Coherence with other strategies

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- ❑ In line with Scottish Government priorities, development of a safer stronger community with improved environment, community and social benefits. The marine gateway is in line with the Scottish Government's agenda of tackling climate change through less cars on the road.
- ❑ Creation of an attractive well connected modern economy in accordance with the Council's Strategic Objectives and in line with the Council's corporate plan
- ❑ The proposal will provide the opportunity to maintain integrated transport links with Inverclyde, improving access to the area, in line with the Council's corporate Objective of removing barriers to travel
- ❑ The Development will provide the opportunity to develop marine leisure opportunities, in accordance with the Bute & Cowal Area Strategy
- ❑ The totality of the Waterfront Development will enhance and protect the social and economic vibrancy of Dunoon and Cowal
- ❑ The waterfront project enjoys the full support and backing of partner organisations including the National Park authority

# Pressing the Right Strategic Buttons

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- ❑ This project yields essential strategic benefits for the town, for the council, the wider Cowal area, the whole of Argyll and Bute and wider Scotland.
- ❑ Making a clear and public commitment now maximises the Council's opportunity to secure partners, and thus to lever in funding which would not otherwise be available.
- ❑ Not making a commitment now would risk losing those partners and would still leave the Council committed to major spending on safety and essential maintenance grounds.
- ❑ This project also opens up the possibility for other strategic moves (such as the Queen's Hall replacement, a new top quality hotel, and fast ferry services from Glasgow, Inverclyde and Ayrshire to Dunoon).
- ❑ It will thus lift the cap on Dunoon and Argyll and Bute's future growth.



# The Waterfront Project: Existing Track Record

- Dunoon has already successfully begun its waterfront redevelopment with the completion, on time and on budget, of the new breakwater and linkspan. This project started in 2002 and was completed in 2005 and levered in significant external funding to the £5.6M project, which was managed by the Council.





# Dunoon Waterfront Project

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## Economic Case for Investment



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**DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL**

## Review by DTZ

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- The prestigious, World class firm of DTZ have examined the wider socio-economic impact of the proposed development, and have analysed it in the context of other successful waterfront projects including Cardiff Bay, the Greenwich Peninsula in London and the Clyde Waterfront Regeneration Project in Glasgow.
- They have provided an assessment of the project based on quantitative and qualitative factors
- Their assessment builds on earlier work that calculated the Gross Value Added (GVA) of the marina development and the berthing and associated income that would accrue

## Other Benefits (non-monetised) from the Investment

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- ❑ Visionary development with aspirations beyond commercial investment can create jobs, are important in business location decisions, help recruit and retain staff and can increase land and property prices in the surrounding area.
- ❑ Reprovisioning of the Victorian pier building (historic building) can help to initiate the regeneration of the wider Dunoon and Cowal area.
- ❑ Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use.
- ❑ The development will be a spectacular feature for Dunoon and will have considerable benefits in creating well-being and confidence for the area.
- ❑ The development builds on Dunoon's historic past as an iconic Clyde destination and creates an aesthetically pleasing and environmentally sound gateway to the town, surrounding area and the National Park.

## The economic (monetised) case for the Project

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- The economic case for the waterfront development rests on the nature of the other investments it facilitates. For example:
  - The economic case for a short-stay marina (yacht haven) is particularly strong in view of the permanent moorings available at Rhu, Sandbank and Kip, and the threat of congestion in the upper Firth of Clyde. When full, the proposed facilities will yield £1000 per night in mooring fees and several £'000s in visitor spending with other Dunoon businesses. Based on experience elsewhere in the Clyde estuary a main season (April to October) of at least 153 nights can be expected with additional income off-season too.
  - The wider socio-economic benefits are considerable and have been calculated over a 25 year period by DTZ.
  - A conference hotel development on reclaimed land would bring inward investment of approximately £7m to the town, or more if the hoped-for 5-star quality could be achieved. In addition to revenue generated within the facility itself of about £2m per year (assumed to be necessary to attract the investor) it might be expected to generate additional spending in the town of about £0.7m per year, or £0.2m GVA.
  - The proximity of Dunoon to both Glasgow and Prestwick airports gives the provision to substantially increase tourism potential through the provision of high quality facilities.
  - **The importance of improved connectivity is substantial. Potential new connections to the Upper Clyde and Glasgow offer the prospect of substantially extending commuting as a source of income from its present position (probably a few £m per year) to potentially tens of millions. With modern work patterns and good electronic connectivity this will significantly encourage people to live in Dunoon.**



## Sustainable Economic Benefits

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- The unique selling point of this project is Dunoon's geographic position on the Firth of Clyde, which is a prime sailing and marina development location capable of fulfilling identified need for such provision on the upper Clyde.
- The economic benefits are thus essentially long term and sustainable, achieved through making possible developments which could not otherwise be contemplated. If the basic capital commitment is made by the Council and matched by partners, the Project Board and Area Committee are willing to fund additional developments outside this project.
- The OBC will now look at the direct realisable benefits from the waterfront development. Potential economic gains arising from the hotel development and improved ferry service are prudently not included although if realised, the economic gains from such developments will substantially boost the GVA calculated on subsequent pages.

# The monetised Economic Benefits of the Waterfront Investment

- DTZ's work builds on earlier GVA calculations for marina income
- The total economic gross benefits in GVA terms is shown in the table
- The Waterfront development has the potential to bring significant economic benefits to the Dunoon and Cowal area
- These figures exclude the GVA coming from any future waterfront hotel development or enhanced ferry service.

	<u>£'m</u>
Calculated economic benefits (GVA) of 40 marina berths	16.2
Calculated socio-economic benefits from 10% increase in economic activity	57.1
Total calculated GVA over a 25 year period	<u><u>73.3</u></u>

**Note: all figures are discounted to 2008 prices  
Calculated socio-economic benefits are based on an existing baseline GVA for the area of £55m**

## The Costs of the Investment (Overall and the cost to CHORD)

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- ❑ The capital cost of the waterfront project is £34.5m (at 2008 base prices) to be incurred over a 4 year period.
- ❑ For the project to proceed, the full £10m from CHORD will require to be accessed.
- ❑ Funding of £5.3m is already secure through the Council's capital programme for work on the pier
- ❑ If successful with CHORD, funding of £15.3m will be in place representing 44% of the overall capital costs.
- ❑ As the project moves to full business case stage, initial discussions that have already taken place with external parties will be concluded with a view to bridging the funding gap.
- ❑ Having 44% of the funding in place will create the confidence and desire for external parties to invest (both from the public and private sectors).

# The Quantified Net Economic Gain from the Investment

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- ❑ Total economic benefits amount to £73.3m over 25 years. £16.2m of these benefits come directly from the construction of the marina (marina berthing and associated income), the major benefits come from an increase in 10% (calculated by DTZ) of economic activity leading to wider socio-economic benefits over 25 years of £57.1m.
- ❑ The total costs of the development amount to £34.5m and are deducted from the total economic benefits to arrive at net quantified economic gains.
- ❑ These benefits do not include the potential for additional GVA (unquantified) through future hotel and waterfront development once the initial phase is completed.

**Net quantified economic gains over 25 years amount to £38.8m.**

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# Potential External Funding

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- ❑ The commercial case will be developed in detail with partner bodies at full business case stage. The need to mitigate planning risk and satisfy Historic Scotland requirements is recognised.
- ❑ Highlands and Islands Enterprise recognise the role of Dunoon as the marine gateway to the National Park and the Destination Dunoon & Cowal initiative as a locally significant project aligned to the National Tourism Framework for Change .
- ❑ The Crown Estate has a strong interest in waterside investments. It has a track record of acquiring and developing marine assets in Argyll and Bute and has set aside funds for Scottish coastal developments that can earn an adequate return: in addition to commercial factors the Crown pays attention to social, economic and environmental benefits of its investments. Very positive discussions about the Waterfront Project have already taken place with the Crown Estate.
- ❑ Involvement with private sector investors will be confirmed when the project reaches full business case stage.

# Manageability and Deliverability

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- It is not considered that this project in itself presents dramatic management challenges.
- The management of joint ventures with partners is always a challenge and relationships will need to be established not just at the top and at working level but at several levels. However, the Council has a first class track record in this type of partnership working.
- The process as developed so far by the project board confirms achievability. Relationships are already established and the successful delivery of the breakwater and linkspan demonstrates a positive track record of successful project management.

# Risk

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- ❑ There is a degree of technical risk in marine engineering, but consultancy studies have been undertaken to assist in the management of this.
- ❑ There are the normal risks of contract overrun on the development in terms of cost and time, but these are not thought exceptional and can be handled through normal contractual arrangements.
- ❑ Planning risks need to be overcome including ensuring Historic Scotland conditions are met.
- ❑ There is a risk in the securing of strategic partners (eg HIE, Crown Estate and Scottish Government) and this will be approached through endeavouring to accommodate their new strategies and stated objectives, and through continuing to develop relationships with the partnership bodies. Discussions are already well developed in this regard.
- ❑ There is the risk that other private sector partners will not invest. An action plan at the full Business Case stage will focus on securing their involvement.
- ❑ There is a very high risk in doing nothing which could result in the pier closure, the loss of the Town Centre ferry service links and the loss of the Marine Access Gateway to the National Park, in addition to Council continuing to have substantial ongoing maintenance and repair costs for the structure.

# The folly of the do-nothing (Status Quo) option

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There would be many serious consequences of doing nothing in response to this proposal.

- ❑ The Council's revenue budget has to continue to meet the significant ongoing maintenance costs in keeping the pier functioning
- ❑ The Council would be obliged to either make safe the pier structure or remove the pier altogether. Removal of the pier would result in the loss of pier revenues, reduced numbers of visitors with resulting loss of their spending in the area. There would potentially be loss of not just new but existing residents of the area if commuting was jeopardised in this way. It would additionally see the cessation of the existing town centre ferry service and the loss of the town centre as the Marine Gateway to the National Park with resulting significant impact on the National Park Area
- ❑ The more realistic option would be for the council to make safe the structure. The cheapest option would be to sheet pile and infill the current configuration, at an estimated cost of £11.2m, plus the cost of retaining buildings, but no economic return would be available from this expenditure. The costs of the status quo have been factored into DTZ's economic assessment They are taken as a benefit in "year 0."
- ❑ The ability of Dunoon and the wider area to continue its recovery and development would be capped.
- ❑ Community support for taking this project forward would turn to community disillusion, and partner support for the Council to partner disillusion





# Summary of Benefits

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- ❑ Continuing growth of Dunoon and Cowal's population
- ❑ Increasing economically active population.
- ❑ Increasing visitor numbers and hence economic activity (10% increase in activity projected)
- ❑ Improved revenues for Dunoon and Cowal businesses
- ❑ The creation of a spectacular gateway to Dunoon and Cowal, the National Park and Argyll and the Isles
- ❑ The creation of an effective service centre for the National Park
- ❑ The creation of a better place to live improving the Quality of Life for residents and visitors
- ❑ Significant potential to attract further development on completion of the initial phase.



# Dunoon Waterfront Project

## Current Initiatives and Future Developments



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# Other Current Initiatives in Dunoon

- Three current initiatives are nearing completion/have been completed:
  - One project developed in partnership with the community is the play area at the West Bay area south of the town centre. It provides a pleasant safe place for children in the surrounding Dunoon & Cowal Area.
  - Another is the refurbishment by the council of the Riverside Toilets
  - A third is a substantial private housing development in Harmony Court establishing a new residential prosperity in the town centre itself and associated car parking improvements.
  
- The public aspects of these have been completed from existing budgets and with extensive community involvement, and the private sector involvement demonstrates a willingness to invest.



# Associated development– Argyll Street enhancement and traffic management

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- ❑ This project has an important role linked to the waterfront development. Together the project visually and physically re-integrates the town's focal point, the pierhead, with its commercial centre in Argyll Street, and limits the impact of traffic on continuity between the two
- ❑ Redevelopment of Argyll Street and the town centre (pedestrianisation ) – by the provision of canopies (covered areas/footways) and some traffic management
- ❑ These projects would be funded from existing capital allocations and car parking income.
- ❑ Improved lighting will be installed in the East Bay promenade



# Associated Development-Waterfront Traffic Management

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- Road re-configuration and traffic management at the new waterfront area, including demolition and replacement of the Careers Office building (funded from existing budget lines).



## In summary

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- A number of projects will regenerate Dunoon Town Centre and Waterfront in a cohesive way.
  - One public project and one significant private one are already under way. The play area community project is complete.
  - The Waterfront is the focus of this Business Case. If this major project is approved then town centre traffic management and improvement of the shopping environment can be financed from existing budget lines.
  - The breakwater and linkspan, part of the waterfront, have already been completed: the remainder of the project will require partnership from Highlands and Islands Enterprise and the Crown Estates and possibly some Scottish Government (transport) funding subject to EU regulations.

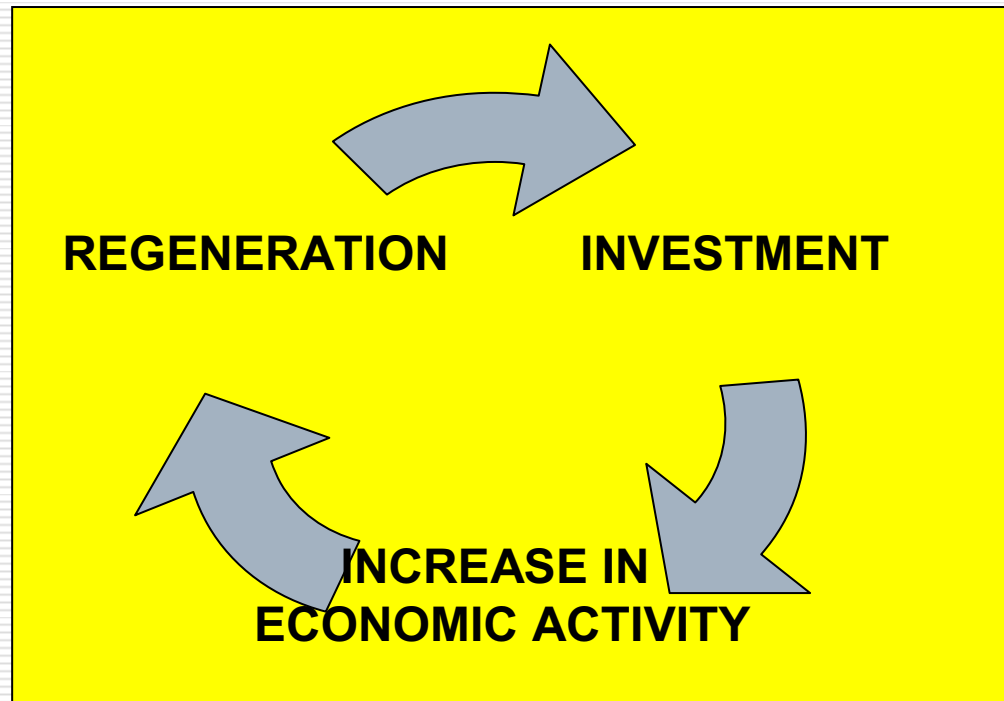
# Other Major Potential Future Development: Queens Hall and Hotel Development

- ❑ Following the land reclamation, which is seen as the catalyst to future development, on a joint basis with HIE and Crown Estates, a quantifiable assessment of building development potential will be made. A brief will be developed for a potential hotel/conference centre providing fit for purpose facilities, including potential replacement of the existing Queens Hall.
- ❑ The design of the scheme is the outcome of an extensive consultation process and follows the community's preferred options
- ❑ The Waterfront project will emphasise Dunoon's role as the only marine gateway to LLTNP and to Argyll and Bute. It is designed to draw on the partnership of Highlands and Islands Enterprise and the Crown Estate, and to build on the work of *Destination Dunoon and Cowal*, and the Argyll Forest Park Landscape Partnership.



Above: View of Queens Hall from Dunoon Castle vantage point. Below is view from the waterfront





# Dunoon Waterfront Project

## Why Invest in Dunoon?



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# Dunoon Waterfront Project

## “Big Ideas and a Big Payback”

- ❑ The purpose of the CHORD project initially is to develop iconic projects. Dunoon is clearly an iconic project of high strategic significance.
- ❑ It is about the ‘bigger picture’ and not just the “biggest bangs for the smallest bucks” over the shortest timeframe. This project is a long-term vision for the future and transcends short-termism. It delivers the long term economic development impact that is at the heart of the Council’s aspirations.
- ❑ Dunoon has already demonstrated its ability to regenerate itself, to make good use of regeneration resources, and is well placed for future development.
- ❑ It is one of the few growth areas in Argyll and Bute. The need to continue this momentum and to keep bringing younger people and families into the region coincides with the take-off of the Loch Lomond and Trossachs National Park
- ❑ Investment will follow growth. Economic activity is expected to increase by at least 10% following the completion of the waterfront project.
- ❑ The project represents best practice asset management. It creates a new asset in an area of increasing demand replacing an existing asset with major repair costs and one that is not ‘fit for purpose,’ which will relieve long term economic pressure on the Council.
- ❑ Commitment by the Council can lever in substantial financial contributions from partners and external organisations which would otherwise not be destined for Argyll and Bute
- ❑ The Waterfront project will transform Dunoon and Cowal and create an exciting, modern marine gateway to the National Park, Argyll and the Isles.

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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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27 October 2008

Dear Sirs

As Link Director for the Dunoon Project Board I am pleased to submit for consideration the finalised Outline Business Case for the Dunoon Town Centre / Waterfront Projects for which we are seeking a capital investment of £10million from Argyll and Bute Council.

The Project Board would like to make the following specific additional comments to supplement the Outline Business Case work carried out by Cogent and by DTZ:-

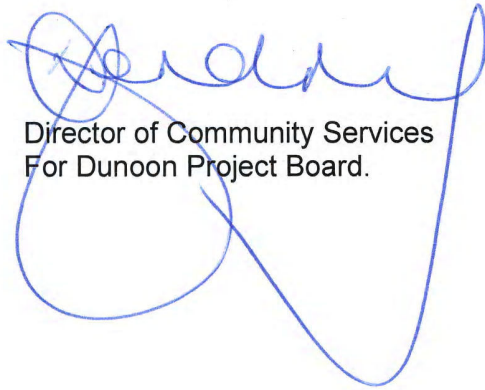
- a) Dunoon is a unique project in the CHORD process, it is the largest project under consideration and brings the greatest opportunity for any one town and for all of Argyll and Bute, and it is consistent with the Council's aims of the creation of "Place";
- b) The project promotes Dunoon as a Destination, and as the Marine Gateway to Scotland's First National Park, and to all of Argyll and Bute;
- c) Dunoon has a track record as a resilient economy which can recover from adversity and has demonstrated it's ability to use inward investment to lever in significant additional funding;
- d) The costs of the "Do Nothing Option" for the pier and waterfront are both (a) considerable and (b) inescapable; and will have ongoing significant revenue costs for Council budgets;
- e) The project is the first stage of a phased project which has the potential to attract substantial future inward investment, hotel and conference developments etc;



- f) This project has been developed through a process of public consultation, has significant public support, and is both achievable and affordable;
- g) It should be noted that there is an established, effective partnership with other public agencies and with the private sector in place which has been significantly involved in the project development and which is ready to progress the work further forward.

The Project Board commends the Dunoon Outline Business Case to the Council. It comprises a phased project which presents a unique opportunity to capitalise on Dunoon's marine heritage and unique geographical position on the firth of Clyde, which will transform Dunoon and Cowal and create an exciting, modern Marine Gateway to the National Park and Argyll and the Isles. The project thus has the potential to transform the economies not just of the town and surrounding area, but also the wider Council and National Park areas.

Yours faithfully



Director of Community Services  
For Dunoon Project Board.

# The Dunoon Dossier

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## Notes pages

These notes are intended to expand informally upon the panels presented in the Dossier itself. They should be compatible with the Dossier.

14 July 2008

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## Panel 1: The Dunoon Dossier

Dunoon is a special place, with a long history as a leisure destination and desirable residential base, with an intervening period where it also fulfilled a strategic function due to its proximity to a major United States naval base. Over the past fifteen years it has been regenerating itself, developing its leisure aspects in its own right and as gateway to Cowal and Scotland's first National Park, and regaining its desirable residential status.

Now is the time for public investment to gather together this growth momentum and to express the energy of the Community, the Council, and its partners.



## Panel 2: The background

Waterfronts and town centres in settlements across Argyll & Bute need investment to rejuvenate them as the main centres of economic activity within the region. Argyll & Bute Council's Corporate Plan identifies waterfront and town centre regeneration as a strategic priority.

However, the work programme and required investment is huge and hence the Council wish to prioritise its limited regeneration resources in terms of officer time and capital spending on its five largest waterfront towns, namely Campbelltown, Helensburgh, Oban, Rothesay and Dunoon.

Each of these towns had an Initial Business Case produced for them, and at a meeting of the council on the 26<sup>th</sup> September 2007 it was agreed to move each of these forward to an Outline Business Case (OBC) in order to equitably determine a priority for undertaking the work. On 20<sup>th</sup> December 2007, Argyll & Bute Council's Executive agreed to appoint external consultants to help with the preparation of the OBCs using a common format.

Initially £3 mn of Council funding was identified to be spent on priority areas of action. However, as part of the budget setting process additional funding was identified, taking the funding to a total of £10 mn to be distributed as part of this process. This report is one of five OBCs produced and seeks to put the case for priority funding for Dunoon.

The Project Board for Dunoon has identified that a stream of developments are under way in the town, some wholly private and some with public participation. However at the centre of the town lies the Pier Head and waterfront, the Queens Hall, and the presently very unsatisfactory link from the pier to the main shopping street, Argyll Street. The Pier and Queens Hall are time-expired structures with rapidly rising maintenance costs. The unsatisfactory state of this area is a blockage to development.

The information in the report includes an economic and social review of the economy of Dunoon and a summary of each of the projects being proposed as part of the investment in the town centre and waterfront area. This summary information is supplemented with more detailed information contained within a pro-forma, each of which are attached as an appendix to the report. The report also examines the interactions between the individual projects and also briefly considers projects or other activities which are ongoing within the town, but do not form part of the specific projects identified for funding.

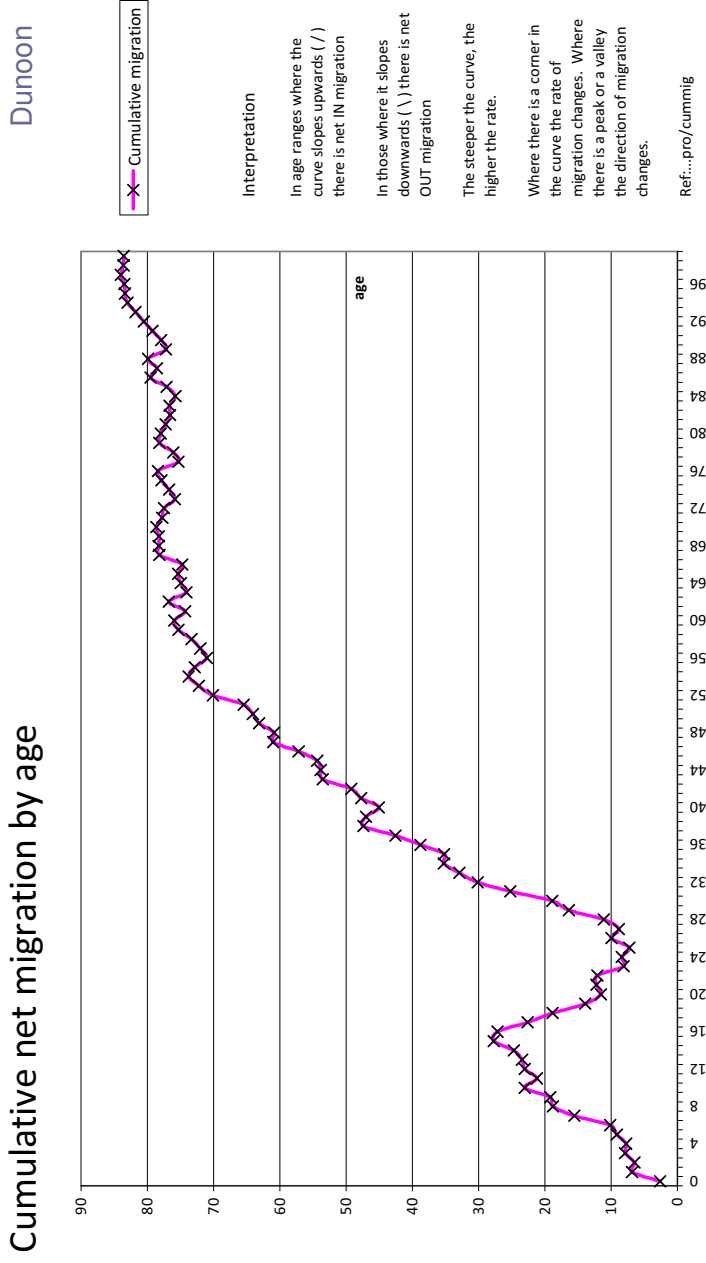
For each town's proposals, a strategic fit with key strategies is identified, the economic case for undertaking the work is considered and the commercial case in terms of how the project could be put together is dealt with. The financial case considers how the council's finances will be affected, in terms of both revenue and capital funding and finally the management case considers how the individual projects could actually be delivered.

The next phase of this work will be to score each of the town's proposals on an agreed scoring matrix using these OBC reports as the basis for consideration.

### Panel 3-6: Dunoon

The panels themselves make important points about the town, and the working papers contain a rundown on its economy and demography, so these notes are purely supplementary. The chart below, presenting the age of net in-migrants since 2001, underlines a critical dynamic in Dunoon's resurgence:

**Figure 1 Net migration by age**



Each year Dunoon loses (on a net basis) about 20 people in their late teens and early twenties, and it will need to address issues of further and higher education to affect this. But this apart, over the last six years it has gained 100 people solidly. This has affected all ages from 0 to 60, with perhaps a particular emphasis on young families moving in, shown by the steep slope of the graph from 6-11 and from 30 to 38.

### Panel 7: Project 1 – Play facility at West Bay, Riverside Toilets, Harmony Housing

As the graph above shows, Dunoon experiences in-migration of young families. Community involvement in the play facility has been substantial.

The Harmony Housing development is interesting because it is being undertaken by an out-of-town developer, and we understand it is to aimed more up-market than is conventional in Dunoon.

## Panel 8 – Project 2: Waterfront development

The Project Board propose to redevelop the waterfront creating a new exciting, vibrant and attractive water front for the town. The project includes:

- The reclamation of approximately 1.21ha (3 acres) from the sea.
- The creation of a new pier and harbour, capable of accommodating a transit marina, though the establishment of the marina is not part of this project.
- The replacement of the existing listed Pier and Pier building which currently represents a significant liability to the Council. The new Pier building is expected to be used for a new restaurant and retail outlets.
- The development of new structure to replace the Queens Hall which is in need of major renovation.
- The project will create land available for future waterfront development, particularly a possible 5 star hotel.

The Project Board have commissioned Turner and Townsend<sup>1</sup> to cost the new buildings, particularly the Queens Hall and the new Pier building, while Argyll and Bute's in house engineering department have provided costings for the new harbour and land reclamation.

It has been estimated by the Council that the land reclamation and harbour project will cost in the region of £27.5million and will take approximately 4 years to complete. In order to achieve the project it will be necessary to secure the appropriate rights from the Crown Estate, which it is assumed can be achieved at a nominal rental charge.

Turner and Townsend<sup>2</sup> estimated that the cost of the replacement pier building which is proposed would be in the region of £3.4million. This building is expected to have a gross internal floor area of approximately 528m<sup>2</sup> (5,791ft<sup>2</sup>). For the purpose of this exercise it has been assumed that the building will take two years to build from the completion of the reclamation project.

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<sup>1</sup> Turner and Townsend 17 March 2008

<sup>2</sup> Turner and Townsend 17 March 2008

It is anticipated that the new Pier building will be used as a restaurant<sup>3</sup> and for retail outlets. It has been assumed for the purpose of this exercise that the building is fully let in equal parts for these uses, and that gross rental income of approximately £71,000<sup>4</sup> per annum is produced.

In addition to the new Pier building the reclamation will create approximately 0.80ha (1.90 acres) which the Project Board anticipate will provide the site for a modern replacement of the Queens Hall building. The Project Board have proposed that of the options costed by Turner and Townsend, Option 3c should be taken forward due to the enhanced community facilities it will provide<sup>5</sup>. It has been estimated that this new building will cost approximately £13.43million. However, it should be noted that this building does require complete refurbishment which Turner and Townsend estimate will cost in the region of £6.9million. It should be noted that Turner and Townsend have also indicated that do nothing but essential repairs to the Queens Hall will cost in the region of £2.4million. The Project Board consider that this level of cost would simply defer a problem.

The project is visionary and would represent a significant investment in the future of Dunoon by the Council. It is understood from the Initial Business case prepared by the Council and Project Board that the Council have already earmarked £4.5mn of Council funds for this project. It is felt that if additional funds were identified through the CHORD process to the tune of £10mn, further funds might be forthcoming from HIE, The Crown Estate and redirected funds within the Council's existing budget commitments within the Cowal peninsula (e.g. Roads budget)<sup>6</sup>. In the case of the Crown Estate it is noted from notes of meetings with the Crown Estate and the Council that the Crown Estate would want to see a robust business case before it would invest<sup>7</sup>.

It is proposed that the Queens Hall site would be released for residential development. No information is currently available as to what the site capacity is, but it has been suggested by the council that a four storey flatted development would be considered<sup>8</sup>. It has been assumed that the site would release approximately 57 flats to the market and generate a possible

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<sup>3</sup> The Project Board's preference would be for top grade fish restaurant

<sup>4</sup> Assumes an average rent of £12.50/ft<sup>2</sup>

<sup>5</sup> ABC Dunoon Waterfront Outline Business Case March 2008

<sup>6</sup> Project Board estimate £770,000 might be available in a 4 year period. This has been provided in the commercial analysis

<sup>7</sup> Reference D Kelly note 7 March 2008/Meeting 20 February 2008

<sup>8</sup> Telecon with Kevin Williams.

site value of £1.4million. The sales value expected is assumed to be ahead of the market rate suggested by Graham + Sibbald<sup>9</sup> in view of the location of the development.

Having taken the above into account and applying the Treasury Green Book criteria (a discount rate of 3.5%) the costs of the project in present value terms are some £32million. It should be noted that at this stage no payment has been assumed to the Crown Estate.

It will also be necessary for the appropriate rights to be secured from the Crown Estate, who own the seabed on which the project will be based. Following discussions with the Crown Estate it is felt likely that they will grant the necessary rights for the reclamation at relatively nominal cost. However, it is understood that while the Crown Estate will consider investment in marine projects positively, it will only do so where an appropriate business case is made<sup>10</sup> and as such will look for a commercial return on its investment. That said the Crown Estate are thought to have some flexibility as to the level of return they may seek.

Clearly a detailed business case will be required in the future to ensure that a market exists for the uses proposed in the new Pier building. However, it is considered that if the project were to proceed the demand for the proposed uses would be greatly enhanced.

In order to achieve the project it is considered that this could either be delivered through the Council's existing resources or by appointment of a project management company reporting to the Council. It is felt that in terms of available resource it is probably best delivered through an external body working to the council's in house team.

### *1.1 Marina development*

Adding to marina capacity, or creating new capacity, means that sailors benefit through a wider choice and greater total supply of berthing places. Sailing as a whole may benefit if vessels find it easier to find a safe berth when they want to. Others benefit through the visual impact of the marina, which most people find attractive, and through spending by sailors in local shops, restaurants, accommodation, boatyards and sailing equipment suppliers, etc. Other water users (fishermen, ferry operators, the Navy and cargo vessels), may benefit if the marina is well-sited and yachts are tidied away where they do not interfere with operations).

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<sup>9</sup> Graham+Sibbald Valuation Report 15 April 2008.

<sup>10</sup> Reference D Kelly note 7 March 2008/Meeting 20 February 2008.

## SPEND PER NIGHT / YEAR ESTIMATES FOR SAILING ENTHUSIASTS

There is one boat for every 11 people in Britain and most boating enthusiasts agree with the old joke about sailing being akin to 'standing under a freezing shower tearing up £50 notes'. However, there aren't any very good estimates of how many notes yachties and other marina users in Scotland actually tear up.

The one that is most current is based on a fairly good estimate of total UK spending, made by Arkenford of Guildford for the British Marine Federation, who are the main market researchers for marine sports. That was a good estimate because it sought to reconcile data from people on what they spend with estimates of what business receive. However, it put the Scottish portion very low, because the turnover of Scottish chandlers, etc, was only about 4 per cent of the UK total and the number of berths roughly corroborated this.

Moreover, what is usually quoted is a figure from McKenzie Wilson. Making a special estimate for Scotland, McKenzie Wilson simply struck an average between this 4 per cent of the UK total above and 14 per cent, which is the Scottish share of total UK domestic tourism. However the 14 percent is primarily about train-, car- and plane-borne visitors, and it's plainly the buzz of the cities and the beauty of the countryside that attract most of them.

In Sweden lots of people own boats, one boat for every 6 people, (purchase and berthing are significantly cheaper there) and the national Statistical Office puts spend per day at – but that's for the entire season, so amounts to about £ XXXX per berth per year.

In the United States leisure boating is much more developed than here – boat ownership is about four times the UK level, although people can live much further from the coast. Spend is about £xxxx per berth per year.

Overnight berths ('yacht havens') such as are proposed, probably bring the most financial benefit for 'ordinary' local traders, although the 'spend per night' estimates are very crude (see box). (Long term berths, such as those at Sandbank, are better for the specifically marine suppliers, and may attract people to the town or to Cowall to stay at weekends, or even to live or acquire a holiday home. Scotland's biggest marina, across the Clyde at Inverkip, now includes expensive and quite luxurious flats and in Moray the Lossiemouth marina has similarly attracted affluent housing.

### Panel 9 – Project 3: Development of Queens Hall site

This is now merely one of several possible developments that could be catalysed by the Waterfront Project.

Several feasibility studies have been done, most leading to similar life-cycle cost of £1.5 mn /yr.

We had worked up commercial cases, but these are no longer relevant as it is not in the CHORD project.

The land, if sold, would yield about £1.2 mn for housing (24 plots)



## Panel 10 – Project 4: Argyll Street enhancement

### 1.2 The economic value of £1 mn invested in improving a shopping area<sup>11</sup>

Often improvements made to shopping streets and even individual shop fronts will be additional, in the sense that they would not occur without public sector intervention (and in point of fact have not occurred despite ample opportunity). In the case of improvements to individual shops in relatively low income areas this is because often the shops wouldn't have done it anyway, either because they lack funds to do their own shop fronts, or (in the view of some civic societies and even town planners) they lack the motivation, taste and coordination to do it appropriately.

In more general cases, the improvement is additional because it is a widely-shared public good, like sorting out the pavement or street lighting, which no individual or single company is likely to fund. In both these cases the 'additional' improvements usually benefit local people and possibly attract tourists by providing a more pleasant or striking shopping experience. This makes the shops more competitive, generating higher sales with greater added value and employment. To a small degree it makes the town a better place to live.

Even if the improvements are not 'additional' then the shopkeepers would in principle have done them anyway, but they and the local community of course still benefit directly at the expense of the wider community that is providing the funds. If they are in a particularly disadvantaged situation this may be fair enough.

We have estimated the additional value on the basis that it will yield the same return as an average investment in UK retailing. This is perhaps generous, as no public sector project is likely to be so well-focused on retail GVA as an investment by the retailer himself - but after a history of under-investment it should not grossly exaggerate the takings.

### 1.3 Putting figures on this

If a butcher invests £1 mn in sausage machines, and they produce a zillion sausages per year, and sausage materials cost so much a ton and sausages sell for so much, it is *reasonably* easy to work out the benefits arising from the investment (Perhaps if you don't look too close, like counting the cost of the cholesterol induced heart attacks ... ...).

But if a shopkeeper invests so much in new shelving to display goods better, or in new facades to attract people into his shop ...

Or if a Council invests so much to attract people to shop in a town centre ...

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<sup>11</sup> © COGENT STRATEGIES INTERNATIONAL LTD 2008

As explained above, in the CHORD project we have valued town centre ambience projects aimed at predominantly shopping environments at the same yield rates we would apply to general retail investment.

A workbook sets out retail and related value added and investment in the UK from 1992 to 2004. The value-added average of £38.9 bn (at 1995 prices) can be compared with the national accounts estimate of capital employed in the distribution and hospitality industries of £220 bn (at 1995 prices) (2001 Blue Book).

This would suggest that investing £1 mn in these industries yields on average £177 000 per year in additional value added. We have used a factor of 0.18 in our calculations

Panel 11 – Project 5: Traffic management system INCLUDE IN ABOVE

Panel 13: The strategic case

### Panel 14-16: The economic case

Marina: At present rates of £1.75 per metre, capacity revenue will be £700 per night. Normal occupancy is 40-60 nights per berth per year, yielding say £35 000, to be set against operating costs of £25 000. The net revenue stream has a net present value of £250 000 at 3.5 per cent over a 30-year life. The GVA stream has a net present value of £530 000.

Visitors: Calmac typically carry 600 000 passengers per year and 100 000 cars (Western Ferries at Hunter's Point 1100 000 passengers and 500 000 cars).

Panel 17: The commercial case

Dunoon Waterfront - 22 Nov 2007

Base date of Estimates

1/9/07

**SUMMARY ESTIMATES**

Date at which estimates are to be calculated

11/3/08

Construction Inflation annual rate

6.5%

Element	Option			
	1	2	3	4
Sheet pile & Infill T shape Pier				
Sheet Pile existing pier + Marina Ext. & Infill Area		11.9		
New Marina + Infill	5.8		13.7	
New Marina + Infill & Realigned Road				13.5
Refurbished (1&2)/ Replicated (3&4) Pier Building				
Refurbished (1&2)/New (3&4) Queen's Hall				
Signal Tower				
Sub total	5.8	11.9	13.7	13.5
Add for unpriced items	20%	2.4	2.7	2.7
Sub total	7.0	14.3	16.4	16.2
Add prelims	20%	2.9	3.3	3.2
Sub total	8.4	17.1	19.7	19.4
Add design, supervision, project management	7%	1.2	1.4	1.4
Sub total	8.9	18.3	21.1	20.7
Consents (Planning, FEPA etc.)	1%	0.2	0.2	0.2
Sub total	9.0	18.5	21.3	20.9
Inflation allowance from base date to specified date	3%	0.6	0.7	0.7
Sub total	9.3	19.2	22.0	21.7
Contingencies	20%	1.9	3.8	4.3
Estimated total	11.2	23.0	26.5	26.0

## Waterfront Development

The Project Board propose to redevelop the waterfront creating a new exciting, vibrant and attractive water front for the town. The project includes:

- The reclamation of approximately 1.21ha (3 acres) from the sea.
- The creation of a new pier and harbour, capable of accommodating a transit marina, though the establishment of the marina is not part of this project.
- The replacement of the existing listed Pier and Pier building which currently represents a significant liability to the Council. The new Pier building is expected to be used for a new restaurant and retail outlets.
- The development of new structure to replace the Queens Hall which is in need of major renovation.
- The project will create land available for future waterfront development, particularly a possible 5 star hotel.

The Project Board have commissioned Turner and Townsend<sup>12</sup> to cost the new buildings, particularly the Queens Hall and the new Pier building, while Argyll and Bute's in house engineering department have provided costings for the new harbour and land reclamation.

It has been estimated by the Council that the land reclamation and harbour project will cost in the region of £27.5million and will take approximately 4 years to complete. In order to achieve the project it will be necessary to secure the appropriate rights from the Crown Estate, which it is assumed can be achieved at a nominal rental charge.

Turner and Townsend<sup>13</sup> estimated that the cost of the replacement pier building which is proposed would be in the region of £3.4million. This building is expected to have a gross internal floor area of approximately 528m<sup>2</sup> (5,791ft<sup>2</sup>). For the purpose of this exercise it has been assumed that the building will take two years to build from the completion of the reclamation project.

It is anticipated that the new Pier building will be used as a restaurant<sup>14</sup> and for retail outlets. It has been assumed for the purpose of this exercise that the building is fully let in equal parts for these uses, and that gross rental income of approximately £71,000<sup>15</sup> per annum is produced.

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<sup>12</sup> Turner and Townsend 17 March 2008

<sup>13</sup> Turner and Townsend 17 March 2008

<sup>14</sup> The Project Board's preference would be for top grade fish restaurant

<sup>15</sup> Assumes an average rent of £12.50/ft<sup>2</sup>



In addition to the new Pier building the reclamation will create approximately 0.80ha (1.90 acres) which the Project Board anticipate will provide the site for a modern replacement of the Queens Hall building. The Project Board have proposed that of the options costed by Turner and Townsend, Option 3c should be taken forward due to the enhanced community facilities it will provide<sup>16</sup>. It has been estimated that this new building will cost approximately £13.43million. However, it should be noted that this building does require complete refurbishment which Turner and Townsend estimate will cost in the region of £6.9million. It should be noted that Turner and Townsend have also indicated that do nothing but essential repairs to the Queens Hall will cost in the region of £2.4million. The Project Board consider that this level of cost would simply defer a problem.

The project is visionary and would represent a significant investment in the future of Dunoon by the Council. It is understood from the Initial Business case prepared by the Council and Project Board that the Council have already earmarked £4.5mn of Council funds for this project. It is felt that if additional funds were identified through the CHORD process to the tune of £10mn, further funds might be forthcoming from HIE, The Crown Estate and redirected funds within the Council's existing budget commitments within the Cowal peninsula (e.g. Roads budget)<sup>17</sup>. Though in the case of the Crown Estate it is noted from notes of meetings with the Crown Estate and the Council that the Crown Estate would want to see a robust business case before it would invest<sup>18</sup>.

It is proposed that the Queens Hall site would be released for residential development. No information is currently available as to what the site capacity is, but it has been suggested by the council that a four storey flatted development would be considered<sup>19</sup>. It has been assumed that the site would release approximately 57 flats to the market and generate a possible site value of £1.4million. The sales value expected is assumed to be ahead of the market rate suggested by Graham + Sibbald<sup>20</sup> in view of the location of the development.

Having taken the above into account and applying the Treasury Green Book criteria i.e. no interest is taken into account and a discount rate of 3.5% the project shows a negative net present value (NPV)<sup>21</sup> of some £32million. Working Paper 13 of this report includes a discounted cash flow showing this scenario and the assumptions behind it. It should be noted that at this stage no payment has been assumed to the Crown Estate.

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<sup>16</sup> ABC Dunoon Waterfront Outline Business Case March 2008

<sup>17</sup> Project Board estimate £770,000 might be available in a 4 year period. This has been provided in the commercial analysis

<sup>18</sup> Reference D Kelly note 7 March 2008/Meeting 20 February 2008

<sup>19</sup> Telecon with Kevin Williams.

<sup>20</sup> Graham+Sibbald Valuation Report 15 April 2008.

<sup>21</sup> NPV – Compares the present value of future receipts from a proposed investment with future outgoings and if the value of receipts exceeds the outgoings the investment is deemed worthwhile.

It will also be necessary for the appropriate rights to be secured from the Crown Estate, who own the sea bed on which the project will be based. Following discussions with the Crown Estate it is felt likely that they will grant the necessary rights for the reclamation at relatively nominal cost. However, it is understood that while the Crown Estate will consider investment in marine projects positively, it will only do so where an appropriate business case is made<sup>22</sup> and as such will look for a commercial return on its investment. That said The Crown Estate are thought to have some flexibility as to the level of return they may seek.

Clearly a detailed business case will be required in the future to ensure that a market exists for the uses proposed in the new Pier building. However, it is considered that if the project were to proceed the demand for the proposed uses would be greatly enhanced.

In order to achieve the project it is considered that this could either be delivered through the Council's existing resources or by appointment of a project management company reporting to the Council. It is felt that in terms of available resource it is probably best delivered through an external body working to the council's in house team.

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<sup>22</sup> Reference D Kelly note 7 March 2008/Meeting 20 February 2008.

## Panel 18 – The financial case

The Projects being put forward for CHORD can be categorised in 5 ways in terms of their effect on the Council's finances, as shown in Figure 2.

**Figure 2 Categorisation of projects based on effect on council funding**

Categorisation	Description
A – Public sector investment (No Payback)	A straightforward public sector investment that is essential as part of the overall infrastructure/support to the project and where no related payback can be identified. Capital investment in this category will count against the £10m provided in the Council capital plan.
B – Public sector investment (With Payback)	Similar investment in public sector infrastructure as above but where the investment can be related to the release/development of a specific asset or other project and the effect is a full or partial payback of the initial investment. Where a full payback is achieved then this expenditure will not count against the £10m available in the capital plan. Any unfunded element of a partial payback will count against the £10m.
C – Business Opportunity (Requiring Pump Priming)	Some projects will be viable business opportunities on an ongoing basis but will require initial pump priming. Where the Council is to make the initial investment of pump priming then this will count against the £10m available in the capital plan.
D – Business Opportunity (Joint Venture)	Some projects will be viable business opportunities without any requirement for pump priming. However in some cases there may be a benefit from the project being delivered on a joint venture or partnership basis. Any investment by the Council should be off set by a return or payback in later years and as a result does not need to count against the £10m available in the capital plan. The nature of the joint venture or partnership will need to be assessed in the OBC eg develop and lease, develop and operate partnership.
E – Business Opportunity (Standalone)	Some projects will be viable business opportunities without any requirement for pump priming or partnership. There will be no role for the Council in the financing of these. These will not count against the £10m available in the capital plan.

At one end of the spectrum this involves projects which are fully funded by the Council with no direct pay back and at the other end, projects which are entirely business opportunities requiring no Council financial intervention. There is a range of other scenarios in between these two financial situations.

Sources of grant funding have been identified wherever possible. Many of the projects require greater definition of elements and outcomes in order for the grant opportunities to be explored in greater detail. In addition, many grant sources are currently in a state of transition and many programmes are not developed to a stage whereby the eligibility of the projects can be assessed in more detail. However the most likely sources have been identified below with input from the Councils Funding Officer and European Manager.

The Dunoon projects all sit within the Categories as follows;

1) Play Facility at West Bay

This project sits within category A – Public Sector Investment. It is costed at £180,000 with £100,000 being anticipated from lottery funds and £20,000 raised by the community group concerned with a £50,000 funding gap which could be drawn from the Council’s capital borrowing for the CHORD project. The Leader programme may be able to assist with elements of the project which are not directly related to play equipment such as landscaping and ground preparation. This grant provides 50% funding for the eligible elements of projects related to Revitalising Communities and Progressive Rural Economies. Such projects must have a strong community element to them but the Council is an eligible applicant. There are also a range of Trusts to which applications could be made for small amounts of funding.

2) Waterfront Development (Option 4) including the demolition and rebuilding of the Victorian pier building and land reclamation.

The section on the Commercial case in this report shows that this project will cost approximately £29.4 million.

While there is an aspiration that this project would attract a commercial element, the assessment of the commercial case indicates that most of the funding will be required from public funding sources. This project therefore sits largely within Category A. The potential sources of grant funding are;

Highlands and Islands Enterprise

Highlands and Islands Enterprise is currently redefining its priorities in the light of the recent reorganisation of the Enterprise Network. They have indicated that they see the projects in Dunoon as potentially coming under their priority of “Transformational Projects”. They are willing to look at possible funding subject to a business case being presented.

Heritage Lottery Fund

- Heritage Lottery Fund Grants – for pier and pier buildings if they are retained.

- Townscape Heritage Initiative – for the town centre area, main shopping street and public realm restoration. This can be up to 50% of the funding package and support can range from £250,000 to £2 million.
- Parks for People – This could be a source should part of the waterfront restore the area to its original Victorian form. This source can fund up to 75% of the package and grants range from £250,000 to £5 million.
- Living Landmarks (currently suspended) – The previous bid for Living Landmarks for a substantial area of the waterfront containing elements of the current proposed scheme was unsuccessful. There may be future rounds of this grant but this is unconfirmed as yet.
- People's Millions – This source has a £80,000 maximum providing funding for projects that make local communities a better place to live including buildings, amenities, public and green spaces and the natural environment and projects that help people use and enjoy their natural environments. Match funding is not required. Projects are voted for by television viewers.

#### Historic Scotland

- Historic Scotland Building Repairs Scheme – if the pier buildings were retained they could be eligible for this source. The maximum grant awarded is usually £500,000 and must be match funded. .
- Conservation Area Regeneration Scheme – This is a possibility for the town centre only and Historic Scotland is keen to see Dunoon coming forward for this. This scheme is intended to match with the HLF Townscape Heritage Initiative.

#### VisitScotland / Forestry Commission / National Park / SNH and other local partners

In discussions regarding the Living Landmarks bid for Dunoon Marine Gateway all of the above partners agreed to input funding at appropriate stages. It may be worth re-visiting the concept of grant funding with them.

#### European

- ERDF - could potentially assist with the Victorian Building if it had an end use possibly involving the interpretation of the natural and cultural heritage, which could be demonstrated to be sustainable commercially and contribute to an increase in visitor numbers. A restaurant on its own would not be sufficient. Any income generated by the business would have to be offset against the grant.
- Leader – may be able to assist activities contributing to the themes of Revitalization of Communities and Progressive Rural Economies. Leader supported projects must have a strong element of community involvement and cooperation between communities. The scale of the waterfront project may be too large for Leader.
- Interreg – This international cooperation programme can assist with large projects with a strategic impact and a transnational cooperation element, but does not contribute in principle to infrastructure. For the Dunoon projects to benefit they would require to be part of a larger bid encompassing a number of locations. Transnational projects take time to put together and require a number of very committed partners.

- The Atlantic Area Cooperation Strategy has an objective related to the promotion of interoperability and continuity of existing transport networks and sea/road/rail/air intermodality and another objective for the promotion of short sea shipping and cooperation between ports.

3) Development at the Queen's Hall Site

This project is a straight sale and therefore fits within Category E – Business Opportunity. It is considered under the Commercial Case. Grant assistance is not required.

4) Argyll Street Enhancement including traffic management

This project sits within category A – Public Sector Investment as it does not have a commercial element.

There are few potential grant sources for this project. As a general point, grant funding packages depend on who the applicant is. For stand alone buildings there are more opportunities to attract funding from external sources if a third sector organisation applies.

### **Highlands and Islands Enterprise**

Highlands and Islands Enterprise is currently redefining its priorities in the light of the recent reorganisation of the Enterprise Network. They have indicated that they see the projects in Dunoon as potentially coming under their priority of "Transformational Projects". They are willing to look at possible funding subject to a business case being presented. There may be scope to explore funding for the traffic management element under the banner of the wider projects.

5) Construction of "iconic" building on reclaimed waterfront

This project has been assessed under the commercial case. Depending on the choice of option to be followed from the Turner and Townsend Report of 17 March 2008, the project capital costs ranges from £2.3 million to £17.6 million. While a commercial element could be explored it is anticipated that much of the funding will have to come from public sources. It is therefore largely in Category A – Public Sector Investment with a potential element of payback under Category B from the hotel element if this is feasible.

Sources of grant funding for the project are listed below.

### **Scottish Arts Council (SAC)**

- Capital Programme – if the iconic building has a major arts content it may be eligible for £250,000 at the moment but may this may increase under the new body - Creative Scotland which is a merger of SAC and Scottish Screen.
- Public Art – for promenade

## **Sportscotland**

Building for Sport – may allow funding of up to 50% if the iconic building has a major sports content.

### **Highlands and Islands Enterprise**

As stated above, Highlands and Islands Enterprise is currently redefining its priorities in the light of the recent reorganisation of the Enterprise Network. They have indicated that they see the projects in Dunoon as potentially coming under their priority of “Transformational Projects”. They are willing to look at possible funding subject to a business case being presented.

### **VisitScotland + Forestry Commission + National Park + SNH and other local partners**

In discussions regarding the Living Landmarks bid for Dunoon Marine Gateway all of the above partners agreed to input funding at appropriate stage. It may be worth revisiting their commitment to doing so in the light of this project.

### **Funding From Trusts**

Robertson Trust - Contributed to funding of Aqualibrium and may consider the iconic building

Foundation for Sports and the Arts – if the project is arts or sports related.

### **Funding from Individual Donors**

It may be possible to source funding from individual donors for the Iconic Building.

Panel 19: The management case



### Panel 20: Risk register

The risks of partner search are significant. VisitScotland, Forestry Commission, Loch Lomond and The Trossachs National Park Authority and Scottish Natural Heritage agreed to input funding to the Marine Gateway bid at appropriate stage. It may be worth revisiting their commitment to doing so in the light of this project.

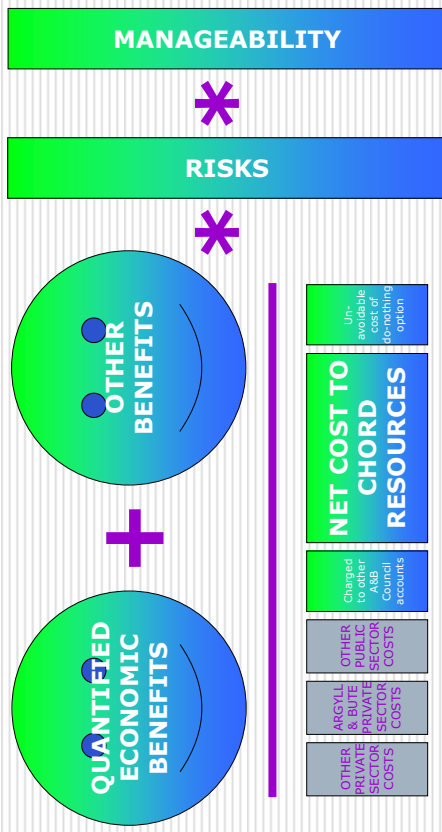
### Panel 21: Benefits register

The measurable benefits would come out in terms of visitors, of people moving in to Dunoon, and of turnover of local shops etc. What the project is doing is opening the door so that these benefits can continue and accelerate, rather than be limited by lack of physical capacity and bad impressions.

We suggest that the Council tries to measure these things on a regular basis – that would be useful for a number of purposes and can now be done at a local level.

## Panel 22: A balanced appraisal

### Evaluation Formula



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Just a reminder that the NEW not the old weighting formula applies. It makes a lot of difference because it tries to focus on what residents and businesses will gain, and it is less tied to past policies, some of which are now dusty or even superseded. In the case of Dunoon some of the projects that will be facilitated will have attractive Benefit: cost ratios. The marina certainly, because of the spending brought into the town, will yield benefits (NPV of GVA over 30 years) of about £1.6mn, so this needs to be compared with its capital cost. For the Queens Hall the ratio would be 1.2: 1, based on the life cycle costs shown on P8.

We have asked HIE if they have a method for valuing community facilities such as the Queens Hall (they support many on a smaller scale in fragile communities) but they do not, and we have also asked the Director for the Social Economy in the Scottish Government.

At the point where the housing market starts to become tight in Dunoon, then residential developments have the advantage that more workers can be accommodated: the younger the person moving in, the more this is a genuine social benefit because the longer working life they have left in them. In the case of Dunoon the 'average net in-migrant' is quite young (by comparison with many other places), about 40. This means he/she still has 20-25 working years left in them so is a valuable addition to the population. The house that lures him/her is thus a benefit to the whole community.

## Panel 23: Backup and boilerplate

### 1.4 Working Papers

1. Dunoon Economic Profile – cogentsi
2. Dunoon Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM@people demographic analysis and projections for Dunoon, and Argyll and Bute - cogentsi
4. Project Proforma – Play facility at West Bay
5. Project Proforma – Waterfront development
6. Project Proforma – Development of Queens Hall site
7. Project Proforma – Argyll Street enhancement
8. Project Proforma – Traffic management scheme
9. Project Proforma – Construction of iconic building
10. Conformity of Dunoon CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
11. Conformity of Dunoon CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
12. Economic appraisals including discounted costs and benefits
13. Financial and commercial appraisals including discounted cash flows,
14. Benefits register
15. Draft risk register and risk potential assessment
16. Draft and nominations for commissioner/stakeholder support,
17. Arrangements for post-project evaluation and implementation review.
18. References
19. Consultees

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Panel 24: Dunoon – the best choice for Argyll and Bute

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## **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

DTZ  
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Edinburgh  
EH3 9QG

September 2008

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## 1. Introduction

DTZ was commissioned by Argyll & Bute Council to carry out a brief, independent review of the outline business case (OBC) for five town centre and waterfront projects including Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The business cases are being prepared and will be scored once each of the business cases are approved by each project board.

The Council has made a sum of money of £10m available through its capital program, but it will only be available to one of the five waterfront projects being considered. These all come under the moniker of “CHORD”. Elements across the proposed projects include:

- Campbeltown;
  - Kinloch Road - Area Regeneration;
  - Marina Development;
  - Townscape Heritage Initiative;
- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.



## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press



### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttik<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttik, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

#### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.<sup>7</sup>** Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

### 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

### 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006





### 3. Dunoon Project

#### 3.1 Overview

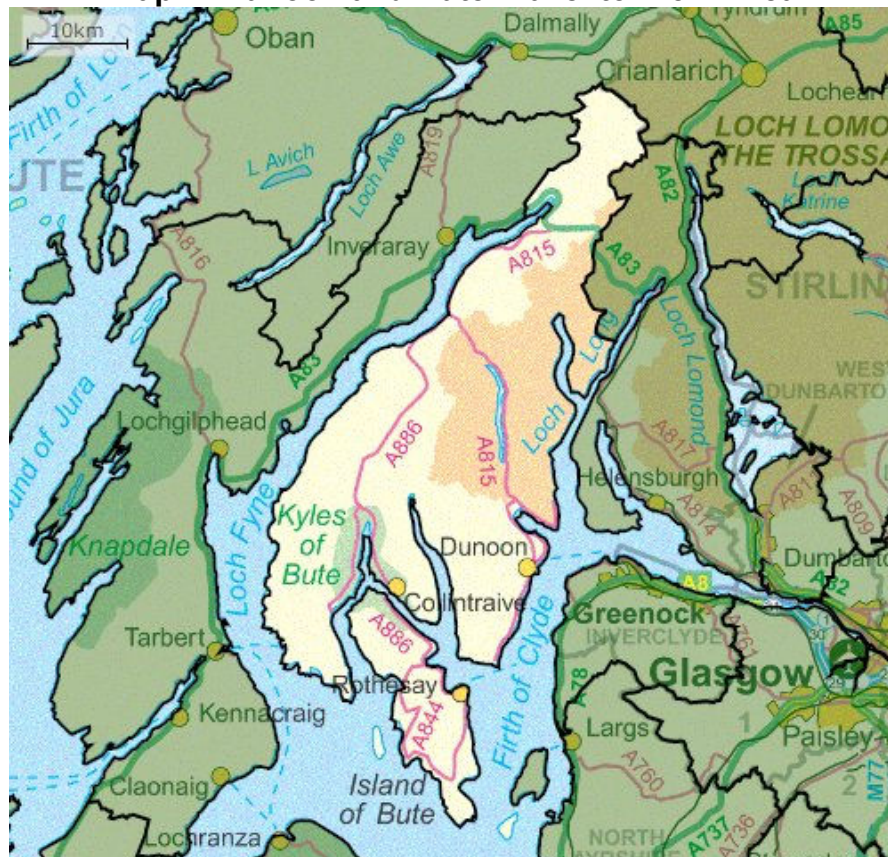
The Dunoon project has a capital cost of £27.5m and already has £5.3m secured through the council's capital programme for work on the pier. If the waterfront project does not go ahead, then costs of £11.2m will still be incurred as part of the status quo option to refurbish the existing pier and building.

The summary OBC documents provided do not provide a clear estimate of the likely socio-economic impact arising from the Dunoon waterfront project. A good starting point in the measurement of any socio-economic benefits is a reasonable baseline.

#### 3.2 Baseline

The Dunoon and Bute travel to work area (below) provides jobs for 2,053 employees (Annual Business Inquiry, 2006) in retail, tourism and leisure related businesses. This includes Standard Industrial Classification (SIC) sectors 50, 52, 55 and 92. Nearly half of all retail, leisure and tourism employees (918) are based in hotels (517), restaurants (185) or bars (156). Around 200 further jobs are sustained in sports activities, nature based activities, museums and libraries.

**Map 1: Dunoon and Bute Travel to Work Area**



Crown Copyright ONS



The Travel to Work Area (TTWA) is an approximate self-contained labour market based on commuting to work patterns. Around two thirds of those who live in the area also work there and at least two thirds of those who work in the area also live there.

The median annual wage for all workers in Argyll and Bute is £17,897 (Annual Survey of Hours and Earnings, 2007). Multiplying the number of retail, tourism and leisure related jobs by the median wage for all workers suggests **total income of around £36.7 million**.

The latest Scottish Input-Output tables published by the Scottish Government suggests that income from employment is around 66% of Gross Value Added (GVA) in the hotels and restaurants sector and around 64% of GVA across the whole Scottish economy. Applying this ratio to the estimate of total income suggests **total GVA of £55.7 million**.

### 3.3 Socio-economic Impact

Dunoon has the opportunity to capitalise on the town's position as gateway to Loch Lomond and Trossachs National Park. It envisions a striking waterfront development including a marina and with private participation supplying conference and holiday accommodation.

Most of the literature reviewed suggests uplift in economic activity of up to 20% for developments like the Dunoon waterfront project, with wider studies for the development of public realm showing increases of up to 40%. This is based on empirical evidence of new activities moving into the area, increased patronage and tourism spending.

Taking a midpoint estimate of an uplift of 10% in economic activity suggests income will increase by around £5.6 million. However, some of this increase is likely to be drawn from elsewhere in Argyll and Bute and the value of activities displaced needs to be accounted for. Assuming displacement of 50% from elsewhere in Argyll and Bute suggests an additional increase of around £2.8 million.

The additional increase will accrue annually and should be discounted at a rate of 3.5% per annum according to HM Treasury Green Book guidelines. **Over 25 years the Net Present Value (NPV) of the Dunoon waterfront project is likely to be around £45.9 million.**

A reasonable treatment of the £11.2 million, needed for refurbishment if the waterfront project were not to go ahead, would be to include this as a benefit in 'year zero'. In other words offsetting the overall capital cost of £27.5 million at the beginning of the project.

The total socio-economic impact of the Dunoon waterfront project will be £57.1 million over 25 years against a capital cost of £27.5 million. **This gives a positive NPV of £29.6 million.**

This type of analysis is useful in allowing sensitivity analysis to be undertaken. An uplift of just 5% reduces the NPV to £6.6 million and the waterfront project requires an uplift of 3.6% to achieve a net positive position.

# The Dunoon Dossier

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## Working papers

These working papers were produced in order to create the Dunoon Dossier. Although they illustrate the method they may not be exactly compatible with the Dossier itself

14 July 2008

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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## Working Paper 1 - Dunoon Economic Profile

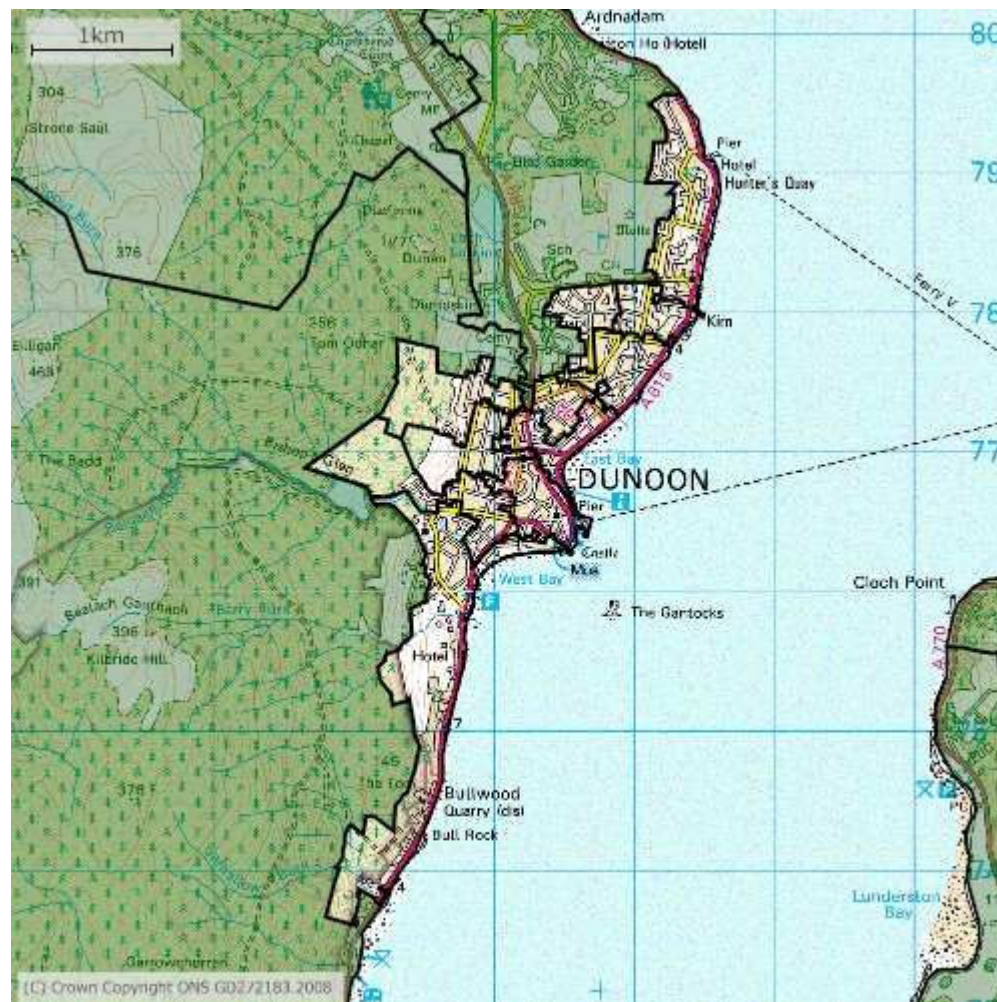
### *About Dunoon*

Dunoon, with a population of 8000 residents, is the main centre of population on the Cowal peninsula. Its main access is over the Firth of Clyde to Inverclyde and is the only CHORD town to have a commercial ferry service, Western Ferries, in addition to the state owned Calmac services. Dunoon is a Victorian seaside resort where tourism is still an important contributor to the economy. However, the main employing sector in the economy these days is the public sector.

This section provides a snapshot of the current economic conditions in Dunoon. It considers a number of economic variables including population distribution, employment by sector, business size and unemployment.

Figure 1 is a map of the area considered in this section.

**Figure 1 : Map of Dunoon settlement**



*Population distribution*

Table 1 shows the population change in Dunoon between 2001 and 2006 and compares it with the respective changes in Argyll and Bute and Scotland as a whole.

**Table 1 : Population change 2001-2006**

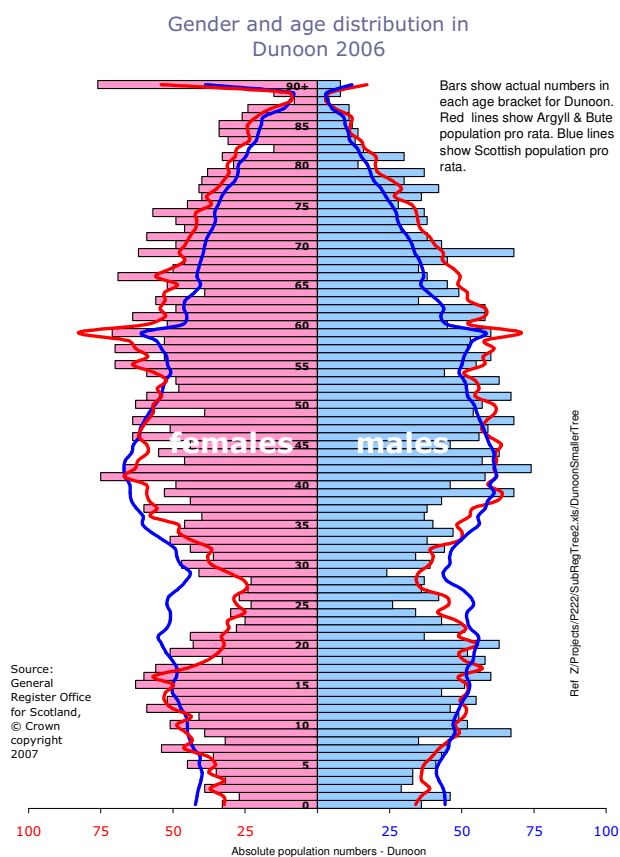
Population change 2001-2006				
Area	2001	2006	Change 2001-2006	% Change 2001-2006
Dunoon	8,106	8,012	-94	-1.2%
Argyll & Bute	91,300	91,390	90	0.1%
Scotland	5,064,200	5,116,900	52,700	1.0%

Source: GROS, Small Area Population Estimates, 2001 to 2008

In 2006, the population of Dunoon was estimated to be just over 8,000. Between 2001 and 2006, the population of the town decreased slightly (by 1.2 per cent) compared to a stable population in Argyll and Bute and a 1 per cent increase at the Scottish level. Annual population estimates suggest that the population of Dunoon fell markedly between 2001 and 2002 (a 1.3 per cent population decline) but then increased year on year between 2002 and 2005. This period of increasing population was then followed by a decline between 2005 and 2006.

Figure 2, below shows the age and gender structure of the population of Dunoon and compares it with the populations of Argyll and Bute and Scotland as a whole.

**Figure 2 Gender and age distribution in Dunoon 2006**





It shows a slightly higher proportion of the population of Dunoon is over 65 compared to both Argyll and Bute and Scotland as a whole (particularly amongst women). Some 22 per cent of Dunoon's population is over 65 compared to 20 for Argyll and Bute and 16 per cent for Scotland. It also illustrates that there is a lower proportion of people aged between 20 and 44 in Dunoon compared to the comparison areas. Only 27 per cent of Dunoon's population is in this age group compared to 29 per cent for Argyll and Bute and 34 per cent for Scotland as a whole.

Table 2 illustrates the population change in Dunoon in specific age groups and compares them with the changes at Argyll and Bute and Scottish levels.

**Table 2 : Change in population age structure**

Change in population age structure						
Age Group	Dunoon				Argyll and Bute	Scotland
	2001	2006	Change 2001-06	% Change 2001-06	% Change 2001-06	% Change 2001-2006
0-4	424	343	-81	-19.1	-12.2	-2.8
5-19	1494	1475	-19	-1.3	-2.5	-3.2
20-44	2301	2188	-113	-4.9	-7.2	-2.1
45-64	2133	2208	75	3.5	7.3	7.8
65-84	1521	1561	40	2.6	8.7	3.4
85+	233	237	4	1.7	0.9	7.2
<b>Total</b>	<b>8,106</b>	<b>8,012</b>	<b>-94</b>	<b>-1.2</b>	<b>0.1</b>	<b>1.0</b>

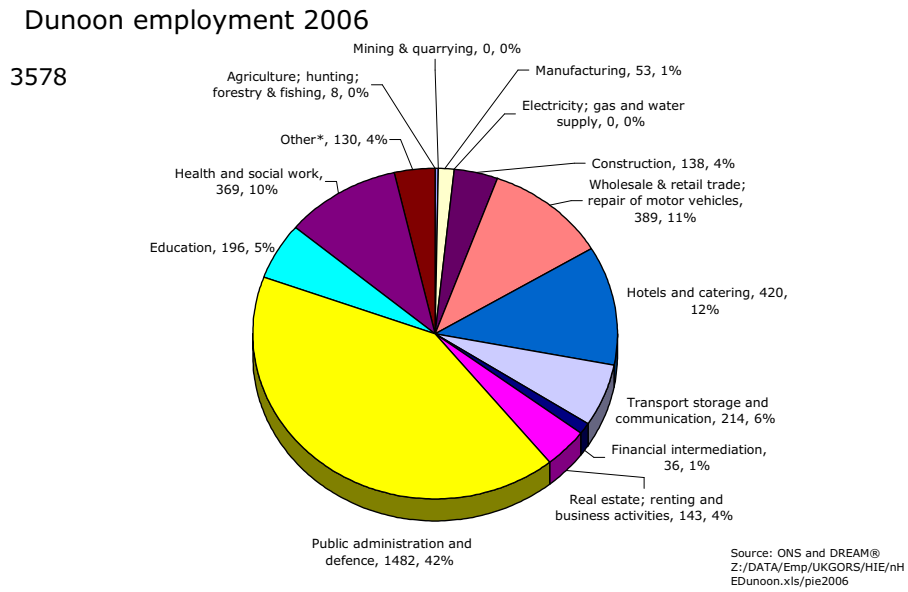
Source: GROS small area population estimates 2001, 2006

Overall Dunoon's population has aged between 2001 and 2006, as it has done in Argyll and Bute and Scotland as a whole. The numbers in each of the younger age groups (under 45 years) have declined while those in the over 45 year age groups have all increased in Dunoon as they have in both Argyll and Bute and Scotland. However the percentage changes have been smaller in Dunoon than elsewhere, suggesting the town has lost fewer families but gained fewer retired or early retired residents. The two exceptions are the very youngest members of the community (under 5's), whose numbers have fallen faster in Dunoon than elsewhere in Argyll and Bute, and the very oldest (over 85's) whose numbers have risen faster in Dunoon than elsewhere in the region.

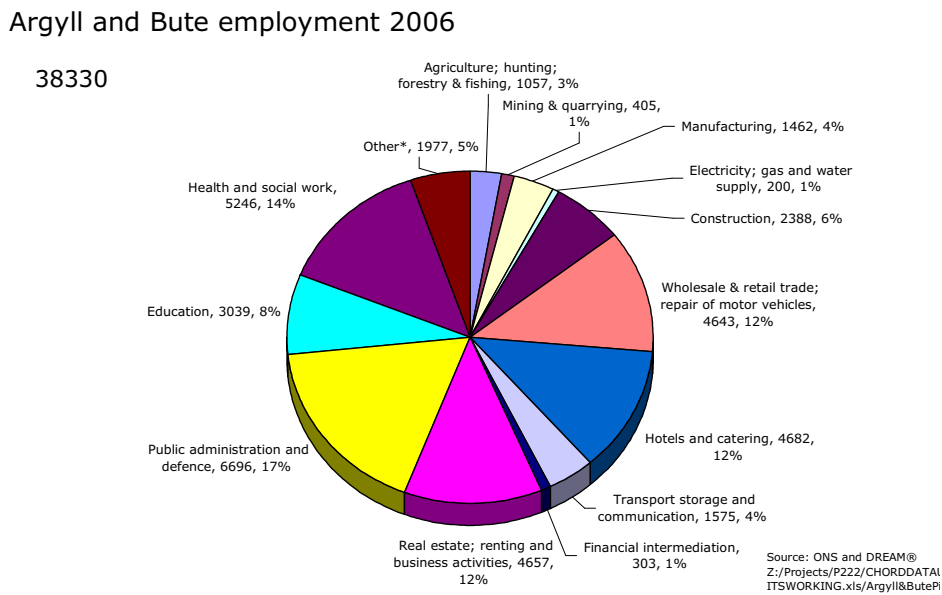
### *Employment by sector*

According to the Annual Business Inquiry, there were 3 578 employees (excluding self employed) in Dunoon in 2006. Figure 3 shows the distribution of employees by broad sector in Dunoon, in 2006 and Figure 4 shows the same distribution for Argyll and Bute as a whole.

**Figure 3 : Distribution of employees in employment in Dunoon 2006**



**Figure 4 : Distribution of employees in employment in Argyll and Bute 2006**



Dunoon’s employment market is dominated by the public administration and defence sector, which accounts for 42 per cent of all jobs in the area – more than twice the size of that across Argyll and Bute.

The only other sectors of any size in Dunoon, hotels and catering, wholesale and retail which each employ around 1 in 9 of local residents are of a comparable size to elsewhere in the region.

Dunoon has a lower share of employees in the real estate; renting and business activities sector than the region as a whole with 4 per cent of total employees compared to 12 per cent region wide.

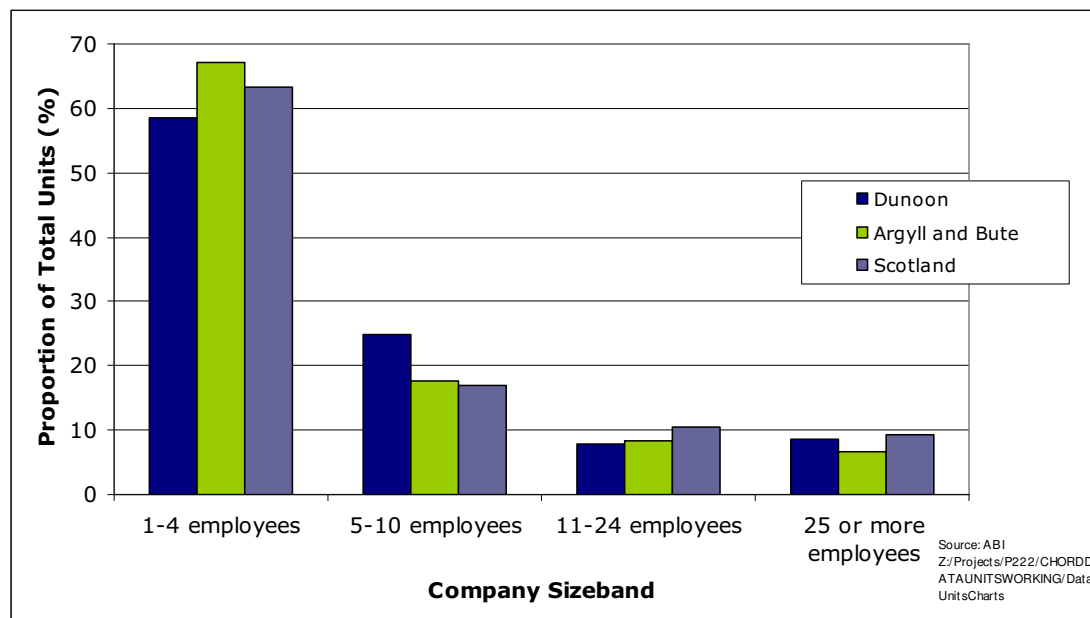
The rate of self employment in Dunoon in 2001 (Census) was 7.8 per cent, lower than the Argyll and Bute average of 11.5 per cent but above the Scottish average of 6.6 per cent

### *Business size*

The Annual Business Inquiry provides information on the number of data units located in an area. The number of data units in an area can act as a good indication as to the number of work places operating in an area employing staff. Data units do not correspond directly to the number of work places in an area as self employment is not taken into consideration.

In 2006 there were 289 data units in Dunoon employing staff. Figure 5 shows the break down of data units by business size in Dunoon, Argyll and Bute and Scotland.

**Figure 5 : Distribution of business units by company size 2006**

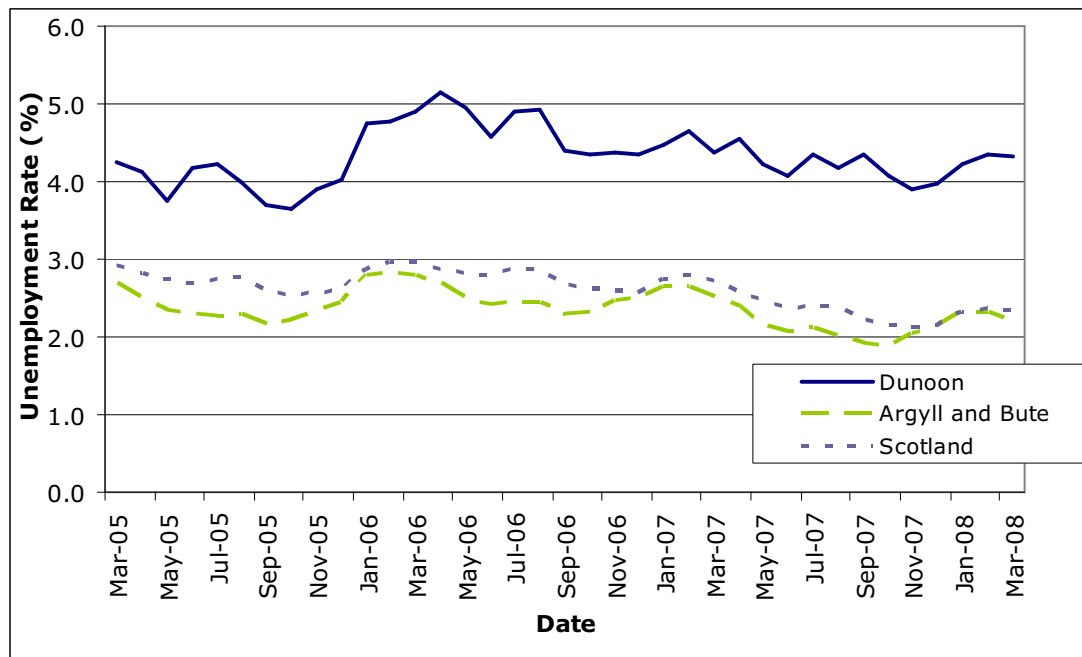


As in other areas the smallest units, with fewer than 5 staff dominate. However with 58 per cent of all business units employing between 1 and 4 employees Dunoon has a considerably lower proportion than both Argyll and Bute and Scotland, which are 67 per cent and 63 per cent respectively. In contrast, the proportion of total business units in Dunoon employing between 5 and 10 employees is considerably higher than the comparison regions, accounting for 25 per cent of all data units compared to Argyll and Bute's 18 per cent and Scotland's 17 per cent.

### *Unemployment*

In March 2008 there were 197 JSA claimants in Dunoon. At this time the unemployment rate in Dunoon was 4.3 per cent which is almost double the levels in Argyll and Bute and Scotland (2.2 per cent and 2.3 per cent respectively).

Figure 6 illustrates the unemployment rates from March 2005 to March 2008 in Dunoon, Argyll and Bute as a whole and Scotland.

**Figure 6 : Unemployment rates March 2005 to March 2008**

It shows that over the three years to March 2008 the unemployment rate in Dunoon has been consistently above the Argyll and Bute and Scottish averages. The level of unemployment in Dunoon ranged between 3.6 per cent in October 2005 to 5.1 per cent in April 2006 and overall had a mean value of 4.1 per cent, significantly higher than the regional and national levels of 2.2 per cent and 2.5 per cent respectively.

A summary of the changes in long-term unemployment (claiming unemployment benefits for six months or more) over the three year period are given in Table 3.

**Table 3 : Long-term unemployment March 2005-March2008**

Long-term unemployment March 2005-March 2008				
Date	Dunoon		Argyll and Bute	Scotland
	No. unemployed long term	% of total unemployed	% of total unemployed	% of total unemployed
March 2005	70	36.8	35.7	30.0
March 2006	70	31.1	32.9	30.2
March 2007	60	30.0	33.5	31.2
March 2008	65	33.3	29.2	25.9

Source: ONS claimant count

In March 2008 there were 65 claimants unemployed long-term (unemployed for six months or more) accounting for one third of all claimants. This is a higher proportion than at regional and national levels (29 per cent and 26 per cent respectively). In addition, the decrease in long term unemployment rates in Dunoon was only 7 per cent during this period, this compares to decreases of 33 per cent and 30 per cent for Argyll and Bute and Scotland respectively. This suggests that Dunoon not only had a higher level of unemployment than the Argyll and Bute average but has a slightly greater problem of long term unemployment.

## Working Paper 2 - Dunoon Property and Retail Market Review

### Town centre retail offering

A recent study<sup>1</sup> indicates that in October 2006 there were a total of 134 retail outlets in Dunoon with a combined floor space of 180,300 square feet.

The number of vacant retail outlets in an area can act as a good indicator as to the success of a local economy. As illustrated in Figure 7 the percentage of vacant retail outlets in Dunoon is below the UK average with only 10.5 per cent of all outlets vacant compared to 11.2 at UK level. However, the percentage of vacant retail floorspace in Dunoon is higher than the UK average with (11.4 per cent compared to 9.4) indicating that Dunoon has more medium and larger shops vacant than elsewhere.

**Figure 7 : Retail vacancy rates**

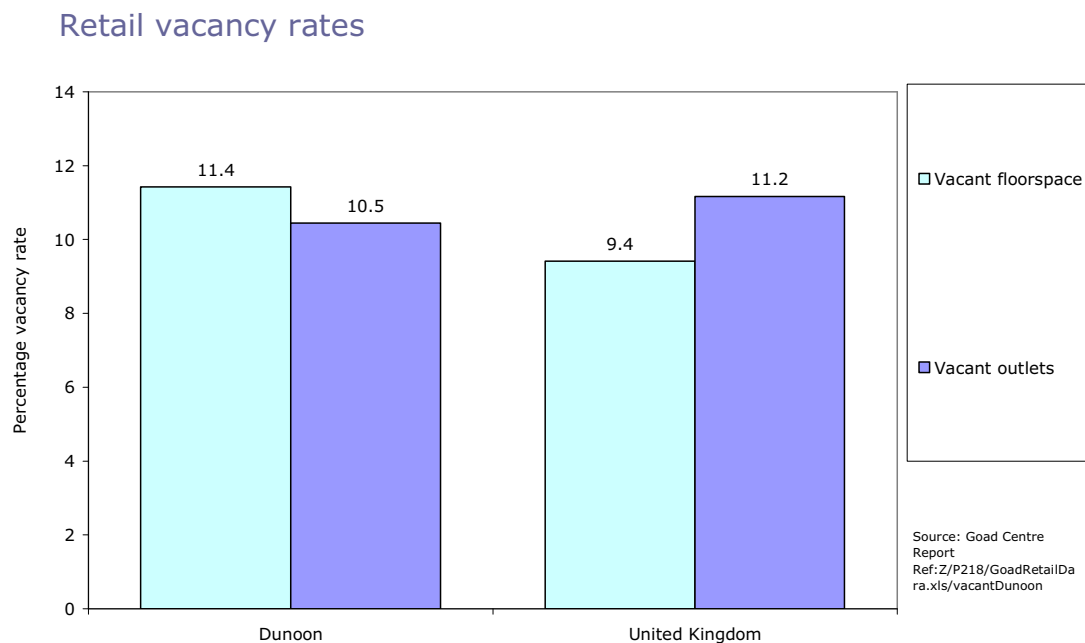


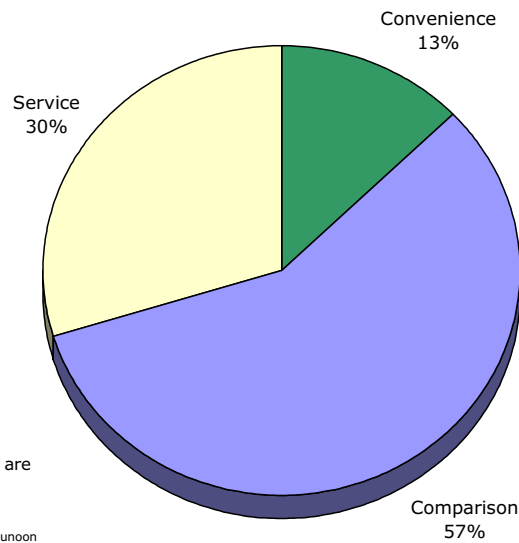
Figure 8 shows how the occupied retail units in Dunoon are split into three different categories, comparison (non-food retailers), convenience (food retailers) and services (such as banks).

Figure 8 and Figure 9 show that the proportion of convenience retail units in Dunoon is 6 per cent lower than at the UK level. Service outlets, such as banks and hairdressers account for 30 per cent of total retail floor space, compared to less than a quarter nationally.

<sup>1</sup> GOAD report for Dunoon, October 2006

**Figure 8 : Number of occupied retail units in Dunoon**

Number of occupied retail units in Dunoon

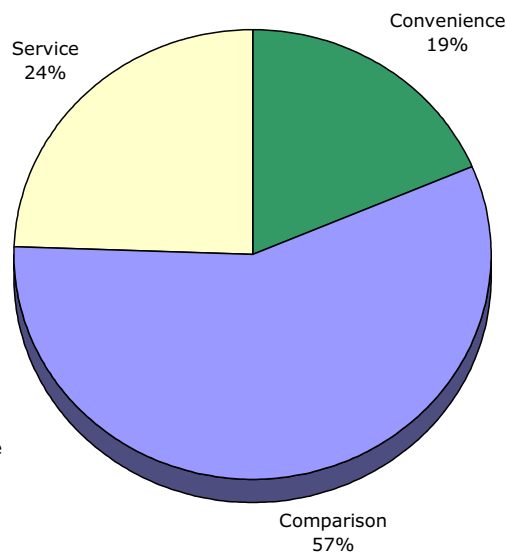


Figures exclude vacant units and are correct as at March 2007

Source: Goad Centre Report  
Ref:Z/P218/GoadRetailData.xls/NumofUnitsDunoon

**Figure 9 : Number of occupied retail units in the UK**

Number of occupied retail units in the UK



Figures exclude vacant units and are correct as at March 2007

Source: Goad Centre Report  
Ref:Z/P218/GoadRetailData.xls/NumofUnitsUK

There are a number of small retail properties available at present in the town (see Table 4) but, typically, there are few transactions<sup>2</sup>:

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<sup>2</sup> Scottish Property Network records only 49 commercial property transactions of 53,423 ft<sup>2</sup> in the whole of Argyll and Bute in 2007 (for the following property types: industrial, office, retail, land, leisure, serviced office and business units)

**Table 4 Current retail property for rental**

Description / location	Property type	Freehold or leasehold	Asking price
Kirn Post Office, 13 Marine Parade	Retail, @ 750 ft <sup>2</sup>	Freehold	£35,000
35 Queen Street	Retail, mini market, 474 ft <sup>2</sup>	Freehold	£50,000 (£105 per ft <sup>2</sup> )
Oakfield Place, Sandbank	Retail, grocer, small, size unknown	Freehold	£95,000
Town centre	Retail, 600 ft <sup>2</sup>	Leasehold	£120 per week £6,240 pa (£10 per ft <sup>2</sup> )
14 Ferry Brae	Retail, single fronted shop or office, @ 300 ft <sup>2</sup>	Leasehold	£3,600 pa (£12 per ft <sup>2</sup> )

Two more retail units, one small and one large, are going to be marketed for sale later in the year.

### ***Business and industry allocations***

There are currently two areas of business and industry land classified within the Dunoon area – 8.34 hectares in the Upper Sandbank area and 6.0 hectares in the High Road area of Sandbank.

### ***Demand for retail space and vacant space***

Demand for retail property is reported as strong with few units available, due to its close proximity to Glasgow and good transport links. There is increased demand for shops now compared to four or five years ago, when there were seven retail properties unoccupied in the town.

### ***Recent retail deals***

Stewart Property leased six small (300 square feet) retail units in 2007 for £3,000 – 3,500 each (£10-12 per square foot).

Only one industrial transaction could be found, which is the site of the former ceramics works, under offer at £350-380,000 (£18-21 per square foot, for 18,000 square foot). There is also a small 424 square foot industrial unit at the Sandbank Business Park available to lease for five years for £2,000 per annum (equivalent to £5 per square foot).

### ***Leisure activity***

There is a busy leisure market in Dunoon, which has been called Scotland's best kept secret. It is also an important port to the National Park.

The leisure market appears to be the most active property market in the town, with a number of hotels, guest houses and public houses for sale, as shown in Table 5.

**Table 5 Hotels currently for sale**

Description / location	Property type	Asking price
Rosscairn Hotel, Kirn	Hotel, 11 bedrooms	£450,000
St Ives Hotel, West Bay	Hotel, 7 bedrooms	£375,000
Enmore Hotel, 111 Marine Parade, Kirn	Hotel, 10 bedrooms	£675,000
Craigan Hotel and tea room, 85 Argyll Street	Hotel and tea room, 6 bedrooms and 35 covers	£230,000

The 6 bedroom Cot House Hotel at Sandbank was recently sold by Bruce and Co at just under the £395 000 asking price. Bruce and Co report a keen demand to buy lifestyle businesses, like hotels and bed-and-breakfasts. There is also a public house to lease, the Holy Loch Inn on Springfield Place at an annual rent of £65 000.

The main attractions in the area are:

- Three golf courses
- Marina
- Leisure centres
- Cinema
- Indoor and outdoor bowling
- Many pubs, restaurants, hotels of all sizes and bed-and-breakfast accommodation

A new build 18,041 square foot leisure development of a marina, restaurant, shops and offices at Holy Loch Marina at Sandbank was granted planning permission in February 2007. The estimated project cost is £3 million.

There are no community facilities and recreation allocations in the Modified Finalised Draft Local Plan.

Planning permission was granted in 2004 and 2005 for the formation of breakwater, car parking area and modifications and erection of a pier building to road at Dunoon Pier, on the Pier Esplanade.

### **Office market**

The office market is mainly traditional offices, often upper floors above retail units, although there are some large modern offices at the Dunoon Business Centre and the Sandbanks Business Centre.

There are very few offices available to lease or buy in the town (although there may be other informal transactions). An illustration of this is that only one of the local estate agents, Remax, had any office property available to buy or lease at present (see Table 6). One agent reported having only one office for sale in the past five years.



**Table 6 Offices available to rent**

Description / location	Property type	Freehold or leasehold	Asking price
Dunoon Business Centre	Office, three available, modern, 200ft <sup>2</sup> , including service and rates	Leasehold	£5,200 pa (£26 per ft <sup>2</sup> )

Typical office rents are between £15-30 per square foot.

Although there are a number of retail businesses for sale or lease in the town, the Council policy is not to allow change of use to offices.

Planning permission was granted in January 2008 for change of use / conversion of a boat shed into modern offices at Holy Loch Marina. This would create 10,764 square feet of new office space and is due to be completed at the end of 2008.

The Council has offices on 13 sites in the town, totalling 50,549 square feet, which are a mixture of traditional, modern and temporary / porta-cabin style offices.

### ***The residential market***

Dunoon is the main town and service centre of the Cowal peninsular. In 2001, the town had a population of 8 251 and the population of the area is expected to grow slightly between 2007 and 2012, as shown in Table 7.

**Table 7 Projected population of Dunoon**

Projected population and households to 2012 <sup>3</sup>	2002	2002	2007	2007	2012	2012
	Population	Households	Population	Households	Population	Households
Cowal planning area	13,395	6,157	13,545	6,432	13,719	6,719
Argyll and Bute planning area	87,882	37,758	86,839	38,567	85,567	39,227

The Council estimated a requirement for 35 new owner occupied houses, no new private rented sector houses and about 40 social rented houses per annum, but the main demand is for houses for older people and families in the right locations.

House prices in Dunoon are below the national average for Scotland but rose rapidly in 2007, as shown in Table 8.

<sup>3</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

**Table 8 Average house prices**

Average house prices (£) <sup>4</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Dunoon	£94,579	£94,099	£117,325	-1%	25%
Scotland	£117,179	£129,575	£144,807	11%	12%

The number of houses sold in Dunoon has stayed relatively constant between 2005 and 2007, although there was a considerable jump in 2006, as shown in Table 9.

**Table 9 House sales volumes**

House sales volumes <sup>5</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
	206	288	208	40%	-28%
Scotland	125,523	133,174	136,106	6%	2%

Local agents report that the residential market remains active in 2008, with plenty of buyers and sellers and transactions. Asking prices are not reported to have dropped but the premium over asking price that was being achieved in 2007 is now lower (at 10-15 per cent compared to 30 per cent in 2007).

### *Residential developments*

There are a small number of small plots available for residential development. Some have been sold recently so there is demand for them but the fact that planning permission has lapsed on others indicates that the demand might not be significant.

A development of eight flats, six houses and a nursing home at 229 Alexandra Parade was granted planning permission in December 2006 for completion in 2008.

### *Residential applications.*

Table 10 shows that the Local Plan has made allocations for 171 new build houses in the area.

**Table 10 Housing allocations in Dunoon**

Housing allocations – Cowal <sup>6</sup>			
Location	Use	Number of units	Affordability minimum %

<sup>4</sup> Registers of Scotland; data for April 2005 to April 2008. Data is not available for Campbeltown from HBOS / Halifax.

<sup>5</sup> Registers of Scotland; data for April 2005 to April 2008

<sup>6</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006. Allocations are sites proposed by this local plan for specified development purposes which can be expected to be commenced or delivered within the plan period without having to overcome significant obstacles to the development.

Dunoon – Ardenslate Road	Housing	13	0%
Dunoon – Pilot Street	Housing	13	25%
Dunoon – Gordon Street	Housing	60	25%
Dunoon – Kilbride North Quarry	Housing	21	0%
Dunoon – Kilbride North Quarry	Housing	19	0%
Dunoon – Bullwood	Housing	21	0%
TOTAL		137	

Furthermore, Table 11 indicates the potential development sites for housing in the area.

**Table 11 Areas of housing potential**

<b>Housing potential development areas – Cowal<sup>7</sup></b>			
<b>Location</b>	<b>Use</b>	<b>Density</b>	<b>Affordability minimum %</b>
Dunoon – Ardfillayne	Housing	Medium / low	0%
Dunoon – Glenmorag	Housing	Medium / low	0%
Dunoon – Glenmorag	Housing	Medium / low	0%
Dunoon – Glenmorag	Housing	Medium / low	0%
Dunoon – Dunloskin	Housing	Medium	0%
Dunoon – Dunloskin	Housing	Low	0%

### ***Areas for action identified in the Local Plan***

Areas for action are areas which, subject to resource availability during the plan period, will be the focus for partnership or community action. For the Dunoon area these are Dunoon town centre / waterfront / West Bay area which is classified as of strategic importance and Argyll Street / Hamilton Street / Victoria Road, which is identified as of local importance in terms of development and environmental enhancement.

<sup>7</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006. Allocations are sites proposed by this local plan for specified development purposes which can be expected to be commenced or delivered within the plan period without having to overcome significant obstacles to the development.

## Working Paper 3 - DREAM@people demographic analysis and projections for Dunoon and Argyll and Bute

### Population trends

Considerable attention has been paid to the trends in population, because most CHORD projects aim to make Argyll and Bute a more attractive place to live and work, and thus to bend such trends.

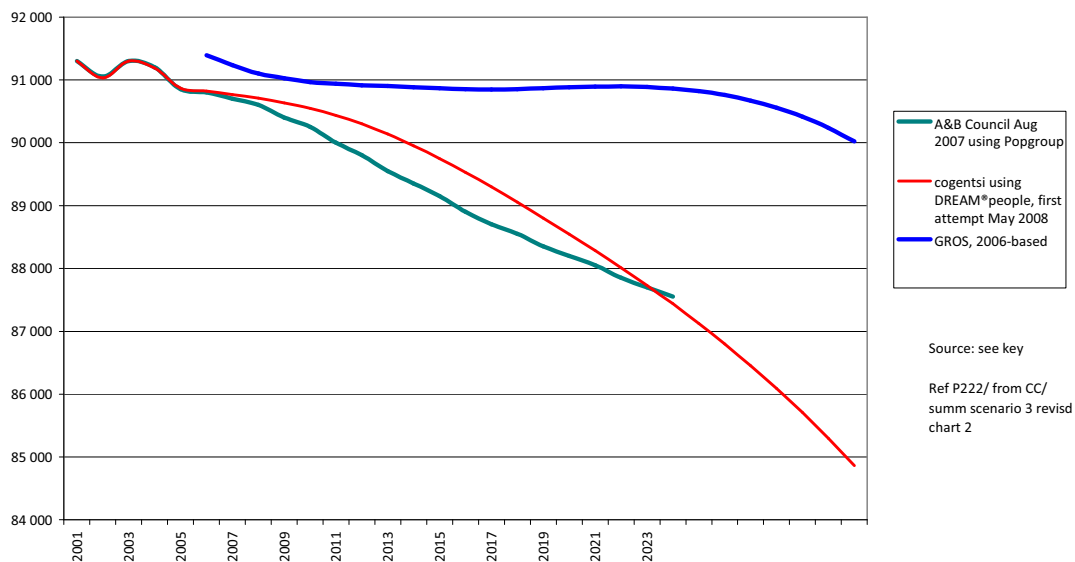
Chris Carr, the Council's Research and Information Officer, produced the Council's own projections in August 2007, based on midyear estimates made by the General Register Office (GROS) for mid 2005. This showed the regional population declining slowly from 91 350 to 87 550 in 2024. It was broken down into five areas, but not to the level of the towns which are the subject of the CHORD studies.

The consultants, cogentsi, have used their own model, DREAM@people, to generate town projections based on 2006 mid year estimates from GROS. In order to calibrate these projections they allowed the model to project for the whole of Argyll and Bute. The end result, a total population of 87 375 in 2024 is virtually identical to the A&B Council projections.

GROS itself prepared a projection published in January, based on rather higher birth rates and lower death rates, and substantially higher retention of young people. This resulted in a higher and more stable population, but eventually in a decline at an accelerating rate.

**Figure 10 Population projections**

Population projections - Argyll and Bute Council Area



While the Council's and cogentsi's forecasts differ little in total, there are differences in the forecast structure of the population. These arise because the models used for projection, while mathematically very similar indeed, differ slightly in the way that migration assumptions are input and are treated. Using a model Popgroup, the council made a single constant level net migration assumption of 241 net in migrants per year, and a

single fixed assumption about the age of these migrants. Using DREAM®people, cogentsi assumed constant percentage rates of net migration for five different age groups, based on recent experience.

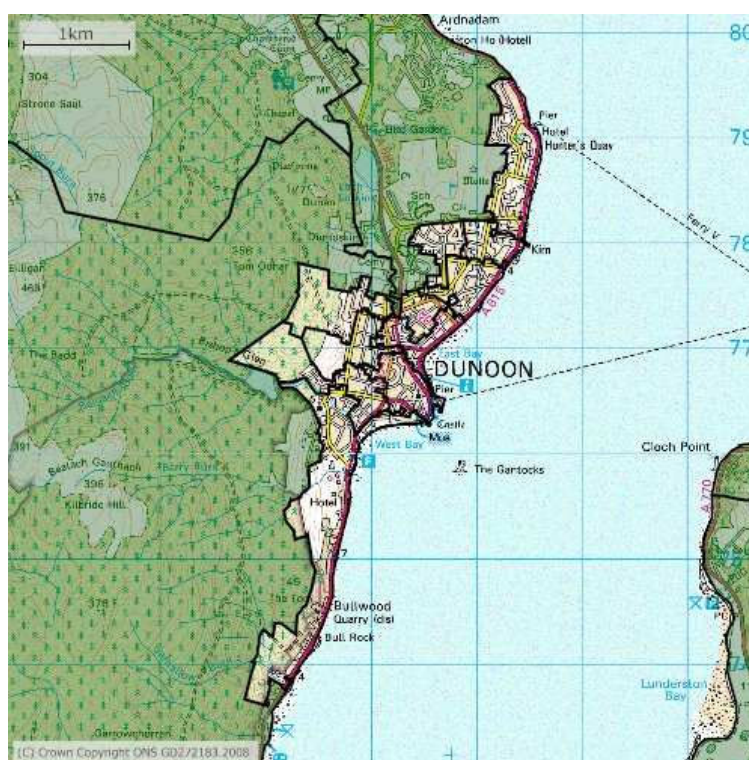
The cogentsi forecast for the whole of Argyll and Bute features out migration of young people (from 16 up to 33) and in migration of all other age groups. The consequence is a slightly more rapidly ageing population. Notably the number of people of childbearing age is projected to fall, so that by the later years of the projection the number of births is much lower in the cogentsi forecast, and this causes the rate of population decline to accelerate.

The differences between the three projections for Argyll and Bute are not negligible, but the differences between different parts of Argyll and Bute are much larger. These differences are primarily the consequences of different structures and trends, and the differences between areas are likely to remain broadly the same whichever model is used.

### ***Dunoon demographics***

Dunoon town (defined as the eleven Data Zones shown in Figure 11 ) had a 2006 population of 4142 females and 3870 males<sup>8</sup>, making a total of 8012.

**Figure 11 : Map of Dunoon**

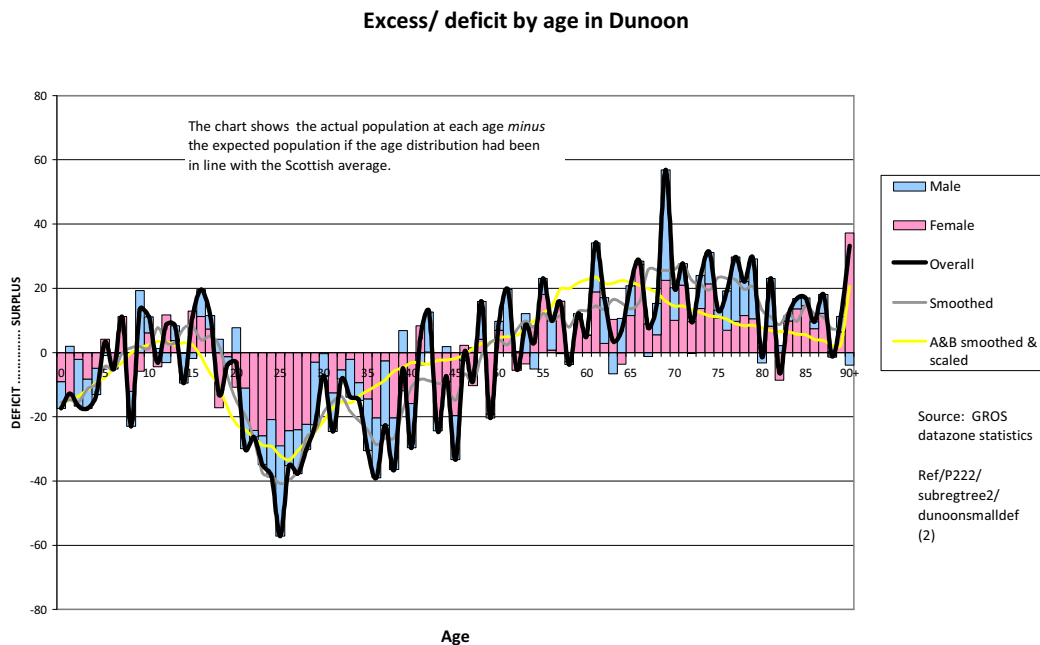


Dunoon has a proportionately older population than Argyll and Bute as a whole, with some 3 per cent more people aged over 65. As Figure 12 shows, Dunoon's population structure is similar to Argyll and Bute as a

<sup>8</sup> Numbers are quoted precisely here because of their use in later calculation. They should not be considered reliable more closely than the nearest 50.

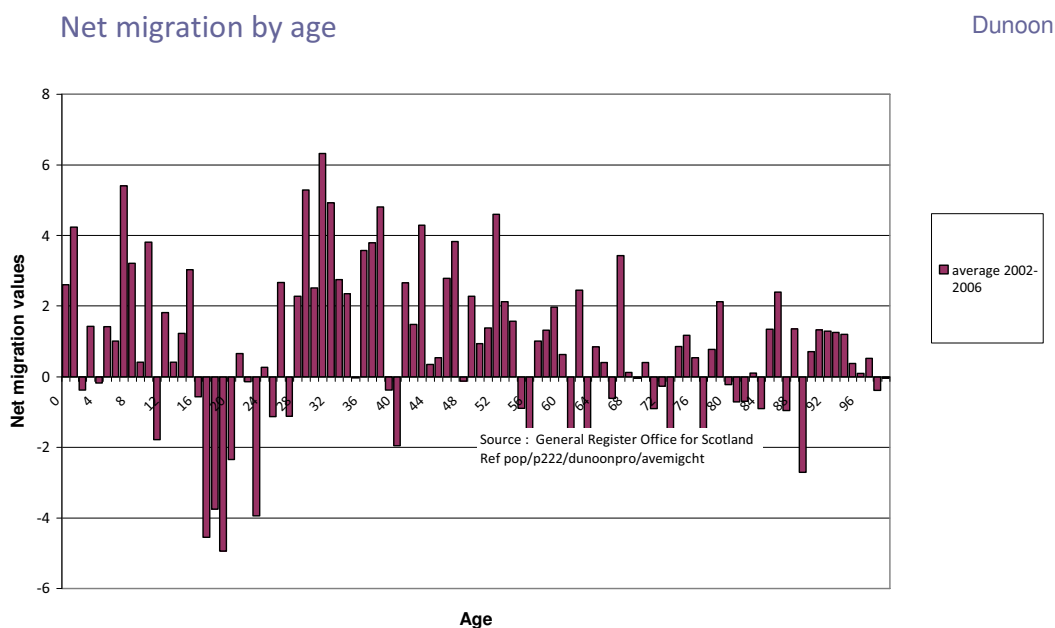
whole with a deficiency in 20 to 40 year olds compared to the Scottish averages and a surplus of retired people, particularly amongst the very oldest groups of over 70.

**Figure 12 Excess/deficit by age**



This pattern has been created by shifts in birth and death rates, where Dunoon has broadly mirrored the national experience, and by the ages of people moving to and from Dunoon. The recent age pattern of net migration to and from Dunoon is as shown in Figure 13.

**Figure 13 Net migration**



Unlike many of the other CHORD towns, Dunoon has seen extensive in-migration in recent years. In general Dunoon experiences in-migration in

every age group, most notably in the 27-54 age group suggesting the town is seen as an attractive place to live for people of working age. The only significant out-migration is in the 16-24 age group; this migration is consistent with regional trends and is most likely caused by young people moving for higher and further education.

As a result of Dunoon’s high in-migration levels the area gains on average around 85 people per year.

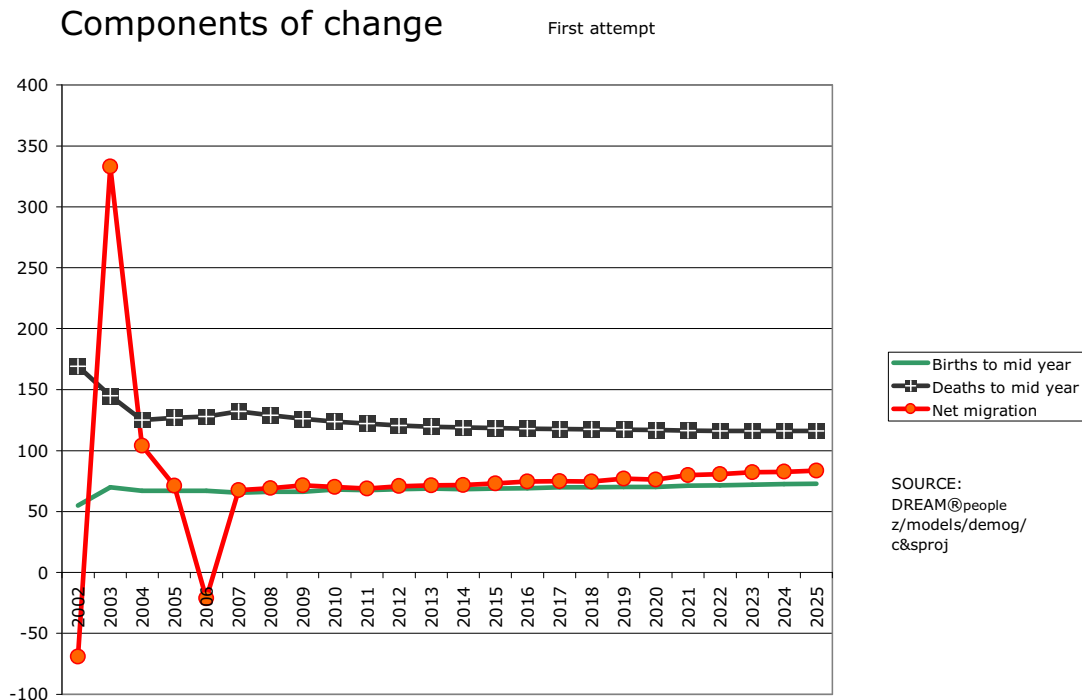
Births are currently running at around 70 per year. This is little over half of the death rate which is currently running at around 130 per year.

Thus the population as a whole is increasing annually by about 25 people, about 0.3 per cent, per year. This is in contrast to at Argyll and Bute level which saw a decline of 0.3 per cent.

**Projections**

The main components of population change are projected in Figure 14:

**Figure 14 Components of change**



It can be seen that continuing trends, but no controversial shifts, are included for either birth rates or death rates. In general however, the death rate is expected to decline slightly due to the tendency for people to live longer. In addition the birth rate is projected to remain stable at a much lower rate.

Net migration is erratic from year to year and so no great certainty can be claimed.

Translating this into the effect on the individual age groups, shows that there will be a notable increase in the working age population (see Figure 15). This is an encouraging sign for Dunoon’s local economy. By contrast there is a projected slight decline in the student age and school age

populations. The group with the biggest projected increases are the retired population, this is due to both an ageing population and inward migration.

**Figure 15 Trends in age groups**

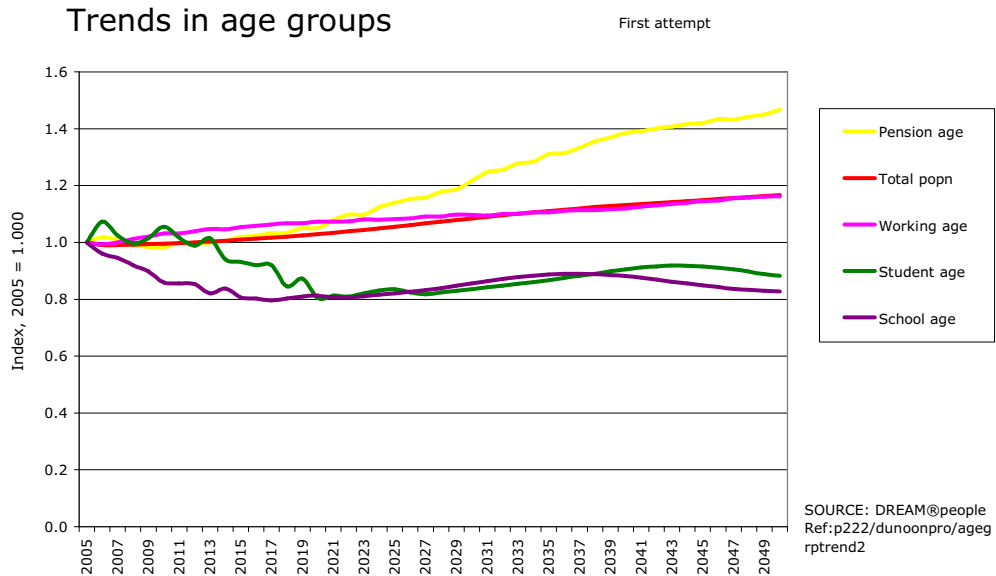
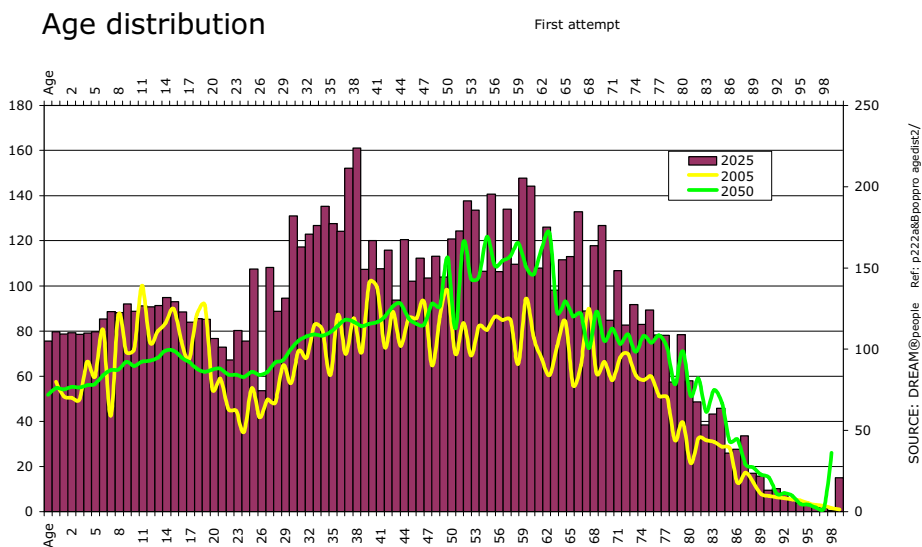


Figure 16 projects how these trends translate into the age distribution of Dunoon’s population between now and 2050. It shows a move towards a larger population but in particular shows an increase in the working age population (particularly in the 29-38 age group) up to 2025. This is shown by the difference between the yellow line and the purple bars. Moving further into the future the chart indicates that the population age distribution will be broadly similar to the current distribution but with a higher proportion of people aged over 50 and fewer young people aged under 20.

**Figure 16 Age distribution**

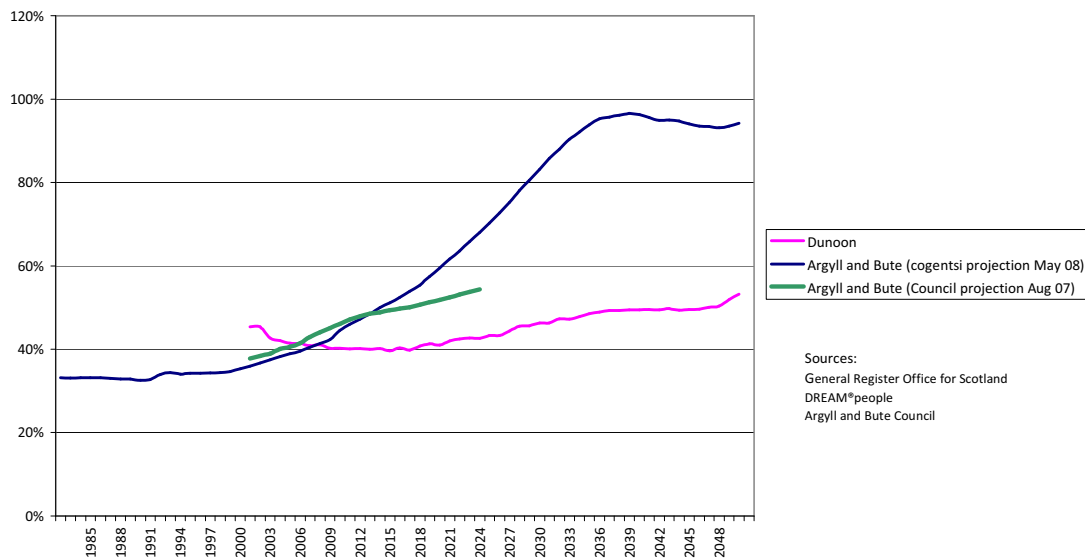




The ratio of people past retirement age (taking current conventions) to those aged between 18 and retirement is sometimes referred to as a 'dependency' ratio. Currently, Dunoon's rates of 40 per cent, this ratio are very similar to that of Argyll and Bute as a whole (see Figure 17). However, whereas the Argyll and Bute dependency ratio is projected to increase to almost 100 per cent by 2050, the equivalent figure for Dunoon is little over 50 per cent.

**Figure 17 Ratio of people over pension age to those aged 18**

Ratio of people over pension age to those aged 18-pension age\*



The demographic trend in Dunoon is markedly different from the other CHORD towns in that it is attracting people of working age. However, to avoid suffering from an ageing population further into the future Dunoon should adopt policies to attract more young people.

## Working Paper 4 - Project Proforma: Play facility at West Bay

### **Short description, including location details**

This project is to develop a play area at the West Bay area south of the town centre. It seeks to provide a pleasant safe place for children in the surrounding housing areas.

### **Rationale**

#### **What is the purpose of the project?**

To provide a safe and secure play area for children

#### **What people or businesses will be able to receive benefit from this project?**

Children of all ages

#### **What will be the nature of the benefit?**

An area for safe play

#### **Over what time scale? Long term benefits**

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

Primary and Nursery aged children in Dunoon and Hinterland number 600. Secondary school aged children are approximately 1,000.

#### **Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated**

### **Options**

#### **Are there other ways these benefits could be made available?**

Alternative site possible, but this has been identified as suitable

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Could be used as a general park area.

#### **What will happen if nothing at all is done?**

Children of Dunoon would continue to have a lack of play facilities.

### **Resources**

#### **What specific fixed assets will be used? (and who owns them?)**

Land owned by Argyll and Bute Council

#### **What new assets must be purchased or otherwise brought into use?**

Play equipment.

#### **What human resources will be used?**

Construction of site only

**What ongoing resources will be used?**

Minimal maintenance

**What capital funds are required from the Council and others?**

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Minimal

**Additional comments/notes on continuing viability/sustainability.**

**What commitments have already been made (by the Council or other parties) and to whom?**

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

***Timing***

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

**Are there any external constraints on either commencement or completion of the project?**

None as far as we are aware

***Strategic fit and externalities***

**How does the project impact on the Council's statutory obligations?**

N/A.

**What are the relevant parts of the local plan and how does the project fit?**

**What are the relevant parts of the structure plan and how does the project fit?**

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

**How does the project align with the Government's stated objectives of**

**Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

Healthier – opportunities for outdoor play encourages healthier young people

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

**Could the Council have partners in this project and what commitment could be expected of them?**

***Management and monitoring***

**What formal appraisal steps will be required, by whom and when?**

**What procedures are required to manage the project?**

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

**How should they be reduced?**

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

Through the Project Board and the Council's Capital Monitoring procedures.

**When will the Council be able to withdraw from the project and leave it to its own devices?**

It is intended that the Council will always be operator/manager of the facility

**When will the project terminate?**

On completion of work.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

The take up/use of the site

## Working Paper 5 - Project Proforma: Waterfront development

### *Short description, including location details*

Location: Dunoon Waterfront in the area between the New Breakwater pier and the Coal Pier.

Description: Removal of the timber pier and the provision of areas of reclaimed ground and a new pier to provide sheltered harbour for a short stay marina. The harbour as shown is capable of accommodating the equivalent of approximately 40 yachts (minimum) of length 30 to 40 feet plus other marine operations such as tours of the firth, Waverley cruises etc.

### *Rationale*

**What is the purpose of the project?** To provide a fitting marine gateway to Dunoon and the National Park and to provide opportunities for new development at the waterfront.

**What people or businesses will be able to receive benefit from this project?** General Dunoon community use, and also from the wider Firth of Clyde area for yachting. Dunoon traders.

**What will be the nature of the benefit?** Pleasure from the ambience of a 21<sup>st</sup> century waterfront, leisure users can experience the benefits of the firth from the yachting facility, traders will benefit by increased custom. The waterfront will be the marine gateway to Dunoon, the National Park and the rest of Argyll

**Over what time scale?** Long term – greater than 60 years.

**How many are expected to take up the opportunity/ be affected/, and to what extent?** Taking into account that this element is just the marina and reclaimed land and not any of the buildings that will be subsequently constructed, the benefit will be to the yachting fraternity (which could be 100+), to those who come for the waterfront experience (again perhaps 100+), and the Dunoon traders (shops, restaurants, accommodation providers etc. which could number 200+) and these could be realised on a daily basis.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)** See above. No information available at this time on financial sums.

### *Options*

**Are there other ways these benefits could be made available?**

Other options for the waterfront have been considered and rejected following public consultation. These are shown on the Options leaflet handed out on 11 March. Options 3 and 4 are very similar and were the most popular choice from respondents to the public consultation. Option 4 just won out as the most popular singular choice.

**Are there other uses for the specific resources (eg particular buildings) that might be considered?** Any marine opportunities could be incorporated, for example, creation of a slipway.

**What will happen if nothing at all is done?** The existing pier will continue to decay, leading eventually to closure on safety grounds, and subsequent removal for both safety and aesthetic reasons.

### **Resources**

**What specific fixed assets will be used? (and who owns them?)**

The existing Council owned pier will be removed. The ground that it stands on is leased from the Crown Estates – The crown will also own the ground that the development will take place upon.

**What new assets must be purchased or otherwise brought into use?** A new harbour wall to protect the marina. New areas of ground for reclamation.

**What human resources will be used?** Assuming a 70 week contract with 30 people and allowing for project initiation and design equates to approximately 15,000 person days

**What ongoing resources will be used?** Harbour/marina management estimated at 1 person/day and maintenance estimated at 5 days annually.

**What capital funds are required from the Council and others?** £26m

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).** Revenue to fund capital borrowing and ongoing resource requirement (£50,000 equal split Council/non Council) for the management and future maintenance of the pier and marina.

**Additional comments/notes on continuing viability/sustainability.**

**What commitments have already been made (by the Council or other parties) and to whom?** Council has already committed expenditure in consultations with public and initial scheme preparation over last 3 years.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

### **Timing**

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.** Development time after detailed design is authorised to proceed is estimated at 18 months leading to construction phase which if demolition, pier construction and land reclamation are undertaken in one contract is estimated at 18 months. Benefits will start to be experienced after the project is in use. There is no specific limit on the length of the operating period but the nominal design life of the pier structure will be 60 years.

**Are there any external constraints on either commencement or completion of the project?** The project cannot commence until the

existing side loading ferry service ceases to use the existing pier and vehicle access way.

### ***Strategic fit and externalities***

**How does the project impact on the Council's statutory obligations?** There are no statutory obligations to develop the waterfront. Subject to the provision of suitable vessels, a ferry service could be operated from the new breakwater pier at present if required.

### **What are the relevant parts of the local plan and how does the project fit?**

The waterfront area is identified in the Modified Finalised Draft Local Plan as an Area for Action (AFA 2/1) The AFA is identified as being of strategic importance with the nature of the action set out as follows:

"To pursue an area for action in the Dunoon town centre and waterfront area which will support

- regeneration and investment in Dunoon and Cowal (in accordance with Structure Plan Policy PROP SI 3 and the identification of this part of Cowal as a "tourism Development Area").

- the potential for expanding water related tourist activity in the area.

To realise opportunities for marine/ferry infrastructure provision and effective asset management

To realise opportunities and resolve options for development/redevelopment and relocation.

To promote town centre/waterfront enhancement schemes.

To resolve access/traffic management options in support of the above".

### **What are the relevant parts of the structure plan and how does the project fit?**

Structure Plan Policy PROP SI 3 states:

"The Argyll and Bute Local Plan shall include provision for:

A) Housing and employment related development land provision at appropriate locations in.....the Sandbank-Dunoon-Toward corridor and for appropriate forms and scales of tourism –related development in the countryside; taking advantage of the investment attraction of these areas, including outward demand associated with the Glasgow conurbation and the Loch Lomond and Trossachs National Park.

B) Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and Waterfronts."

### **How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

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

### **How does the project align with the Government's stated objectives of**

**Wealthier and fairer / Smarter / Healthier / Safer and stronger / Greener?**

Greater opportunity for Dunoon community to be involved in sailing activity

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?** Project has been developed so far within the umbrella of the National Park steering group which sees Dunoon as a destination in its own right as well as the marine gateway to the park.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?** The project fits with others in the area, namely, the realignment of the A815 road at the waterfront, and it creates the opportunity for the replicated pier building and iconic waterfront building to be constructed.

**Could the Council have partners in this project and what commitment could be expected of them?** The Crown Estate is keen to be involved in the project and subject to suitable terms could be able to commit both financially and in kind by way of for example land.

### *Management and monitoring*

**What formal appraisal steps will be required, by whom and when?**

**What procedures are required to manage the project?** Project Board has already been set up. Project monitored through Council's Capital Monitoring system. Civils will be managed/designed/procured by Council's Roads Design section.

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

- 1) The existing ferry service;
- 2) Unforeseen ground conditions;
- 3) Affordability;
- 4) Permission to demolish a listed building;
- 5) The setting of the remaining listed buildings in the area;
- 6) Unforeseen construction restrictions;
- 7) Completion of outline design work re the configuration of the harbour;

**How should they be reduced?**

- 1) Continued discussions with the Scottish Government to secure a ferry service to the new breakwater;
- 2) Undertake ground investigation work early in the design phase;
- 3) Be realistic with the estimated costs/benefits and appraise the project properly using the business case framework within the Council;
- 4) Undertake a Conservation Management Plan – this is about to be procured;



- 5) Leading from 4);
- 6) Early discussions with the planning officers; ensure that the phasing of the works does not add an unacceptable cost;
- 7) Hydraulic studies are already underway to ensure that the most appropriate configuration is chosen.

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?** Through the Project Board and the Council's Capital Monitoring procedures and using Prince2 project management techniques.

**When will the Council be able to withdraw from the project and leave it to its own devices?** It is intended that the Council will always be operator/manager of the pier and therefore have a long term role with the facility. It is anticipated that a private operator will take on the management/operation of the marina.

**When will the project terminate?** As indicated above the construction phase could be completed within 3 years depending on how the works are phased. The operation and management of the pier is seen as an ongoing matter.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

The take up/use of the marina. This could be done on an annual basis initially.

The numbers of visitors to Dunoon attracted by the new facility.

## Working Paper 6: Project Proforma: Development of Queens Hall site – **PLEASE CHECK THIS**

### *Short description, including location details*

This is the demolition of the existing Queens Hall and replacement with residential properties on the site.

### *Rationale*

#### **What is the purpose of the project?**

It would aim to provide a new multi purpose municipal building which can accommodate cultural festivals, the Royal National MOD, host conference events of up to 800 delegates, host major concerts of up to 100 people, while catering for community life in its provision of facility for clubs, organisations and societies and offering safe and secure leisure facilities for the Under 12, teenage children and young adults.

#### **What people or businesses will be able to receive benefit from this project?**

PB

#### **What will be the nature of the benefit**

PB

#### **Over what time scale?**

PB

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

Further details required from Leisure Services on customers - PB

#### **Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

Further details required from Leisure Services on customers - PB

### *Options*

#### **Are there other ways these benefits could be made available?**

There is a requirement to undertake an Options Appraisal of new construction options versus Do Nothing and Refurbishment options when costs are available

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

PB

#### **What will happen if nothing at all is done?**

As per Project Brief – 30 year revenue costs

**Resources**

**What specific fixed assets will be used? (and who owns them?)**

**PB**

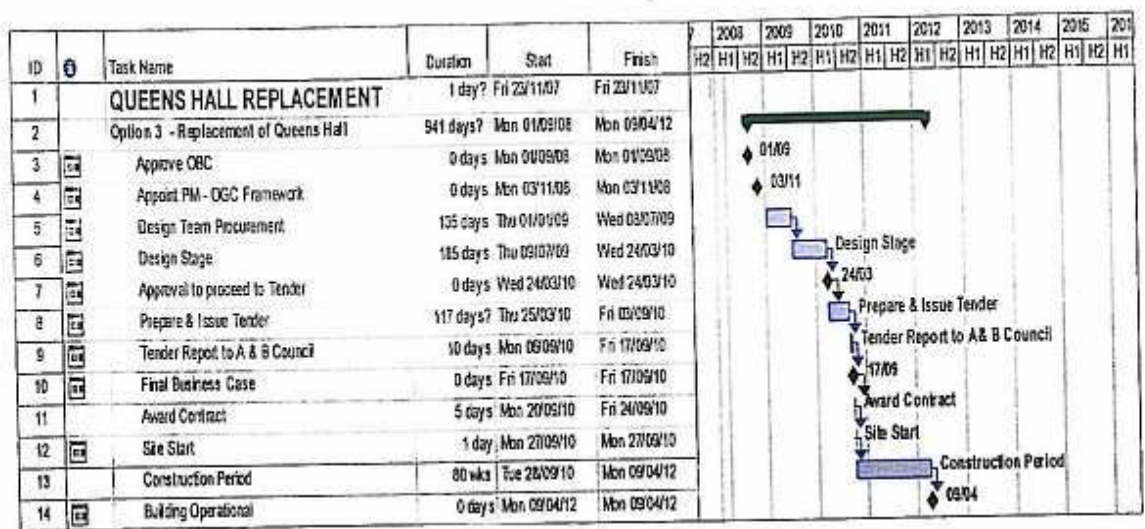
**What new assets must be purchased or otherwise brought into use?**

**PB**

**What human resources will be used?**

Project will require a Project Team to be set up. Project Manager will require to be appointed to take whole project from inception to delivery.

An indicative timetable for new construction of a project of this size is given below (based on BC approval date of 1 Sep 08).



**What ongoing resources will be used?**

Internal Project Manager – Full Time. External Project Manager and Consultants at 15% project construction fee.

**What capital funds are required from the Council and others?**

To be confirmed by Turner & Townsend wc 17 March 08

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

TBC as above

**Additional comments/notes on continuing viability/sustainability.**

The Business Model for the future operation of the Queen’s Hall replacement follow that of the existing Queens Hall. It would not be possible at this stage to develop any other business model and plan and therefore operating costs should be related to existing structures, turnover and customer numbers.

**What commitments have already been made (by the Council or other parties) and to whom?**

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

***Timing***

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

As above for development.

Expectation is new building will have a 50 year life.

**Are there any external constraints on either commencement or completion of the project?**

The development of the proposed new site is critical. The timescale for the development of the proposed new building is linked directly to this component of the overall project.

***Strategic fit and externalities***

**How does the project impact on the Council's statutory obligations?**

There is no direct impact other than Option 3 which will include the provision of the Customer Services Centre which may be able to support some of the Council's statutory obligations.

**What are the relevant parts of the local plan and how does the project fit?**

PB

**What are the relevant parts of the structure plan and how does the project fit?**

PB

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Delivery by service : Facility Services			Strategic links			
Service priority	Key activities	Summary of main action and planned outcomes	OE	VC	FL	
			Environment	Social Change	Economy	Organisational development
1. Organisational Development	Leisure Service Action Plan	3 year service development and Improvement plan. Increased utilisation of Council Leisure facilities to generate positive health and social outcomes and to contribute to the development of community confidence and self esteem.	✓	✓	✓	✓
2. Asset Management	Leisure Service Asset Management Plan	Tri to development of the Leisure Service Asset management plan to ensure the long term sustainability of leisure assets.	✓	✓	✓	✓

Service Priority – Number 1 – Organisational Development								
Key activities	Main Actions	Planned outcomes	Key dates	Lead	Relative priority	Budget		
						2008/9	2009/10	2010/11
Leisure Service Action Plan	Service Action Plan developed from Operational Service Options Appraisal undertaken in 2007	Positive health and social outcomes – development of community confidence and self esteem.	2011	J Anderson	High			
		Maximise utilisation of facilities	2011	J Anderson	High			

Service Priority – Number 2 – Asset Management								
Key activities	Main Actions	Planned outcomes	Key dates	Lead	Relative priority	Budget		
						2008/9	2009/10	2010/11
Leisure Service Asset Management Plan	Development of Leisure Service Asset Management Plan	Development of IBC for refurbishment/ replacement of Queens Hall	2011	S Macdaggart	High			

**How does the project align with the Government’s stated objectives of Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

As above and as per Project Brief on BREEAM rating of Very Good for a new building.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

As above and as per Project Brief which is based upon community partner and user requirements.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project).?**

Could the Council have partners in this project and what commitment could be expected of them?

Could have a partner in the Bistro, or could have a Private Operator which would have to be market tested.

**Management and monitoring**

**What formal appraisal steps will be required, by whom and when?**

Internal Project Manager – Full Time. External Project Manager and Consultants at 15% project construction fee.

**What procedures are required to manage the project?**

Internal Project Manager – Full Time. External Project Manager and Consultants at 15% project construction fee.

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

Affordability:

Capital construction costs

Future operating costs of running new facility against limited community spend on Leisure

Deliverability:

Queens Hall Site – disposal

New site ground conditions and timing

**How should they be reduced?**

More detailed investigation

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

Project Board, Project Management, Risk Register etc etc

**When will the Council be able to withdraw from the project and leave it to its own devices?**

The Council will not withdraw from its interests in this project

**When will the project terminate?**

As above – 50 years

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Options Appraisal will be required of the:

Do Nothing

Refurbishment

Replacement Options

This Options Appraisal can be undertaken at OBC stage on the basis of the information held at this point (March 2008) and using the cost information produced by Turner & Townsend.

The Options Appraisal Criteria and Weighting can be set the Council's Consultants, or Facility Serves can provide a template used in previous projects.

## Working Paper 7: Project Proforma: Argyll Street enhancement

### *Short description, including location details*

Redevelopment of Argyll Street and the town centre – by the provision of canopies (covered areas/footways) and some traffic management

### *Rationale*

#### **What is the purpose of the project?**

To increase the trade in the shops by making it more attractive shopping area during wet weather, improve the ambience of the area.

#### **What people or businesses will be able to receive benefit from this project?**

Shop owners and other businesses in the town centre and the shoppers and visitors

#### **What will be the nature of the benefit**

To protect shoppers from wet weather and give an improved experience  
See Attached Notes regarding issues with these proposals

#### **Over what time scale?**

Long term over 40 years

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

There are 90 businesses in this section of Argyll street of which 58 are shops

#### **Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

### *Options*

#### **Are there other ways these benefits could be made available?**

Unlikely

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Not applicable

#### **What will happen if nothing at all is done?**

Dunoon retailers are likely to incur greater leakage to other settlements, particular in Inverclyde.

### *Resources*

**What specific fixed assets will be used? (and who owns them?)**

Argyll Street public road and footway

**What new assets must be purchased or otherwise brought into use?**

Canopies and new lighting will be required. The CCTV cameras on the street would need to be reconfigured

**What human resources will be used?**

Depends on extent of works

**What ongoing resources will be used?**

Again depends on Extent of Works

**What capital funds are required from the Council and others?**

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Revenue to fund capital borrowing and ongoing resource requirement

**Additional comments/notes on continuing viability/sustainability.**

**What commitments have already been made (by the Council or other parties) and to whom?**

None as far as we are aware

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

### *Timing*

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

**Are there any external constraints on either commencement or completion of the project?**

The agreement of the business owners and the residents in the flats above the shops would require to be made.

### *Strategic fit and externalities*

**How does the project impact on the Council's statutory obligations?**

**What are the relevant parts of the local plan and how does the project fit?**

The waterfront area is identified in the Modified Finalised Draft Local Plan as an Area for Action (AFA 2/1) The AFA is identified as being of strategic importance with the nature of the action set out as follows:



"To pursue an area for action in the Dunoon town centre and waterfront area which will support - regeneration and investment in Dunoon and Cowal (in accordance with Structure Plan Policy PROP SI 3 and the identification of this part of Cowal as a "tourism Development Area").

- To realise opportunities and resolve options for development/redevelopment and relocation
- To promote town centre/waterfront enhancement schemes.
- To resolve access/traffic management options in support of the above".

**What are the relevant parts of the structure plan and how does the project fit?**

Structure Plan Policy PROP SI 3 states:

"The Argyll and Bute Local Plan shall include provision for:

A) Housing and employment related development land provision at appropriate locations in.....the Sandbank-Dunoon-Toward corridor and for appropriate forms and scales of tourism –related development in the countryside; taking advantage of the investment attraction of these areas, including outward demand associated with the Glasgow conurbation and the Loch Lomond and Trossachs National Park.

B) Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and Waterfronts."

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

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

**How does the project align with the Government's stated objectives of **Wealthier and fairer** / **Smarter** / **Healthier** / **Safer and stronger** / **Greener**?**

Wealthier and fairer – the development of vibrant town centres is in line with the objectives of creating a wealthier and fairer Scotland.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

This project interacts closely with the proposals for the waterfront.

**Could the Council have partners in this project and what commitment could be expected of them?**

*Management and monitoring*

**What formal appraisal steps will be required, by whom and when?**

**What procedures are required to manage the project?**

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

Residents need to be consulted

Shop owners need to be consulted

Police consulted on CCTV cameras

**How should they be reduced?**

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

**When will the Council be able to withdraw from the project and leave it to its own devices?**

**When will the project terminate?**

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

## Working Paper 8: Project Proforma: Traffic management scheme

### *Short description, including location details*

Road re configuration and traffic management at the new waterfront area (includes demolition of Careers Office and replacement of this building).

### *Rationale*

#### **What is the purpose of the project?**

To improve the frontage of the Queen's Hall Site for redevelopment and amenity area at the Waterfront

#### **What people or businesses will be able to receive benefit from this project?**

Possible increase in development value of the Queen's Hall site to Council and improvement to amenity area at waterfront for public

#### **What will be the nature of the benefit?**

Possible increased monetary value of the Queens Hall site and attractiveness of waterfront area.

#### **Over what time scale?**

Long term benefits will be enjoyed – assume 60 years.

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

All road users along Dunoon waterfront

#### **Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

No information available

### *Options*

#### **Are there other ways these benefits could be made available?**

This option was determined after public consultation but realigning road through the existing mustering area (original line of Alexandra Parade) is another option (see Option 3 in Options leaflet). Option 3 does not remove the Careers office, and has a simpler road layout saving a considerable amount of money.

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Where ever the road is alighted

#### **What will happen if nothing at all is done?**

Does not stop related developments being progressed however Queen's Hall frontage is greatly reduced and development value maybe affected.

### **Resources**

#### **What specific fixed assets will be used? (and who owns them?)**

The Road, Footway and Street Lighting are already owned by Argyll & Bute Council but some of this road deviates onto land owned by Crown Estate

#### **What new assets must be purchased or otherwise brought into use?**

Land owned by Crown Estates must be purchased/ or leased/or by agreement

#### **What human resources will be used?**

Assuming a 20week contract with 15 people and allowing for project initiation and design equates approx. to 4500 person days

#### **What ongoing resources will be used?**

Labour to maintain the works estimated at 5 days annually

#### **What capital funds are required from the Council and others?**

£2million

#### **What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable)?**

Revenue to fund capital borrowing and ongoing resource requirement  
Additional comments/notes on continuing viability/sustainability.

#### **What commitments have already been made (by the Council or other parties) and to whom?**

Council has already committed expenditure in consultations with public and initial scheme preparation over last 3 years

#### **Is the Council's corporate (not individual) political capital likely to be involved and how?**

### **Timing**

#### **Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

The time to find or construct new premises for the Careers Office may take only a few months or say allow around two years in worst case. During this time the road realignment design work and permissions etc could be completed. When the Careers Office is available for demolition the road realignment work could be completed in around 4 months. Benefits will start to be experienced after the project is in use. There is no limit on the length of the operating period but the nominal design life of the road will be 20 to 40 years.

#### **Are there any external constraints on either commencement or completion of the project?**

The project cannot commence until the existing sideloading ferry service ceases to use the existing pier, vehicle access way and marshalling area.

### ***Strategic fit and externalities***

#### **How does the project impact on the Council's statutory obligations?**

There are no obligations to develop the project.

#### **What are the relevant parts of the local plan and how does the project fit?**

The waterfront area is identified in the Modified Finalised Draft Local Plan as an Area for Action (AFA 2/1) The AFA is identified as being of strategic importance with the nature of the action set out as follows:

"To pursue an area for action in the Dunoon town centre and waterfront area which will support

- regeneration and investment in Dunoon and Cowal (in accordance with Structure Plan Policy PROP SI 3 and the identification of this part of Cowal as a "tourism Development Area").

- the potential for expanding water related tourist activity in the area.

To realise opportunities for marine/ferry infrastructure provision and effective asset management

To realise opportunities and resolve options for development/redevelopment and relocation.

To promote town centre/waterfront enhancement schemes.

To resolve access/traffic management options in support of the above".

What are the relevant parts of the structure plan and how does the project fit?

Structure Plan Policy PROP SI 3 states:

"The Argyll and Bute Local Plan shall include provision for:

A) Housing and employment related development land provision at appropriate locations in.....the Sandbank-Dunoon-Toward corridor and for appropriate forms and scales of tourism –related development in the countryside; taking advantage of the investment attraction of these areas, including outward demand associated with the Glasgow conurbation and the Loch Lomond and Trossachs National Park.

B) Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and Waterfronts."

#### **How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

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

#### **How does the project align with the Government's stated objectives of**

**Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

**Could the Council have partners in this project and what commitment could be expected of them?**

***Management and monitoring***

**What formal appraisal steps will be required, by whom and when?**

**What procedures are required to manage the project?**

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

Lack of finance and existing use of Pier by Ferry service prevents Waterfront development progressing

**How should they be reduced?**

Examine ways of reducing costs and see Waterfront Pro Forma sheets for potential ways of reducing risks

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

**When will the Council be able to withdraw from the project and leave it to its own devices?**

To some extent when the project is constructed but maintenance responsibility will remain

**When will the project terminate?**

When works constructed

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Working Paper 9: Project Proforma: Construction of iconic building

## Working Paper 10: Conformity of Dunoon CHORD proposals with Argyll & Bute planning policies

All of the projects in the Dunoon Outline Business Cases have been considered by the Head of Planning at Argyll & Bute Council, Angus Gilmour, who has confirmed that there are no strategic development plan or land use issues which would represent a fundamental constraint on the delivery of the list of projects associated with each of the Outline Business Cases. However, individual projects will have to be the subject of planning applications which will be subject to the "due planning process" and will have to address all material planning considerations.

### Argyll and Bute Structure Plan 2002

The Argyll and Bute Structure Plan 2002 identifies two of its seven strategic issues;

*"exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transit opportunities"*

*"Pursuing regeneration strategies for Bute and Cowal focused on Rothesay and Dunoon."*

The Plan also contains the recommendation REC SI 1 that the potential for rapid transit in the Clyde and specifically;

*"stimulating and coordinating with economic investment, action programmes and development, as appropriate, in the town centres and waterfronts of the Clyde-side towns"*

Proposal PROP SI 3 requires the Local Plan to include

*"Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and waterfronts."*

All of the projects in the Dunoon OBC are therefore compliant with the Argyll and Bute Structure Plan.

### Argyll and Bute Modified Finalised Draft Local Plan June 2006

The Argyll and Bute Modified Finalised Draft Local Plan June 2006 sets out Policies LP ENV 13 (a) and (b) in relation to development affecting listed buildings and their settings. This policy will be relevant in the consideration of the proposals for the existing pier and pier building particularly if demolition and rebuilding is considered. It sets out the criteria to be satisfied before permission is given to demolish.

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.

The Areas For Action arising out of the Plan include Dunoon Town Centre/Waterfront/West Bay and promotes a range of actions all of which support the projects put forward for the Outline Business Case.



### **Argyll and Bute Council Corporate Plan 2007-2011 and Beyond**

The Corporate Plan sets out five strategic objectives of Environment, Social Change, Economy and Organisational Development. 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.

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

"Investigation and selection of preferred options following STAG appraisal for key priorities from the Argyll and Bute transport strategy, in particular:

Interchange facilities for ferries and public transport at the Dunoon and Oban transport hubs."

The principle of town centre and waterfront projects in Dunoon is therefore supported by the Council's Corporate Plan.

### **An Economic Strategy for Argyll and the Islands**

The Economic Strategy for Argyll and the Islands, published by the Local Economic Forum in 2005 identifies five objectives: growing businesses; making global connections; developing skills; strengthening communities; and making best use of the environment.

Each objective has a number of priorities. Under the 'making global connections' strategic aim a specific priority is 'encouraging more people ... to live and work in Argyll and the Islands' whilst the 'strengthening communities' priorities include a number of directly relevant priorities for a number of the Dunoon projects such as 'investment in community assets and services and culture' and 'enhancement of the quality of the environment and culture'. The redevelopment of the Queens Hall or the reconstruction of a new facility on the waterfront could contribute to these objectives.

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.

### **Loch Lomond and the Trossachs National Park Plan 2007-2012**

The Loch Lomond and the Trossachs National Park Plan 2007-2012 highlights Dunoon as being a Primary Gateway Corridor to the National Park and as being a Major Gateway Community and a Key Tourist Service

Centre. It also highlights Dunoon as being a Strategic Transport Interchange hub for the National Park.

### **Dunoon and National Park Gateway Strategic Development Framework and Action Plan August 2006 (Land Use Consultants et al)**

This document sets out a series of actions designed to maximise the opportunities caused by the recently designated Loch Lomond and the Trossachs National Park. This document highlights the need for major investment to the Queen's Hall and the pier. The key actions include;

- Enhance Dunoon town centre
- Make it easy to access the area by public transport, from Central Scotland and the rest of the National Park

The report supports the projects put forward for the Dunoon OBC in principle however it does also set out alternatives to those projects. For example, the report states on page 54, Paragraph 4.62 that;

"Dunoon Pier is in very poor condition, requiring investment to maintain its fabric and function"

"We believe that considerable investment in the structure and buildings are justifiable, given that the alternative of losing the pier would be extremely detrimental."

The report goes on to set out reasons why the restoration of the pier is desirable in terms of rebuilding civic pride and business confidence in investing in the area. Paragraph 4.64 sets out possible new uses for a restored pier and buildings. The report does not consider other options such as demolition and replacement in a different location or rebuilding in a different location.

The report also considers the Queens Hall and states in paragraph 4.67;

"the Queen's Hall requires major investment to improve its general condition, functionality and aesthetic composition"

It states in paragraph 4.68 that;

"recent studies undertaken by Gareth Hoskins Architects and Jura Consulting (2003) suggest that the hall is repairable and could be refurbished for about £5m. Discussions during the preparation of the Living Landmarks bid, considered whether the Hall should be demolished and replaced it with an iconic new building on the waterside. The cost of demolition roughly balances out the value of the site, so there is little economic gain from this route. Although the hall is dated and worn, it still has facilities and space that would be hard to replicate in an affordable new build."

The report goes on to consider new ways of using the Queen's Hall and ways of refurbishing it.

The report discusses Argyll Street and recommends full pedestrianisation together with a new design for the public realm (Page 61).

- The stated preference of the Dunoon Project Board in relation to the Victorian Pier and building is at variance with the detailed recommendations of this report which supports retention and refurbishment of the pier and building.
- The report's recommendations are in line with one of the options for the Queen's Hall currently under consideration relating to refurbishment.
- The report recommends pedestrianisation of Argyll Street. It is assumed that the Traffic Management Project will address different approaches to enhancing Argyll Street including consideration of the pedestrianisation recommendation set out in the Land Use Consultant's report.

It is recognised that projects evolve as they go forward and the information in the report may now be dated. However the assessment of the commercial case for the projects appears to support the findings of the Land Use Consultant's Report in relation to the option to refurbish the Queens Hall.

## Working Paper 11 - Conformity of Dunoon CHORD proposals with Scottish Planning and Economic Strategies

### National Planning Framework

The first National Planning Framework (NPF) was published in April 2004. It sets out a strategy for Scotland's development to 2025, providing a national context for development plans and planning decisions and helped to inform the wider programmes of government, public agencies and local authorities.

The second National Planning Framework (NPF2)<sup>9</sup> develops the first and describes Scotland as it is in 2008, identifies key issues and drivers of change, sets out a vision to 2030, and identifies priorities and opportunities for different parts of the country in spatial perspectives. It contains both thematic and spatial perspectives and focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development.

It should be borne in mind that national strategies by their very nature invariably contain something for everyone. NPF1, for example, contains some advice on economic development which is relevant to all of the CHORD projects.

*As far as spatial planning is concerned, there are two main issues:*

- *ensuring that priorities for economic development are chosen in a way which takes account of the location of communities where the need for regeneration and renewal is most pressing; and*
- *once long-term commitments to economic development have been made, timely investment is needed to ensure that hard to reach groups in disadvantaged areas are put in a position to benefit from the jobs and opportunities that will be created.*

NPF1, p.90

Dunoon does not specifically receive a mention in the NPSs. Indeed, references to the wider Argyll and Bute area are relatively few and often presented in the context of either the wider Highland area or the River Clyde corridor. There are nevertheless several aspects of the NPF and NPF2 that are of relevance in evaluating the strategic fit of the Chord projects.

### Regeneration

The NPFs are generally positive about the economic conditions and growth potential of the Argyll and Bute area as a whole<sup>10</sup>. Both NPFs emphasise that sustainable growth should benefit all parts of Scotland<sup>11</sup> and focus

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<sup>9</sup> <http://www.scotland.gov.uk/Resource/Doc/208174/0055210.pdf>

<sup>10</sup> NPF1 paras 10 & 40, NPF2 para 18

<sup>11</sup> NPF2 paras 148, 150 & 158

heavily on the role of community led regeneration. There are several references to social capital and community enterprise and empowerment.<sup>12</sup> Connectivity and environmental quality are two of the NPFs other watchwords, and attention is drawn to the need to co-ordinate infrastructure improvements with other economic investments.<sup>13</sup>

When the first NPF was written, area regeneration was delivered through 32 Social Inclusion Partnerships, one of them covering Argyll and Bute. NPF2 instead presents Urban Regeneration Companies (URCs) as the effective agents of change, although none are yet identified in the A&B area<sup>14</sup>. NPF2 also points out that the Highlands and Islands are to receive EU Convergence funding whereas the Lowland and Upland parts of Scotland are covered by EU Competitiveness and Employment funding. Dunoon falls under the latter, along with Campbeltown., Oban and Rothesay<sup>15</sup>. Dunoon also lies within the Northern Periphery co-operation zone.<sup>16</sup>

### **Transport & infrastructure**

Both NPF1 and NPF2 place great emphasis on improving connectivity, recognising that improvements in transport infrastructure are needed to support economic activity and "*unlock the potential of priority areas for regeneration such as the Clyde corridor*"<sup>17</sup> Both NPFs make commitments to improving road, rail and sea links across the country and beyond.<sup>18</sup> NPF2's *Map:15 Strategic Transport Corridors* identifies a strategic route to "Inverclyde and the islands", a notable addition given that NPF1 only identified a route from Stirling to Oban.

The physical barrier of sea crossings is recognised as a challenge and both NPFs note the vital importance of ferry services both for sustaining communities, particularly remote communities, and in the promotion of tourism. NPF 1 is generally positive to ferry improvements, although NPF2 goes further still stating that there is likely to be scope for further ferry and hovercraft services for firth crossings and on coastal routes.<sup>19</sup> Options being considered for new fast craft routes in the Clyde have usually included calls at Dunoon. A review of lifeline ferry services is also promised.<sup>20</sup>

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<sup>12</sup> NPF1 para 177, NPF2 para 147

<sup>13</sup> NPF1 para 88 & 177, NPF2 paras 105 & 158

<sup>14</sup> NPF1 para 70, NPF2 para 148

<sup>15</sup> NPF2 para.110

<sup>16</sup> NPF2 Map 12, NPF2 para 112

<sup>17</sup> NPF1 para 100, NPF2 para 115

<sup>18</sup> NPF1 para 101, NPF2 para 192

<sup>19</sup> NPF1 para 175, NPF2 para 121

<sup>20</sup> NPF2 para 62

### ***Quality environments, tourism and heritage regeneration***

The NPFs make frequent reference to the role that environmental quality, built heritage and cultural life can play in providing a focus for regeneration, as resources that can support economic and social development, and in helping to create strong, positive community identities<sup>21</sup> The NPFs also acknowledge the contribution that tourism and leisure activities make to the economy, noting tourism's symbiotic relationship to the conservation and promotion of the historic environment as well as freshwater and marine environments.<sup>22</sup>

Both NPFs consequently call for the sustainable management of environmental resources<sup>23</sup> and Scotland's two national parks are lifted up as good examples of areas where environmental quality is being put to good effect.<sup>24</sup> 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.<sup>25</sup>

### ***Coastal areas and energy***

The potential impact of sea level rises on communities and business in coastal areas is also highlighted and caution urged in the siting of new development.<sup>26</sup>

### ***The Clyde Corridor Spatial Perspective***

NPF1 identifies the Clyde corridor as a strategic economic development zone where co-ordinated action is required in the national interest<sup>27</sup>. This commitment is re-affirmed in NPF2 with renewed concentration on the strategic growth potential of the Clyde Waterfront and Clyde Gateway<sup>28</sup> and the identification of the Clyde corridor as a national strategic regeneration priority<sup>29</sup> Government support is being given to a number of Urban Regeneration Companies along the Clyde Corridor, and significant regeneration activity in the form of housing and waterfront developments is taking place in Greenock and Port Glasgow under the auspices of Riverside Inverclyde Urban Regeneration Company.<sup>30</sup>

The Clyde Corridor regeneration area is primarily centred on the Glasgow conurbation, and spreads east as well as west. However, the economic ripples of activities in the Clyde Corridor will undoubtedly be felt further

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<sup>21</sup> NPF1 paras 67 & 93, NPF2 paras 18, 79, 160 & 248

<sup>22</sup> NPF1 paras 40, 109 & 164, NPF2 para 21

<sup>23</sup> NPF1 paras 11, 56 & 106, NPF2 paras 79 & 146

<sup>24</sup> NPF2 para 160

<sup>25</sup> NPF1 para 158, NPF2 para 258

<sup>26</sup> NPF2 para 87, NPF2 para 242

<sup>27</sup> NPF1 paras 107 & 151

<sup>28</sup> NPF2 para 155

<sup>29</sup> NPF2 para 103

<sup>30</sup> NPF2 paras 104 & 257

along the Clyde estuary, and more so in Dunoon than amongst the other Chord towns bar Helensburgh.

### ***Chord projects***

NPF support for Dunoon's case relate primarily to the more general recommendations regarding environmental quality, preservation of the historic environment and tourism development. Dunoon can also take support from the positive statements regarding the Loch Lomond and Trossachs National Park and the wider initiatives in the Clyde Corridor, which it may be in a better position to tap into than, for example, Campbeltown, Oban or to a lesser extent Rothesay. However, this depends very much on how the individual projects develop to harness these potential linkages, through, for example a gateway visitor facility for the National Park.

Working Paper 12 - Economic appraisals including  
discounted costs and benefits



**Table 12 Harbour & Queens Hall TT 3a**

Dunoon  
Harbour & Queens Hall (TT 3a)

**richard.thompson:**  
Copy of baring out third party interests. See Graham and Sibbald Report

**Income Growth Factor 2012 on Running Cost Growth Factor Finance Costs**  
3.00%  
0.00%  
0.00%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009	£ 500,000	£ 456,000					£ 44,000	£ 44,000	
2010	£ 11,000,000	£ 4,186,000					£ 6,814,000	£ 6,814,000	
2011	£ 15,000,000	£ 119,000					£ 14,881,000	£ 14,881,000	
2012	£ 1,000,000	£ 216,000					£ 784,000	£ 784,000	
2013	£ 8,435,500	£ 400,000	£ 1,000				£ 8,834,500	£ 8,834,500	
2014	£ 8,435,500		£ 1,000			£ 1,425,000	£ 7,009,500	£ 7,009,500	
2015	£		£ 72,250				£ 72,250	£ 72,250	
2016	£		£ 172,250	£ 2,036			£ 172,250	£ 172,250	
2017	£		£ 177,418	£ 2,036			£ 177,418	£ 177,418	
2018	£		£ 182,740	£ 33,160			£ 182,740	£ 182,740	
2019	£		£ 188,222	£ 43,290			£ 188,222	£ 188,222	
2020	£		£ 193,869	£ 2,036			£ 193,869	£ 193,869	
2021	£		£ 199,685	£ 2,036			£ 199,685	£ 199,685	
2022	£		£ 205,676	£ 2,036			£ 205,676	£ 205,676	
2023	£		£ 211,846	£ 125,639			£ 211,846	£ 211,846	
2024	£		£ 218,201	£ 2,036			£ 218,201	£ 218,201	
2025	£		£ 224,747	£ 43,290			£ 224,747	£ 224,747	
2026	£		£ 231,490	£ 2,036			£ 231,490	£ 231,490	
2027	£		£ 238,434	£ 466,590			£ 238,434	£ 238,434	
2028	£		£ 245,587	£ 2,036			£ 245,587	£ 245,587	
2029	£		£ 252,955	£ 2,036			£ 252,955	£ 252,955	
<b>TOTAL</b>	<b>£ 44,371,000</b>	<b>£ 4,577,000</b>	<b>£ 3,017,369</b>	<b>£ 730,293</b>	<b>£</b>	<b>£ 1,425,000</b>	<b>£ 35,351,631</b>	<b>£ 35,351,631</b>	

<b>#DIV/0!</b>	
<b>IRR</b>	3.50%
<b>NPV</b>	
<b>(Discount Rate)</b>	
	<b>£ 31,817,419</b>

**NOTES**

- Estimated cost of Proposal 4 £27.5mn. 08/09 £0.5mn 09/10 £1.1mn 10/11 £1.5mn & 11/12 £1.0mn
- Savings to the Council £145,000 pa. See economic model.
- Assume marina is funded by third party. Rent payable to the Council say £1000.
- All Calmac income attributed to breakwater (Excluded).
- Development land released North Side of marina 8,050sqm (1.99ac) ex tree planting. Developed for Queens Hall Option 3c Turner Tov4 Assume rent rise Income Growth Factor
- Assumes release of land at Queens Hall for development 0.43 ac(1759m<sup>2</sup>). Assume 4 storey 57 flats (estimated density)
- Value /flat £25000. Taking a positive view of the market (see GS Valuation - suggest £15,000/unit)
- Annual running cost and interest estimated to be £50,000. (See Proforma from AM)
- Design life of the Pier considered to be 60 years
- Cost of new Pier building £3.404mn (See Turner and Townsend report. Assumes it can be started at the same time as Queens Hall w 9. Assumes occupation immediately after completion. No voids.
- Rental from new water front building estimated to be
- ABC have already budgetted/ring fenced £4.2mn for this.
- Third party interests are assumed to cost £400,000 to buy out.
- Running costs based on Turner and Townsend life cycle costs
- No exit value has been assumed.
- ABC have allocated money for road improvements- 09 £256k/ 2010 £186k / 2011 £119k / 2012 £216k

**Pier Building**

- New pier building 538m<sup>2</sup> (5,700ft<sup>2</sup>).
- Restaurant area say 50% at a rent of £15 = £42,750pa
- Retail use 2850ft<sup>2</sup> at £10/ft = £28,500pa
- Further detailed project costings required to cover TT omissions.
- Assume that there are no title restrictions on development
- No rental payment to TCE as landowner or commercial stake has been assumed.
- Assumes construction can start in same year Pier finished. What savings if the contracts all i
- Running costs based on T&T life cycle costs
- Exit Value based on 9% yield on Gross Rent



# Table 13 Harbour Option 4 including Pier Building and Residential Development

Dunoon  
Harbour Option 4 (Inc. Pier Building and Residential Development)

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Changes	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009	£ 500,000				£		£ 500,000	£ 500,000	
2010	£ 10,000,000	£			£		£ 10,000,000	£ 10,000,000	
2011	£ 15,000,000				£		£ 15,000,000	£ 15,000,000	
2012	£ 500,000				£		£ 500,000	£ 500,000	
2013	£ 1,700,000		£ 1,000		£	£ 1,650,000	£ 49,000	£ 49,000	
2014	£ 1,700,000		£ 1,000		£		£ 1,699,000	£ 1,699,000	
2015			£ 72,250	£	£		£ 72,250	£ 72,250	
2016			£ 72,250	£ 429	£		£ 72,250	£ 72,250	
2017			£ 72,250	£ 429	£		£ 72,250	£ 72,250	
2018			£ 72,250	£ 6,416	£		£ 72,250	£ 72,250	
2019			£ 72,250	£ 119	£		£ 72,250	£ 72,250	
2020			£ 72,250	£ 429	£		£ 72,250	£ 72,250	
2021			£ 74,418	£ 429	£		£ 74,418	£ 74,418	
2022			£ 74,418	£ 429	£		£ 74,418	£ 74,418	
2023			£ 74,418	£ 27,035	£		£ 74,418	£ 74,418	
2024			£ 74,418	£ 429	£		£ 74,418	£ 74,418	
2025			£ 74,418	£ 9,119	£		£ 74,418	£ 74,418	
2026			£ 76,651	£ 429	£		£ 76,651	£ 76,651	
2027			£ 76,651	£ 98,172	£		£ 76,651	£ 76,651	
2028			£ 76,651	£ 429	£		£ 76,651	£ 76,651	
2029			£ 76,651	£ 429	£	£ 791,666	£ 868,317	£ 868,317	
<b>TOTAL</b>	<b>£ 29,400,000</b>		<b>£ 1,114,194</b>	<b>£ 144,722</b>	<b>£</b>	<b>£ 2,441,666</b>	<b>£ 25,844,140</b>	<b>£ 25,844,140</b>	

<b>IRR</b>	<b>#DIV/0!</b>
<b>NPV (Discount Rate)</b>	<b>3.50%</b>
	<b>£ 24,129,619</b>

**NOTES**

- Estimated cost of Proposal 4 £26m. 08/09 £0.5m 09/10 £10m 10/11 £15 & 11/12 £0.5m
- Savings to the Council £145,000 pa assuming no maintenance cost during the project?
- Assume marina is funded by third party. Rent payable to the Council say £1000 for access.
- What income from Calmac? None goes to breakwater.
- Development land released North Side of marina 8,050sqm (1.99ac) ex tree planting. Est Value £1.65m (Assumes HS will only allow 2 storey residential development).
- Annual running cost and interest estimated to be £50,000. (See Proforma from AM)
- Design life of the Pier considered to be 60 years
- Cruise ship income considered to be de minimis.
- No voids have been assumed for the letting of the retail and restaurant space
- Running Cost based on Turner and Townsend report.
- No payments to the Crwon Estate have been assumed.

**Pier Building**

- New pier building 538m2 (5,700ft<sup>2</sup>).
- Restaurant area say 50% at a rent of £15 = £42,750pa
- Retail use 2850ft<sup>2</sup> at £10/ft = £28,500pa
- Assume rent reviews at 5 yearly intervals. Assume 5% increase
- Further detailed project costings required to cover TT omissions.
- Assume that there are no title restrictions on development
- No rental payment to TCE as landowner or commercial stake has been assumed.
- Assumes construction can start in same year Pier finished. What savings if the contracts all le
- Assumes occupation immediately after completion. No voids.
- Running costs based on T&T life cycle costs
- Exit Value based on 9% yield on Gross Rent



Dunoon  
Queens Hall - Sell Queens Hall (Abandon Uses)

Income Growth Factor 2012 on 0%  
Running Cost Growth Factor 0%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009	£ 400,000	£ -	£ -	£ -	£ -	£ -	£ 400,000	£ 400,000	
2010	£ -	£ -	£ -	£ -	£ -	£ 1,075,000	£ 1,075,000	£ 1,075,000	
2011	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2012	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2013	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2014	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2015	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2016	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2017	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2018	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2019	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2020	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2021	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2022	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2023	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2024	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2025	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2026	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2027	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2028	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
2029	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -	
<b>TOTAL</b>	<b>£ 400,000</b>		<b>£ -</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 1,075,000</b>	<b>£ 675,000</b>	<b>£ 675,000</b>	

IRR	169%
NPV (Discount Rate)	£ 617,051

NOTES

- Demolish the Queens Hall and redevelop for housing (flats) to the same scale.
- Area released 1759m2 (0.43ac) Assume 3 Storey 0.01ac/flat = 43. This density is a guesstimate as no information is available from the planning department.
- Value / flat £25000. Taking a positive view of the market (see GS Valuation - suggest £15,000/unit)
- Relocation of other property owners/Ransom cost
- Further detailed project costings required to cover ITT omissions.
- Assume that there are no title restrictions on development
- No allowance has been made for affordable housing provision on the site.
- Third Party interest - 27 Argyll Street £85k (New site £60K/Refit + move £25k). 15 Argyll Street Owners Interest £225K Business value £85k (Ransom value @ 30% £323k)

Working Paper 14 - Benefits register

Working Paper 15 - Draft risk register and risk potential assessment



Working Paper 16 - Draft nominations for  
commissioner/stakeholder support

Working Paper 17 - Arrangements for post-project evaluation  
and implementation review

## Working Paper 18: DREAM® Detailed Regional Economic Accounting Model and DREAM®people demographic projections

The GVA estimates and demographic projections relied on in the report are from two sources:

- ⊕ DREAM®snapshot is used to provide detailed information on output, GVA, earnings, employment and most other economic variables
- ⊕ DREAM®people is used for demographic projections

The aim of the DREAM® family of products is to provide for regional and local economies the economic information usually analysed only at national level. DREAM® snapshot is the nucleus of the system and for most users provides by far the most detailed picture they have ever have seen of the local economy, fully consistent with all valid summary views that are available. DREAM® is constructed following the European standard ESA95 and the UN convention SNA93. It is fully consistent with the UK national accounts and official regional data from ONS and the Scottish Government, and each DREAM® model is consistent and comparable with the model for every other region and locality.

The basic DREAM®model is not like other economic models, which normally are used for forecasting,

### *DREAM®snapshot*

In principle, DREAM® takes in all the nationally-published economic data on Argyll and Bute, harmonises it and removes inconsistencies and obvious errors, and adds in considerably more detail.

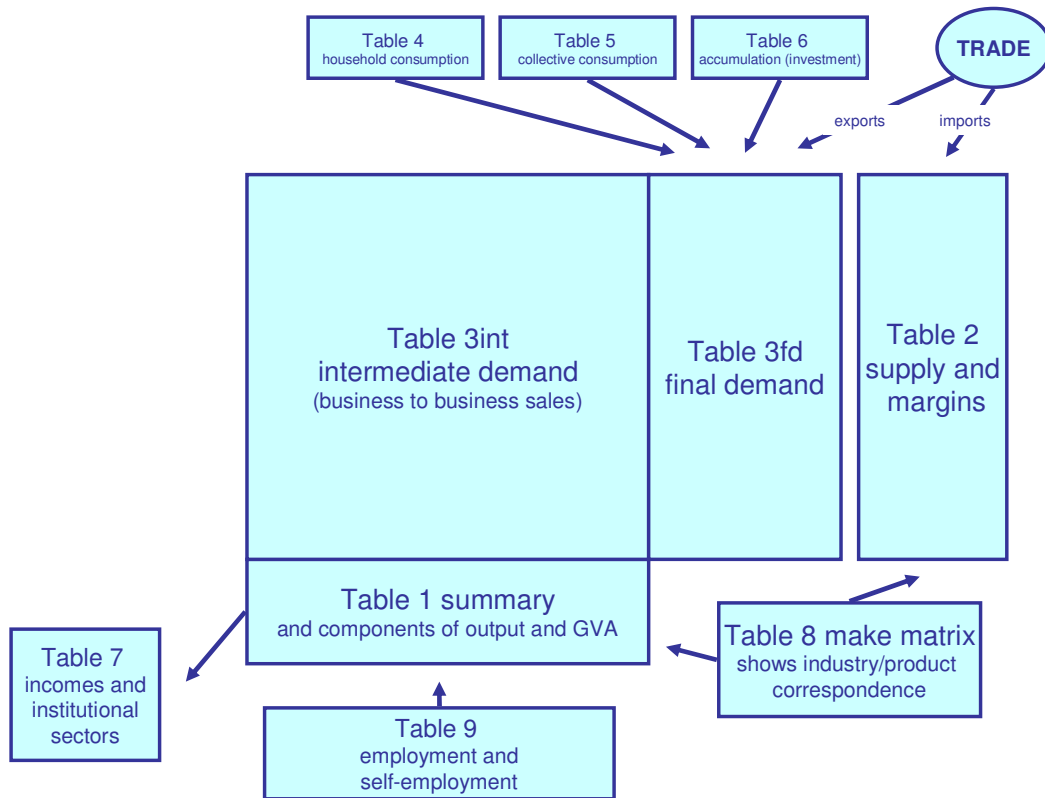
Except for employee totals, the nationally published data is limited: regional accounts data on GVA for the areas which best approximate Argyll and Bute consists of only a 3-way sectoral split (agriculture including forestry and fishing/ production/ other). A 16-sector breakdown of costs and revenues is published by the Scottish Government in Scottish Business Statistics, but unfortunately this does not cover the whole economy and is not consistent with the national accounts. DREAM® makes the necessary adjustments to achieve consistency and combines these with national data at a fine industry level. The resulting model is a detailed picture of the regional economy based on 123 products/ industries specified to cover the entire economy and including:

- ⊕ Sourcing by geography of each product used locally
- ⊕ Markets – by industry and by geography – for each local product
- ⊕ Accounts for each industry, including cash flows, profit and loss and annual investment.
- ⊕ Linkages within and between local industries
- ⊕ Flows of income within the community
- ⊕ Employment by industry, gender, hours and occupation, including self-employment

- ⊗ Spending by local people and businesses, product-by-product
- ⊗ Economic performance measures against national averages and other areas
- ⊗ Market shares, productivity, competitiveness, balance of trade

Primary data is held in a set of 9 tables which reflect the layout of the Supply and Use tables in the UK national accounts:

**Figure 18 Tables in DREAM®Argyll and Bute**



The construction of the main variables is as follows:

### Production

For statistical purposes Europe is divided into a hierarchy of territories. NUTS0 is usually an EU member country, and NUTS1 a major region or constituent country (eg Scotland, Wales, Bavaria), with NUTS2, 3 and 4 being finer and finer subdivisions.

Argyll and Bute consists of three NUTS4 areas: the mainland part of the former AIE area, the island parts, and Helensburgh and Lomond. These are parts of two NUTS 3 areas:

- ⊗ UKM43 Lochaber, Skye and Lochalsh and Argyll and the Islands
- ⊗ UKM31 East and West Dunbartonshire, Helensburgh and Lomond

In the DREAM® model Gross Value Added to NUTS3 for the whole UK level is estimated for 123 industries by an iterative process constraining initial estimates to Regional Accounts as published for NUTS1, NUTS2 and NUTS3 levels, to the Annual Business Inquiry (employment) at the 4-digit SIC level,

to the Annual Business Inquiry (financial) at region by division level and the National Accounts (Supply and Use tables). Additional data is brought to bear in Scotland, Northern Ireland<sup>31</sup> and the Republic of Ireland so that there are more than a dozen sources. The diagram on the following page sets out the iterative process.

For the towns in Argyll and Bute we have then taken the 123-industry breakdown of each NUTS3 GVA, and disaggregated it geographically in line with employment. Special calculations are made for agriculture (employment data is patchy) and for housing (employment not an appropriate basis to split rents and imputed rents).

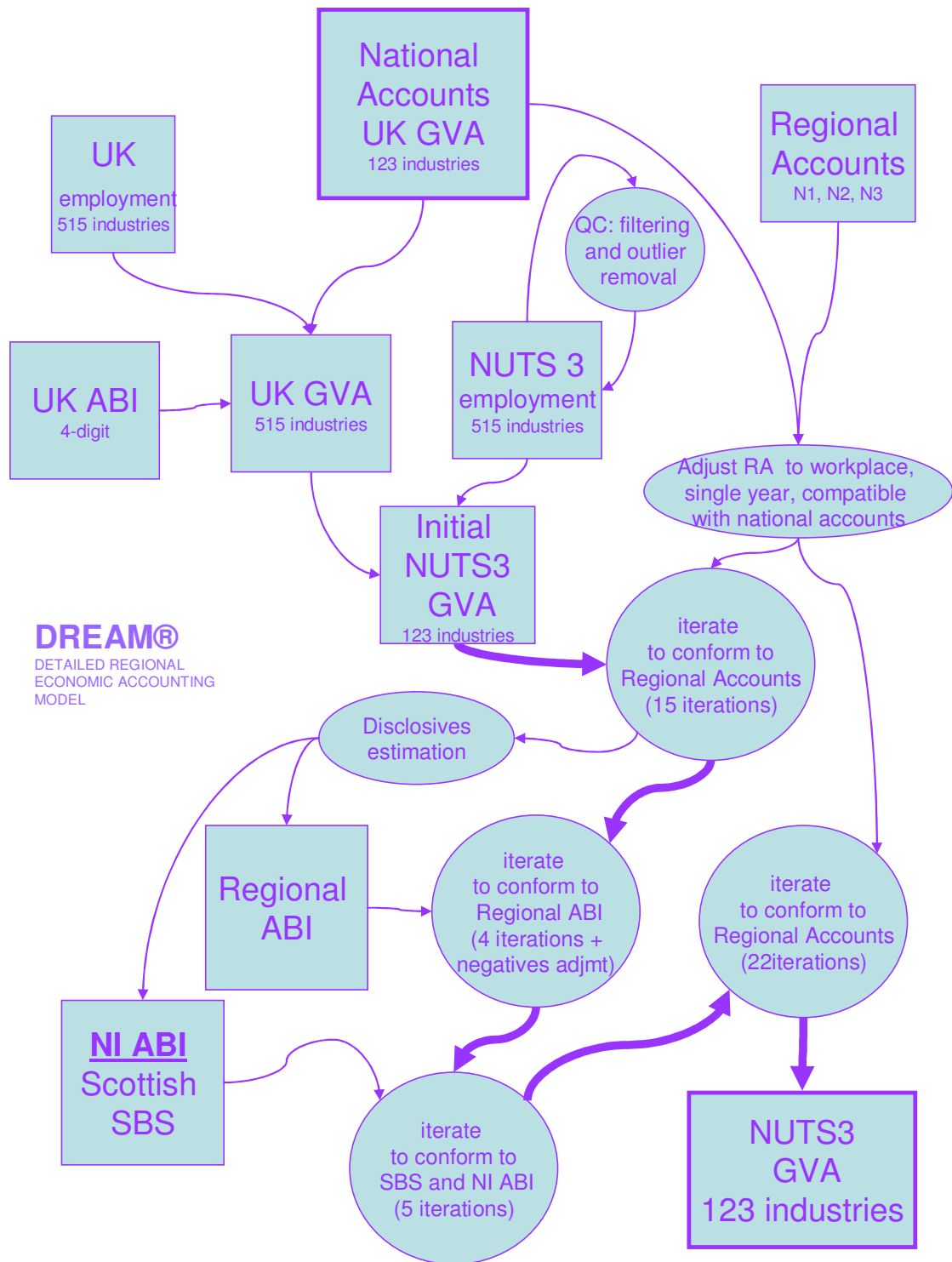
A similar procedure is followed for Compensation of Employees, also making use of local data from the Annual Survey of Earnings and Hours. This has been used to estimate commuting income.

The final estimates are constrained to the national accounts, SUTS, even though the Regional Accounts may not exactly match due to data timing issues, and ABI frequently is significantly different. The differences between ABI and National and Regional Accounts arise because the ABI is only one early source for national accounting data, does not have complete coverage, and the later balancing and adjustment stages take into consideration many other sources. This is especially important in the hospitality industries where national accounts estimates of GVA are about £7bn higher than ABI estimates. Type 2 multipliers (see below) are particularly affected because much of the additional GVA is allocated to compensation of the employed and self-employed.

---

<sup>31</sup> For Northern Ireland the Census of Employment replaces ABI1, interpolated between census years by the Northern Ireland Labour Force Survey. The Northern Ireland Annual Business Inquiry, the Manufacturing Sales and Exports Survey and the Business Insurance Survey are used. For Scotland use is made of the Scottish Input Output Tables and Scottish Annual Business Statistics down to Local Authority level. Irish estimates are based on the Republic's input output tables and national accounts, and re disaggregated only to NUTS2. Trade statistics are constrained to HMR&C national estimates through the national accounts constraints but HMR&C regional figures are used as a diagnostic tool only.

**Figure 19 Iteration procedure for detailed GVA estimates**



About a dozen industrial submodels are also used, in certain industries, normally to identify physical products and disaggregate activities. The industries particularly relevant to Argyll and Bute include

- ⊗ Agriculture by farm type
- ⊗ Forestry by country, activity, maturity and timber type

- ⊖ Fishing between caught (by species) and farmed
- ⊖ Energy: multi industry multifuel sub model including generating mix, disaggregation of oil and gas extraction, refining products etc
- ⊖ Food and drink: additional disaggregation of production and consumption
- ⊖ Timber, pulp, paper etc by product and process
- ⊖ Chemicals: some products identifies and some IO sectors disaggregated to 4-digit SIC
- ⊖ Construction: by activity/market
- ⊖ Hospitality to 4-digit SIC
- ⊖ Education by level

Depending on the client base and the stability or otherwise of the industry, not every industrial submodel is used every year at every geographical level.

### Absorption

Households' consumption is estimated to NUTS1 level by disaggregating the national SUTS table (Table 4) using the Expenditure and Food Survey. Below NUTS1 disaggregation is modelled based on household disposable income.

NPISH consumption (Non-Profit Institutions Serving Households) is estimated using demographic and occupational structure, weighting according to the population in appropriate age groups, student numbers from the Census of Population, and employment in higher and further education and membership organisations.

Collective consumption is estimated on a 'who benefits' basis using the Public Expenditure Statistical Analysis (PESA) estimates published by the Treasury.

Regional estimates of fixed capital formation have not been available in the Regional Accounts since 2000. After that date NUTS1 figures are based on ABI2 data and housing statistics, with geographical disaggregation to NUTS3 based on turnover and profits.

Stock changes are allocated based on weights averaging production and absorption.

### Trade

DREAM®trade is a complete model of the internal and external trade of Great Britain and Ireland for the 123 goods and services of the United Kingdom IO classification. It is based on production and absorption as outlined above, together with a DREAM® input output model of the Republic of Ireland, in which production and absorption are informally disaggregated to the Republic's eight NUTS2 areas.

The data sources are national accounts SUTS, Northern Ireland Manufacturers' Sales and Export Survey, HMRC regional trade estimates, the Scottish Input Output tables, which in turn are based on an unpublished origin and destination survey by the Scottish Executive, the SCDI survey of Scottish Manufactured Exports, the Scottish Global Connections Survey,

Republic of Ireland Trade Statistics, and United Nations Comtrade Commodity Trade Statistics.

Initial estimates are prepared using the production/absorption estimates as origin-destination values in a 'gravity' model. In such a model the trade between two areas is proportional to the total flows from the origin, the total flows to the destination, and inversely related to the distance between them. The importance of distance is summarised in a 'friction' coefficient.

Origin and destination for each product and territory combination are based on production and absorption above.

The friction coefficient of the gravity model for each product is primarily based on the only official internal trade statistics for Great Britain, the Scottish Executive origins and destinations survey which reports trade between Scotland and the other constituent countries. Where this is problematic (for example if a Scottish trade flow as reported by the Scottish Executive is greater than a UK flow estimated by ONS) some coefficients are imposed based on experience elsewhere, notably the Canadian interprovincial input output tables which are the most detailed intra-national trade statistics in the world.

The distance parameter of the trade model is based on road distances between NUTS3 areas (NUTS4 in Scotland, NUTS2 in the Republic of Ireland). Adjustments based on crossing time and frequency are made for ferry routes. In the case of crossings to Northern Ireland the distance equivalent is an empirical estimate based on the NIMSAES. A 'national border' effect is estimated for the Republic of Ireland.

The trade estimates are then constrained successively to the various sources. The first constraints applied are based on the international trade data and the final constraints applied are the production/absorption estimates again, to ensure consistency with the national accounts. The intermediate data sources are sometimes in conflict (eg Irish exports to the UK differ from UK imports from Ireland) so adhoc adjustment is sometimes needed.

### *DREAM@people*

Every year or two the General Register Office for Scotland produces a set of population projections for Scotland and for each Council area within it. However, as GROS itself emphasises, the population can evolve according to a number of possible scenarios, and the central projections are but one scenario, based on simple assumptions.

DREAM@people is a simple model designed to release those responsible for regional and local planning and policy from the confines of a single centrally-approved projection. It allows them to protect themselves from sudden and apparently arbitrary changes in forecast numbers and to explore the robustness of policy alternatives to different assumptions about the economy, society and the environment.

Making a demographic projection involves making assumptions about how people will behave and how they will make major life-forming decisions. In most places DREAM@people does this in a similar way to the GROS models. In some places it is simpler than the GROS model, and in other cases it is more subtle: most importantly it can be controlled by the user.



<b>Feature</b>	<b>GROS</b>	<b>DREAM®people</b>
Scope	Separate for each gender, ages 0-89 plus '90 and over'. Projects ahead one-year at a time from a fixed base of 2004 and terminates 2027.	All people, ages 0-99 plus '100 and over'. Projects ahead one-year at a time from latest available mid-year estimate and continues without limit.
Births	Scotland level assumption adjusted to reflect regional differentials in fertility rates based on female population	Scotland level assumption adjusted to reflect regional differentials in fertility rate based on total population
Deaths	Scotland-level assumption based on trends in mortality rates (up to age 89), adjusted by age-specific mortality ratio for the locality	Scotland-level assumption based on trends in mortality rates (up to age 99), adjusted by age-specific mortality ratio for the locality
Migration total	Single net number from 2007 to 2027 for each council area – 400 for D&G	Sum of five identified flows as indicated below
Migration by age	Total as above is divided up to reflect the recent age composition of net flows.	<ol style="list-style-type: none"> <li>1. Bellwether migration of 21-33 olds at rates based on labour market</li> <li>2. Prime working migration of 34-49 year olds at rates based on labour market and housing</li> <li>3. 50-67 'end career' migration at rates based on housing markets</li> <li>4. 0-15 child migration based on prime migration and local family size</li> <li>5. Student age migration at rates based on age participation index.</li> </ol>

DREAM®people as a whole has been used for Argyll and Bute and a special version based on datazones for the towns.

Note: although cogentsi has used its DREAM® models on a grace-and-favour basis for the CHORD project, neither the results nor the models form part of any contract between cogentsi and Argyll and Bute Council. Raw data may be Crown copyright where indicated but all information and intellectual property contained in the DREAM® models that is not Crown copyright is the property of Cogent Strategies International Ltd and Hervey Gibson and all rights are reserved.

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-

## Working Paper 20 – Consultees

Cllr Dick Walsh  
Cllr B Marshall  
Cllr A McNaughton  
Cllr R Simon  
Cllr A McAlister  
Cllr J McQueen  
Douglas Hendry, Argyll & Bute Council  
Paul Convery, Argyll & Bute Council  
Jenny Carlile, Argyll & Bute Council  
Alan Kerr, Argyll & Bute Council  
Neil Leckie, Argyll & Bute Council  
Sandy Mactaggart, Argyll & Bute Council  
Arthur McCulloch, Argyll & Bute Council  
Stewart Turner, Argyll & Bute Council  
Shirley McLeod, Argyll & Bute Council  
Dr Mike Cantlay, Loch Lomond and the Trossachs National Park Authority  
Carron Tobin, Loch Lomond and the Trossachs National Park Authority  
Agnes Harvey, Blairmore Heritage  
Martin Grieg, Royal Marine Hotel  
Ian McNee, Stewart McNee Dunoon Ltd  
David McKenzie, McKenzie Professional Services Ltd  
Roy Alexander, Argyll & Bute Council  
Gillies Brown, John Brown Strone Ltd  
John Brennan, Thirlestane Land Developers  
Matt Downs, Holy Loch Marina  
Simon Richardson, CLANN  
Dorothy Bruce, Cowalfest  
Russell Buchanan, Dunoon and Cowal Marketing Group  
Paul Convery, Planning/Development Officer  
Alex Adrian, Crown Estates Commissioners  
Kevin Williams, Argyll & Bute Council  
Jenny Willie, Argyll & Bute Council  
Bruce Marshall, Argyll & Bute Council  
Alasdair Rankin, The Crown Estate  
Ian Conway, Kier Homes  
Andrew Wood, Bidwells  
Charles Guest, Rydens  
Craig Lygate, Christie & Co  
Robert Weldon, Smiths Gore  
Ian McNee, McNee's

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## THE HELENSBURGH OUTLINE BUSINESS CASE

### **Chairman's Introduction**

As Argyll & Bute's largest town, servicing one third of the population of the total Council area, I am in no doubt that the proposed investment of £7.46mn in Helensburgh will deliver both a significant and immediate positive impact on communities in Argyll & Bute.

Developments to Colquhoun Square and surrounding streets, the Esplanade and Kidston Park will substantially contribute to improving the appearance of the town. This will attract people coming into Helensburgh from neighbouring areas and towns. With the City of Glasgow and the Loch Lomond and the Trossachs National Park on the doorstep there are major catchment areas to be targeted for day visitors. Increased visitor numbers, in turn, will attract investor interest in Helensburgh.

Helensburgh's OBC is deliverable, affordable, and low risk. The attached documents support this statement. As a result the economic outcomes calculated to flow from the project **will happen** if the investment is made. Every one of Helensburgh's project elements can be delivered within the four year timescale set by the Council (see Notes pages 16, 17 and 18). They are not dependent on attracting funding from other sources in what are difficult financial times. Nor will they result in increased revenue demands on the Council. In fact, they will reduce the Council's current revenue costs. Moreover there are no ownership issues which traditionally take much longer to resolve than initially anticipated (see Executive Summary).

People's perception of Helensburgh is that it is an affluent town which doesn't require investment. The reality is very different. For example, local retailers receive only around one third of the available local spending. Local hospitality industries are half the size you would expect in a Scottish town of 14,000 people (see Dossier slides 6 and 20).

An independent report by Colliers CRE found that Helensburgh is leaking 50% of its food expenditure and 74% of its non-food expenditure to other local authority areas. In 2007 this equated to £70mn and if no action is taken the figure will continue to rise. The proposed project elements are exactly the type of action that needs to be taken to ensure Argyll & Bute addresses this trend and begins to re-capture this expenditure. By doing so, it will see each year additional increases of around £1.2 - £4.4mn in economic activity based on Cogent SI and DTZ's respective economic appraisals. This represents a positive Net Present Value (NPV) of around £14mn - £64.7mn, with benefit: cost ratios of around 2.5:1 to 9:1. Re-capturing lost expenditure is much easier to address than trying to attract new expenditure. Especially in the case of Helensburgh where the market is still present rather than creating new markets and expenditure.

I truly believe supporting Helensburgh's OBC is the right thing for the wider economic prosperity of Argyll & Bute. To stand back and allow Argyll & Bute's largest town to continue to decline is surely not an option.

The Helensburgh Partnership has been operating for approximately two years. During that time independent research has been used to develop the project elements in consultation with the local community (see Dossier slides 21, 23). The projects have been costed and programmed. We are ready to go and are simply waiting for the green light.

**Bill Brackenridge**

**Chairman**

**The Helensburgh Partnership**



# The Helensburgh Dossier

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## Working papers

These working papers were produced in order to create the Helensburgh Dossier. Although they illustrate the method they may not be exactly compatible with the Dossier itself

03 July 2008

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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## Working Paper 1 Economic Profile

### *About Helensburgh*

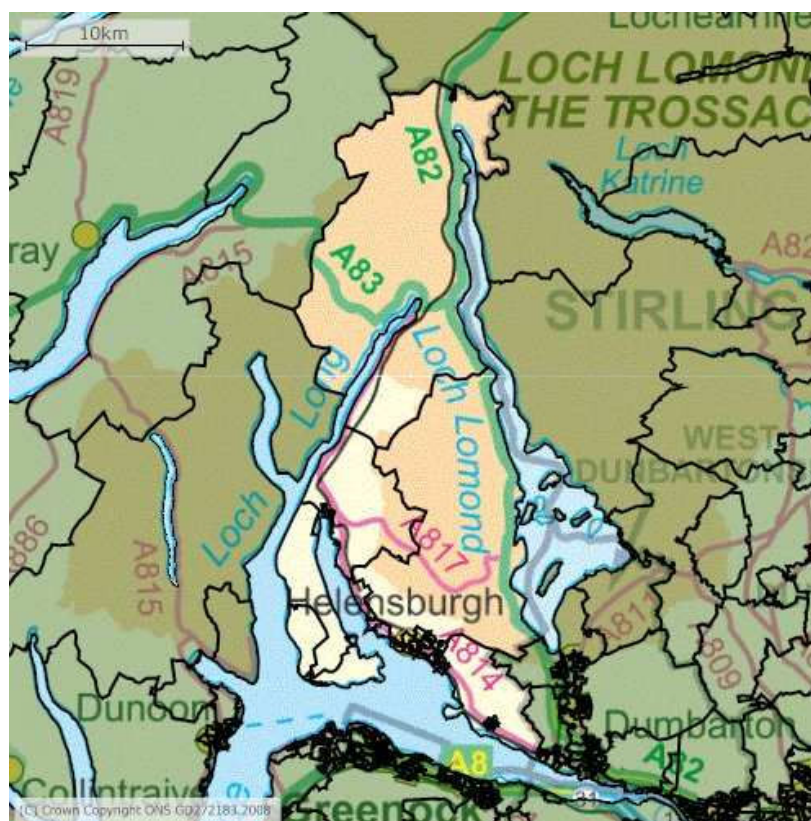
Helensburgh is Argyll and Bute's largest town, with a population of around 14,000 (GROS 2006). Situated on the northern shores of the Firth of Clyde at the mouth of the Gareloch it is the major residential and commercial centre for the Lomond area. Previously located in Dunbartonshire until local government reorganisation in 1996, Helensburgh still has strong connections to the major conurbations to its east.

Historically a summer residence for the well-to-do, and seaside town for day trippers, the town now combines a close relationship with HM Naval Base Clyde, with housing commuters to Glasgow in an upscale dormitory.

This section provides a snapshot of the current economic conditions in Helensburgh and Lomond. It considers a number of economic variables including population distribution, employment by sector, business size and unemployment.

Figure 1 is a map of the area considered in this section.

**Figure 1 : Map of Helensburgh and Lomond settlement**



### *Population*

Table 1 shows the population change in Helensburgh and Lomond between 2001 and 2006 and compares it with the respective changes in Argyll and Bute and Scotland as a whole.

**Table 1 : Population change 2001-2006**

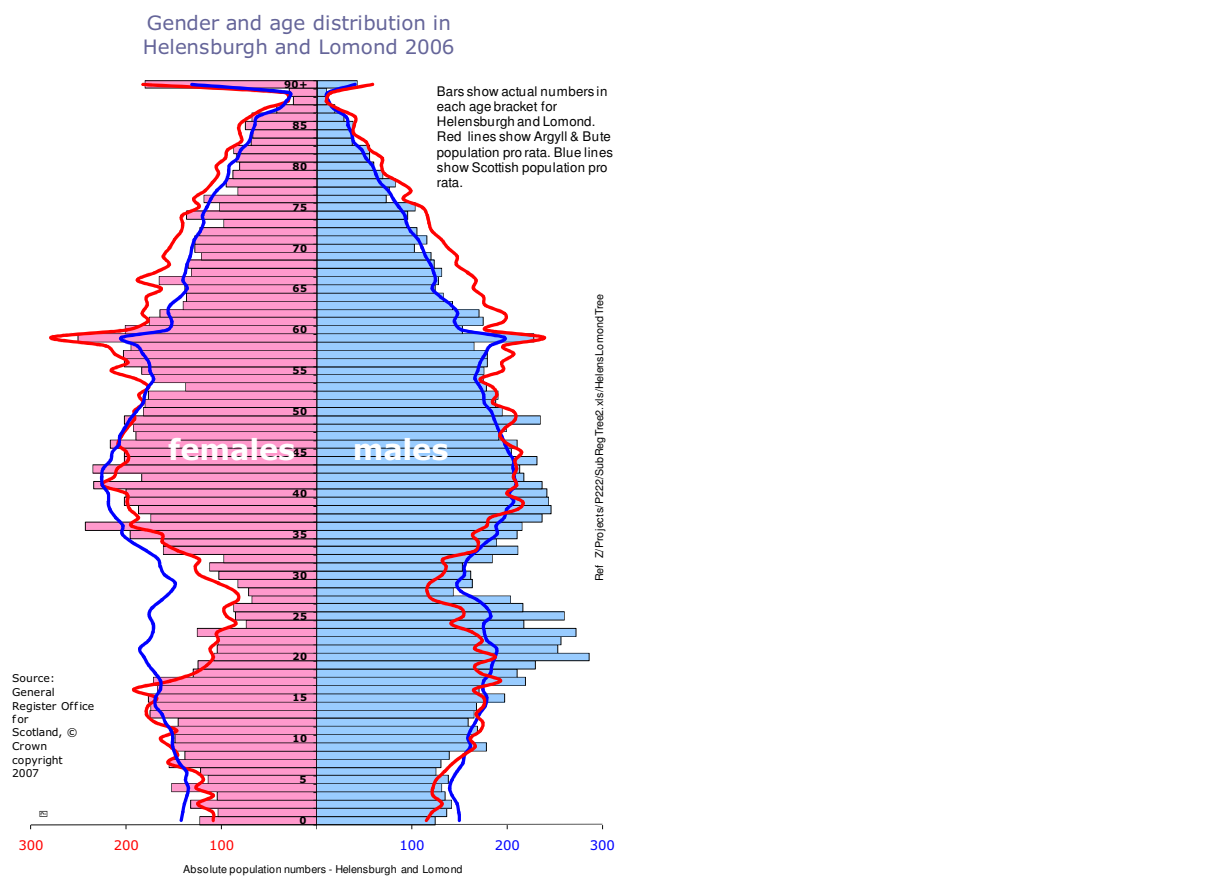
Population change 2001-2006				
Area	2001	2006	Change 2001-2006	% Change 2001-2006
Helensburgh and Lomond	25,054	23,839	-1,215	-4.8%
Argyll & Bute	91,300	91,390	90	0.1%
Scotland	5,064,200	5,116,900	52,700	1.0%

Source: GROS, Small Area Population Estimates, 2001 to 2006

In 2006, the population of Helensburgh and Lomond was estimated to be approximately 23,840. Between 2001 and 2006, the population decreased by 4.8 per cent, which was in contrast to the trends at the Argyll and Bute and Scottish levels where the population increased by 0.1 per cent and 1.0 per cent respectively. Annual population estimates suggest that the population of Helensburgh and Lomond decreased year-on-year between 2001 and 2004. The population then increased between 2004 and 2005, but this increase was followed by a dramatic decrease of 7.2 per cent between 2005 and 2006. These dramatic fluctuations in population are influenced by the number of staff at the military base.

Figure 2, below shows the age and gender structure of the Helensburgh and Lomond population and compares it with the populations of Argyll and Bute and Scotland as a whole.

**Figure 2 : Gender and age distribution in Helensburgh and Lomond 2006**





It shows there is a proportionately higher number of young men in the 18 to 27 age range in Helensburgh and Lomond compared to Argyll and Bute and Scotland as a whole. This dramatic difference in the male population is largely due to the HM Naval Base Clyde, located in Lomond. By contrast Helensburgh and Lomond has slightly fewer young women in the 24 to 32 age range than elsewhere in Argyll and Bute.

Table 2 illustrates the population change in Helensburgh and Lomond in specific age groups and compares them with the changes at Argyll and Bute and Scottish levels.

**Table 2 : Change in population age structure**

Change in population age structure						
Age Group	Helensburgh and Lomond				Argyll and Bute	Scotland
	2001	2006	Change 2001-06	% Change 2001-06	% Change 2001-06	% Change 2001-2006
0-4	1,406	1,284	-122	-8.7	-12.2	-2.8
5-19	5,165	4,803	-362	-7.0	-2.5	-3.2
20-44	5,714	4,758	-956	-16.7	-7.2	-2.1
45-64	5,758	5,972	214	3.7	7.3	7.8
65-84	4,021	4,439	418	10.4	8.7	3.4
85+	626	659	33	5.3	0.9	7.2
<b>Total</b>	<b>22,690</b>	<b>21,915</b>	<b>-775</b>	<b>-3.4</b>	<b>0.1</b>	<b>1.0</b>

Source: GROS small area population estimates 2001, 2006

Helensburgh and Lomond experienced a considerable ageing in its population during this period. The largest population change in Helensburgh and Lomond occurred in the 20-44 age range which saw a decline of 16.7 per cent. This decline is significantly greater than that experienced at Argyll and Bute and Scottish levels, which saw decreases of 7.2 per cent and 2.1 per cent respectively. Similarly the falls for the under 19 years olds was much greater in Helensburgh than elsewhere in Scotland.

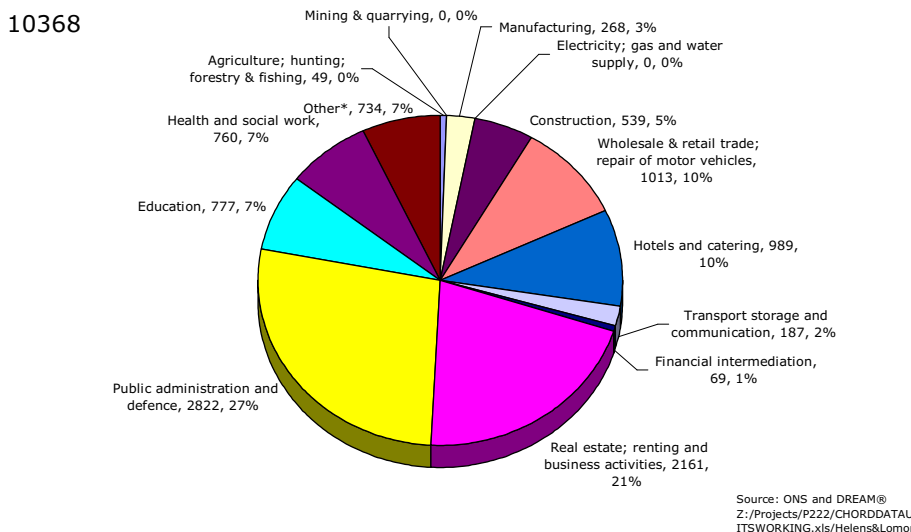
All groups over aged 45 showed population increases. The largest increase in population, in Helensburgh and Lomond, during this period was in the 65-84 age range (10.4 per cent increase). This increase is greater than that experienced by Argyll and Bute as a whole (8.7 per cent) and Scotland (3.4 per cent). This change in the population distribution suggests a need for there is a need for an adaptation of the town centre with a greater demand for retail and leisure activities best suited to an older client groups such as convenience retailing and restaurants

### *Employment*

According to the Annual Business Inquiry, there were 10,368 employees (excluding self employed) in Helensburgh and Lomond in 2006. Figure 3 shows the distribution of employees by broad sector in Helensburgh and Lomond, in 2006 and Figure 4 shows the employment distribution of Argyll and Bute as a whole.

**Figure 3 : Distribution of employees in employment in Helensburgh 2006**

Helensburgh and Lomond employment 2006



**Figure 4 : Distribution of employees in employment in Argyll and Bute 2006**

Argyll and Bute employment 2006

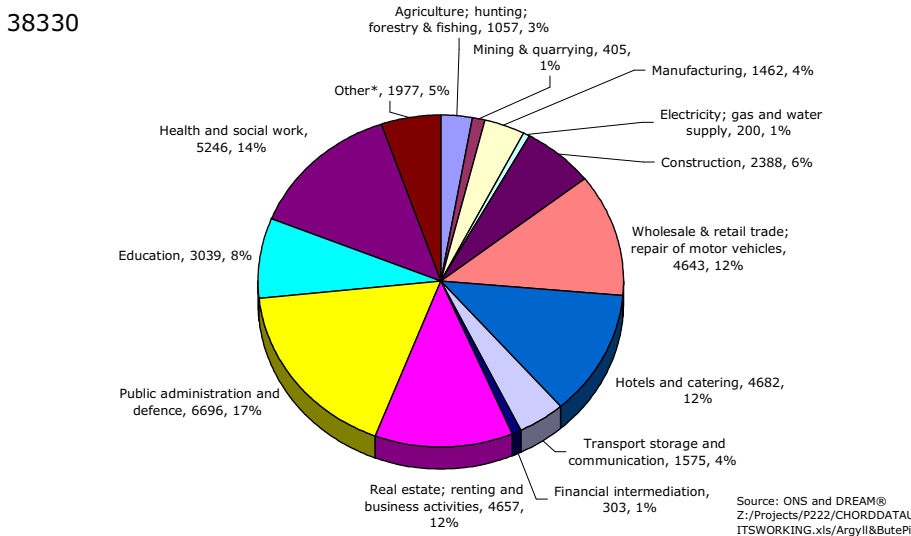


Figure 3 illustrates that employment in Helensburgh and Lomond is dominated by two main sectors, namely public administration and defence (27 per cent) and real estate, renting and business activities (21 per cent). These sectors account for almost half of all total employment in Helensburgh and Lomond.

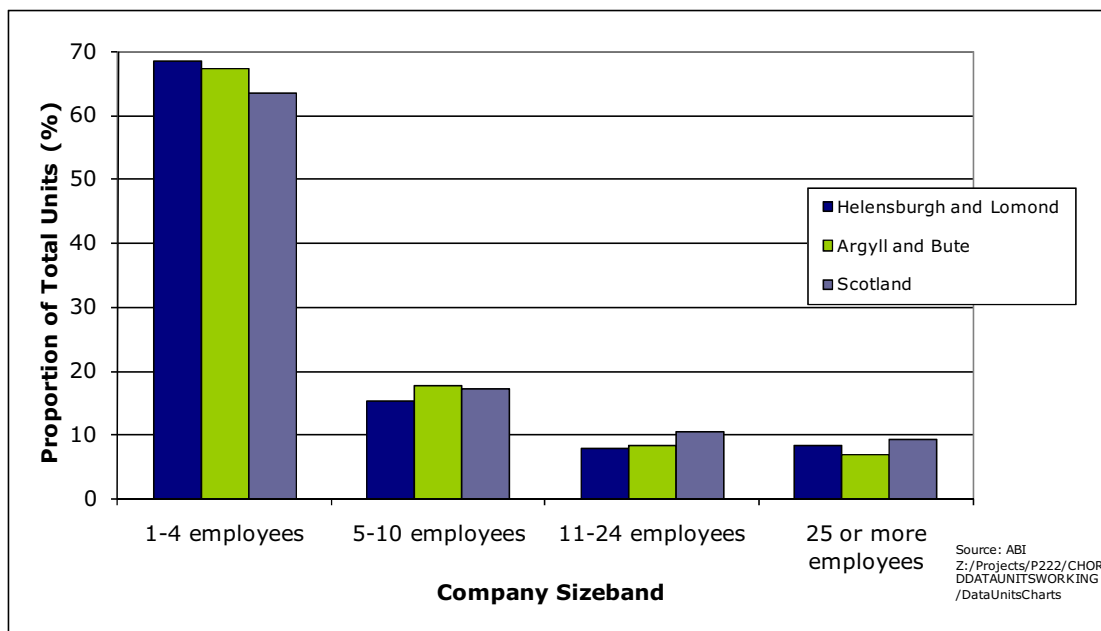
The level of self employment, at 7.3 per cent in Helensburgh, is marginally higher than the Scottish level of 6.6 per cent but considerably lower than the Argyll and Bute average of 11.5 per cent (2001 Census). This reflects the

### Size of businesses

The Annual Business Inquiry provides information on the number of data units located in an area. The number of data units in an area can act as a good indication as to the number of work places operating in an area employing staff. Data units do not correspond directly to the number of work places in an area as self employment is not taken into consideration.

In 2006 there were 830 data units in Helensburgh and Lomond employing staff. Figure 5 shows the break down of data units by business size in Helensburgh and Lomond, Argyll and Bute and Scotland. As is found in all areas the vast majority of units fall into the smallest employee category of less than 5 staff.

**Figure 5 : Distribution of business units by company size 2006**

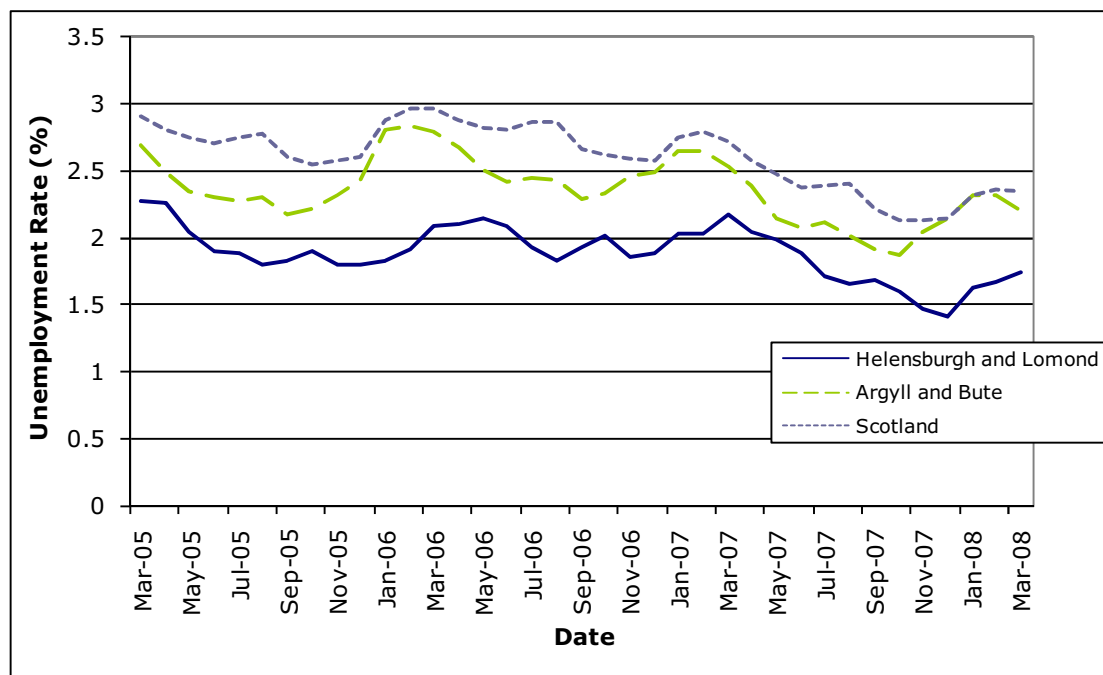


In 2006, 68.6 per cent of all the total business units in Helensburgh and Lomond employed between 1 and 4 employees. This is a slightly figure is higher than both the regional and Scottish averages (67.2 per cent and 63.3 per cent respectively). The number of medium sized businesses (employing between 5 and 24 staff) is proportionately lower in Helensburgh and Lomond than in the comparison areas, accounting for 23.1 per cent of total business units compared to 26.0 per cent for Argyll and Bute as a whole and 27.5 per cent for Scotland. There is a slightly bigger proportion of larger units (with 25 or more staff) in Helensburgh and Lomond than elsewhere in Argyll and Bute.

### Unemployment

In March 2008 there were 269 JSA claimants in Helensburgh and Lomond. At this time the unemployment rate in Helensburgh was 1.6 per cent, a significantly lower level than for both Argyll and Bute and Scotland (2.2 per cent and 2.3 per cent respectively).

Figure 6 illustrates the unemployment rates from March 2005 to March 2008 in Helensburgh and Lomond, Argyll and Bute as a whole and Scotland indicating that the unemployment levels in Helensburgh and Lomond has been consistently below those of the comparison areas

**Figure 6 : Unemployment rates March 2005 to March 2008**

It is worth noting however that the actual town of Helensburgh has an unemployment rate close to the Argyll and Bute average and that it is very low unemployment in the Lomond hinterland which pulls down the average for the area.

As is the case in Argyll and Bute and Scotland, the level of unemployment in Helensburgh and Lomond has declined in recent years, decreasing from 2.0 per cent in March 2005 to 1.6 per cent in March 2008.

A summary of the changes in long-term unemployment (claiming unemployment benefits for six months or more) over the three year period are given in Table 3.

**Table 3 : Long-term unemployment March 2005-March 2008**

Long-term unemployment March 2005-March 2008				
Date	Helensburgh and Lomond		Argyll and Bute	Scotland
	No. unemployed long term	% of total unemployed	% of total unemployed	% of total unemployed
March 2005	115	33.3	35.7	30.0
March 2006	115	31.5	32.9	30.2
March 2007	100	29.9	33.5	31.2
March 2008	70	25.9	29.2	25.9

Source: ONS claimant count

In March 2008 there were 70 claimants unemployed long-term in Helensburgh and Lomond accounting for 25.9 per cent of all claimants. This is a lower proportion than for Argyll and Bute as a whole (29.2 per cent). The long-term unemployment rate in Helensburgh and Lomond fell by 39 per cent during this time period; this value is greater than the decline in Argyll and Bute as a whole (33 per cent decline) and greater than the decline experienced at Scottish level (30 per cent decline).

## Working Paper 2: Helensburgh Property Market and Retail Review – Smiths Gore and Cogentsi

### Town centre retail offering

A recent report Colliers CRE<sup>1</sup> for Helensburgh Partnership identified 264 retail units:

Type of retail unit	Number of units	% of total units	National average <sup>2</sup>	Average unit size (ft <sup>2</sup> )
Convenience	23	9%	7%	2,695
Comparison	83	31%	32%	1,653
Service	116	44%	43%	1,926
Vacant <sup>3</sup>	21	8%	9%	882
Other	21	8%	9%	-
<b>TOTAL</b>	<b>264</b>	<b>100%</b>	<b>100%</b>	

The proportions of different types of retail units and their sizes are similar to many towns in the UK. The proportion of vacant units in a town can be used when assessing the vitality and viability of a town centre; Helensburgh's rate of 8% is below the national average and so does not raise any concerns. Colliers CRE also assessed the attractiveness of Helensburgh's retail units; 18 (76%) of the 23 vacant units were rated as unattractive or poor quality, which is not conducive to attracting new tenants.

Figure 7 shows how the occupied retail units in Helensburgh are split into three different types: comparison (mainly non-food, such as clothes, shoes, electrical goods etc); convenience (mainly food and drink retailers plus newsagents and retailers of non-durable household products) and services (such as banks).

Figure 7 shows that the proportion of convenience retail units in Helensburgh is significantly lower than for the UK as a whole (12 per cent compared to 19 per cent). In addition a much larger proportion of the retail units in Helensburgh are used for services, more than one third.

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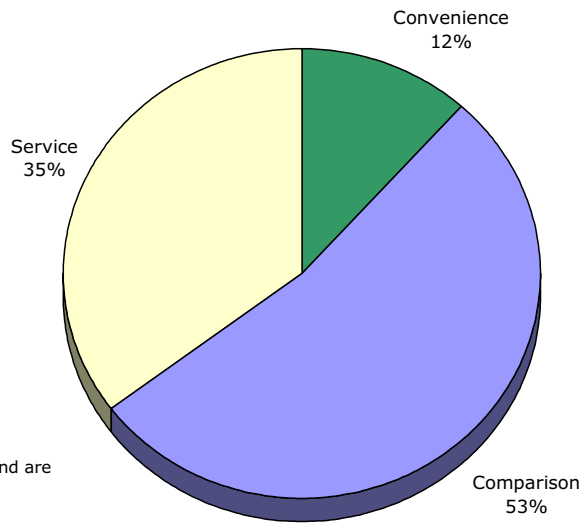
<sup>1</sup> Colliers CRE. Helensburgh Retail Study, for the Helensburgh Partnership. July 2007.

<sup>2</sup> Source: Experian GOAD

<sup>3</sup> Vacant units as at 14 June 2007, including units currently being refurbished

**Figure 7 : Number of occupied retail units in Helensburgh**

Number of occupied retail units in Helensburgh

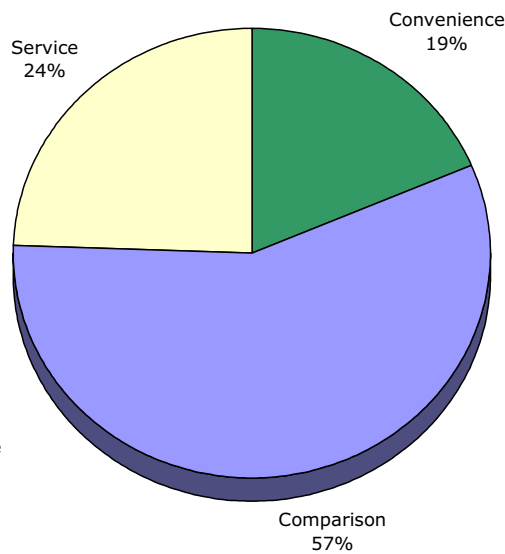


Figures exclude vacant units and are correct as at March 2007

Source: Goad Centre Report  
Ref: Z/P218/GoadRetailData.xls/NumofUnitsHelensbu

**Figure 8 : Number of occupied retail units in the UK**

Number of occupied retail units in the UK



Figures exclude vacant units and are correct as at March 2007

Source: Goad Centre Report  
Ref: Z/P218/GoadRetailData.xls/NumofUnitsUK

The main retail streets are Sinclair Street and West Princes Street, with others such as East Clyde Street, East Princes Street, James Street, West Clyde Street having some retailing. The Co-op food store is the largest store in the town (24 000 square feet) and there are also Tesco Metro and Tesco Express stores. The closest large supermarket is in Dumbarton.

There is a wide range of multiple retailers in the town<sup>4</sup>; in comparison to similar towns, Helensburgh is in demand from national multiple retailers.

There are a number of national retailers requirements which can not be satisfied at present as there are not suitable sized units, such as Argos, Peacocks, New Look, M&S, Sainsbury's Local, Ethel Austin and the Arcadia Brands (Burton / Dorothy Perkins / Evans / Miss Selfridge / Outfit / Topshop / Top man / Wallis)<sup>5</sup>.

There are a large number of small, independent retailers in the town. Trading conditions for them are not known.

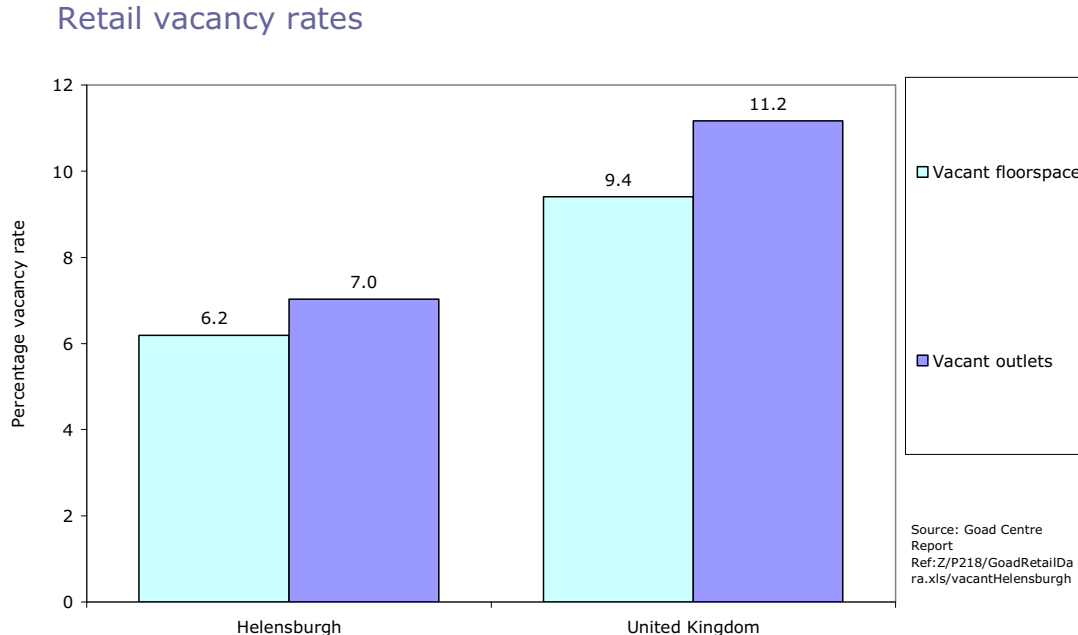
### Demand for retail space and vacant space

Currently Helensburgh and Lomond leak 50 per cent of its food expenditure and 75 per cent of its non-food expenditure, confirming there is a need for additional retail space.

There is considerable demand for retail space in the town – for large units for multiple retailers and also for small units. In April 2008, there are only three retail units available to rent in Helensburgh according to the Scottish Property Network; two are small units (760 and 803 ft<sup>2</sup>) and one larger (2,215 ft<sup>2</sup>) at £8-20 per ft<sup>26</sup>. In July 2007 the Colliers study reported 21 units vacant.

Figure 9 indicates that the retail vacancy levels in Helensburgh are below that of the UK as a whole with 7.0 per cent of outlets and 6.2 per cent of their floorspace being vacant, again supporting the idea that Helensburgh town centre has scope to expand its retail offering if additional floor space could be brought on stream.

**Figure 9 : Retail vacancy rates**



<sup>4</sup> Multiple retailers at July 2007 included: Abbey National, Aga Shop, Arnold Clark, Bar Buddha, Blacks, Bookworms, Boots, Cancer Research, Clinton Cards, Clydesdale Bank, Co-Op, Cost Cutter, Edward Jones, Farmfoods, Greggs, Haddows, Happit, HBOS, Johnsons, Lloyds TSB, M&Co, Moshulu, Moss Pharmacy, Natural Choice, News Plus, Oddbins, Oxfam, Partners Hair, PDSA, RBS, RS McColl, Semi-Chem, Tesco, Thompson, Thorntons, Timpson, Victoria Wine, WHSmith, William Hill, Woolworths

<sup>5</sup> Identified by Colliers CRE.

<sup>6</sup> Scottish Property Network, searched 4 April 2008.

## Retail planning applications and inquiries

There are no major development commitments or proposals in Helensburgh<sup>7</sup>. Outline planning permission was granted for an extension to the Co-Op in 2003 but was never implemented. The former Co-op premises on West Princes Street have been refurbished and all four units are expected to be let for chemist, restaurant, and professional service uses. There are some major retail development proposals in Dumbarton, which have the potential to draw trade from Helensburgh, as does the continued improvement of Glasgow City Centre, which is the top of the retail hierarchy in the area.

There are no allocations for more shops (use class 1) in the Local Plan<sup>8</sup>. However, Helensburgh Town Centre and Waterfront has been identified in the Local Plan as an Area for Action. The nature of the action anticipated includes "To consider retail opportunities and constraints (including retail capacity study)".

## Recent retail deals

Rents for prime locations in Helensburgh, such as Sinclair Street and prime locations, are £30-35 per ft<sup>2</sup>, falling to £25 per ft<sup>2</sup> in secondary locations, such as West and East Princes Street.

The level of rent that retailers are willing to pay is an indicator of the perceived strength of a town centre. Helensburgh compares favourably with Dumbarton, Fort William, Galashiels, Kirkintilloch and Wishaw.

Recent retail units let include a 624 ft<sup>2</sup> traditional shop unit on East Princes Street and 608 ft<sup>2</sup> traditional shop unit on West King Street<sup>9</sup>.

## Future need for retail space

Colliers CRE analysed the retail capacity of the town from 2007 to 2015 based on two scenarios. The first scenario, used as a technical benchmark position, assumed that Helensburgh retains its existing share of available retail expenditure compared to its competitors. The second scenario assumed that Helensburgh could increase its share of expenditure to 50 per cent of comparison good spending and 80 per cent of convenience spending; under this scenario, an additional 60,300 ft<sup>2</sup> of comparison good space and 16,000-27,000 ft<sup>2</sup> of convenience good space is required, which equates to a small supermarket.

The report's authors state that 'the future retail offer and direction of the town is considered to be at a 'crossroads' at present", and that its future can be determined by the Council and other interested parties. They also state that a "stand still" is not an option for Helensburgh as it would continue to leak trade.

## Leisure activity

Helensburgh is well serviced by a mix of cafes, pubs, restaurants and accommodation<sup>10</sup>. These include some national multiples, such as Bar Buddha. There is a limited range of accommodation for the size of the town with a handful

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<sup>7</sup> Assessment made in July 2007 by Colliers CRE.

<sup>8</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>9</sup> Scottish Property Network records 15 undated deals at an average rent of £17 per ft<sup>2</sup> on 12,939 ft<sup>2</sup> of retail space, with an average size of 863 ft<sup>2</sup>.

<sup>10</sup> Yellow Book. Helensburgh Town Centre and Waterfront September 2004.



of hotels and a number of small bed and breakfasts. The Yellow Book report noted that, with some exceptions, the food and drink offer was poor and outdated.

The main leisure attractions in the town are:

- Charles Rennie Mackintosh's Hill House (Colquhoun Street)
- Hermitage Park for tennis, bowling and skateboarding (Sinclair Street)
- The Henry Bell Monument (West Clyde Street)
- Waverley Paddle Steamer
- Helensburgh Swimming Pool (West Clyde Street)
- Helensburgh Sailing Club
- Gardens in and around Helensburgh are open to the public, such as Geilston Garden, Cardross
- Various golf, tennis, bowling and other sports clubs

No leisure investment of note has taken place for many years and there have not been any major leisure planning applications.

The former cinema (John Street) has been redeveloped into a restaurant and bar with a proposal to develop a new cinema, but the status of this project is unknown. An amusement park at was granted permission on West Clyde Street in 2001-2003.

Three sites are allocated for community or leisure uses in the Local Plan:

**Table 4 Community facilities and recreation allocations**

<b>Community facilities and recreation allocations – Helensburgh and Lomond<sup>11</sup></b>		
<b>Location</b>	<b>Use</b>	<b>Area (ha)</b>
Red Burn	New Hermitage Academy plus sports provision; this site will retain its greenbelt designation if this is not built	5.8
Rear of Victoria Halls	Community centre	0.1
Kirkmichael	Community facility	0.44

The Helensburgh Partnership commissioned a study by Creevy LLH into the market for Leisure and Hotels in the Helensburgh area. This report concluded that there is extensive private food and beverage provision but limited national operators. The existing provision appears to be below what they would have anticipated for a town the size of Helensburgh. There are also no branded hotel operators, the largest existing operators being the Commodore Hotel (43 bedrooms) and the Rosslea Hall Hotel (28 bedrooms). There is high quality hotel accommodation at Loch Lomond.

Creevy LLH considers that market demand exists for up to 20,000 sq ft (1,858 sq m) of additional branded food and beverage operations but only within new space. A number of specific operators have requirements for Helensburgh including Costa, Di Maggio's, Subway, Laurel Pub Company, Spirit Group, Burger King, Frankie & Benny's and Gondola (Ask, Zizzi, Pizza Express).

<sup>11</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

The report also indicates that there could be demand for a boutique hotel together with a budget hotel in or on the edge of town.

### Office market

The office market is centred around Colquhoun Street and Colquhoun Square; other offices are on East Princes Street, West Princes Street, Sinclair Street, East Argyle Street, West Argyle Street and King Street. The offices are mostly occupied by professional firms. Many have ground floor retail frontage with office suites above. The majority are traditional buildings rather than modern offices.

The Council has eight offices in the town, at Blairvadach House, John Street, East King Street, West King Street, West Princes Street, Sinclair Street, Lomond Street and East Clyde Street, totalling 39,870 ft<sup>2</sup>. There is a proposal to consolidate all the Council's operations into a single new building in the town centre, releasing the other offices it owns.

There are no recent office sales recorded for the town in the Scottish Property Network and very few grants of new leases<sup>12</sup>. This is not to say that none have occurred as like many sources, the SPN does not give the complete picture. An undated lease of an office on East King Street was for 1,101 ft<sup>2</sup> at £12 per ft<sup>2</sup>. Most offices appear to offer small amounts of space in traditional office premises (1,902 ft<sup>2</sup> from Scottish Property Network archive search (3 transactions)). This corroborates Ryden's view that supply of offices is low, sometimes zero, and that demand can't be met due to lack of suitable office space<sup>13</sup>.

There is one site allocated for business use in the Local Plan which is at Craigendoran, which is at the edge of town, which totals 3.5 hectares net<sup>14</sup>.

### The residential market

The Helensburgh housing market is active and values have been rising over recent years. Average house prices (see Table 5) are well above the national average, and rose by more than average in 2007. These figures must, however, be treated with a degree of caution as a number of very high house prices distort the overall figures.

**Table 5 Average house prices**

Average house prices (£) <sup>15</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Helensburgh	£154,259	£156,010	£179,788	1%	15%
Scotland	£117,179	£129,575	£144,807	11%	12%

The number of houses sold in Helensburgh fell 8 per cent in 2007, compared to a rise of 2 per cent in Scotland, but it is still around 2005 levels.

<sup>12</sup> Scottish Property Network; searched 4 April 2008.

<sup>13</sup> Yellow Book. Helensburgh Town Centre and Waterfront September 2004.

<sup>14</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>15</sup> Registers of Scotland; data for April 2005 to April 2008.

**Table 6 House sales volumes**

House sales volumes <sup>16</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Helensburgh	467	479	442	3%	-8%
Scotland	125,523	133,174	136,106	6%	2%

Data from HBOS suggests greater increases in Helensburgh house prices than the Registers of Scotland data, but reinforces their upwards trend:

**Table 7 Average house sales**

Average house prices (£) <sup>17</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Helensburgh	£165,116	£190,005	£206,886	15%	9%

There is pressure on the housing supply of Helensburgh as the increase in housing stock of 2% between 1991 and 2001 has not matched the 3% growth in household formation. Average house prices in the town are the highest in Argyll and Bute, fuelled by in-migrants who see the area as attractive to live in. The Council has identified a requirement for 30-40 new private houses and 50 new social rented units to be built annually between 2004 and 2009<sup>18</sup>. However, there is very little land available for housing, particularly affordable housing. The Council has recognised that it needs to develop a realistic affordable housing policy.

No significant planning applications have been submitted for housing in Helensburgh in recent years. There was an application to erect eight houses at Empress Drive in 2005.

There was an unused Local Plan allocation of land for housing of 386 units in August 2001, and 309 units at August 2002. The Council has assumed, through the Local Plan, that this land will meet much of the demand for new housing in Helensburgh and Lomond to 2007:

**Table 8 Housing allocations**

Housing allocations – Helensburgh and Lomond <sup>19</sup>			
Location	Use	Number of units	Affordability minimum %
Clyner / Rosneath - Silverhills	Housing	10	25%
Garelochhead – Station Road	Housing	24	0%
Garelochhead – Smithfield	Housing	8	25%

<sup>16</sup> Registers of Scotland; data for April 2005 to April 2008

<sup>17</sup> Halifax Bank of Scotland (HBOS), post town's average house prices, downloaded 4 April 2008.

<sup>18</sup> Argyll and Bute Council. Local Housing Strategy 2004-2009. February 2005.

<sup>19</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

Garelochhead – Feorlin Breck	Housing	14	100%
Helensburgh – Kirkmichael	Housing	30	100%
Helensburgh – The Hermitage (but may revert to school and sport field use)	Housing	160	25%
Kilcreggan – Meikle Aiden North	Housing	4	0%
Rhu – Aros Road	Housing	30	25%
Shandon - Blairvadach	Housing	28	0%
TOTAL		308	

### Areas for action identified in the Local Plan

Areas for action are areas which, subject to resource availability during the plan period, will be the focus for partnership or community action. For Helensburgh and Lomond they are:

**Table 9 Areas for actions**

<b>Areas for action – Helensburgh and Lomond</b>
Helensburgh – waterfront; strategic; regenerate and enhancement.
Helensburgh - town centre; strategic; regenerate and enhancement.
Helensburgh – Rosneath Bay; strategic; regenerate and improving accessibility.
Helensburgh – Craigendoran; local; recreation/tourist development.
Helensburgh Reservoirs; local; enhancement/redevelopment of redundant reservoirs.

The Areas for Action for Helensburgh Waterfront and Helensburgh Town Centre list a number of target actions. These include considering opportunities for waterfront enhancement and the relationship of this area with “people movement plans” for the waterfront and considering retail opportunities and constraints (including retail capacity), townscape enhancement opportunities and traffic management, parking and access arrangements for the town centre.

## Working Paper 3: DREAM@people demographic analysis and projections for Helensburgh, Lomond and Argyll and Bute – Cogentsi

Considerable attention has been paid to the trends in population, because most CHORD projects aim to make Argyll and Bute a more attractive place to live and work, and thus to bend such trends.

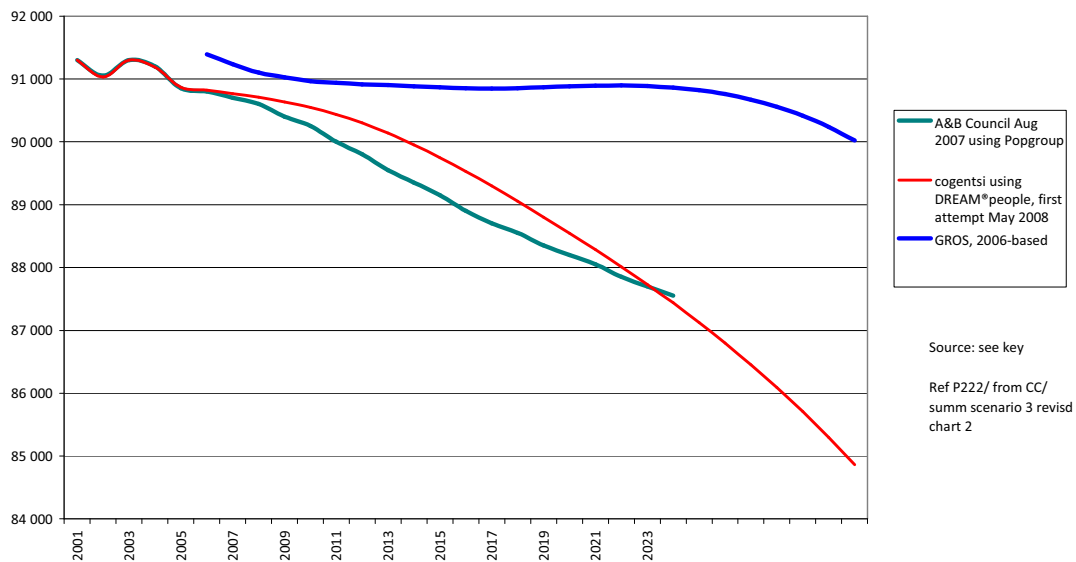
Chris Carr, the Council’s Research and Information Officer, produced the Council’s own projections in August 2007, based on midyear estimates made by the General Register Office (GROS) for mid 2005. This showed the regional population declining slowly from 91 350 to 87 550 in 2024. It was broken down into five areas, but not to the level of the towns which are the subject of the CHORD studies.

The consultants, cogentsi, have used their own model, DREAM@people, to generate town projections based on 2006 mid year estimates from GROS. In order to calibrate these projections they allowed the model to project for the whole of Argyll and Bute. The end result, a total population of 87 375 in 2024 is virtually identical to the A&B Council projections.

GROS itself prepared a projection published in January, based on rather higher birth rates and lower death rates, and substantially higher retention of young people. This resulted in a higher and more stable population, but eventually in a decline at an accelerating rate.

**Figure 10 Population projections**

Population projections - Argyll and Bute Council Area



While the Council’s and cogentsi’s forecasts differ little in total, there are differences in the forecast structure of the population. These arise because the models used for projection, while mathematically very similar indeed, differ slightly in the way that migration assumptions are input and are treated. Using a model Popgroup, the council made a single constant level net migration assumption of 241 net in migrants per year, and a single fixed assumption about the age of these migrants. Using DREAM@people, cogentsi assumed constant

percentage rates of net migration for five different age groups, based on recent experience.

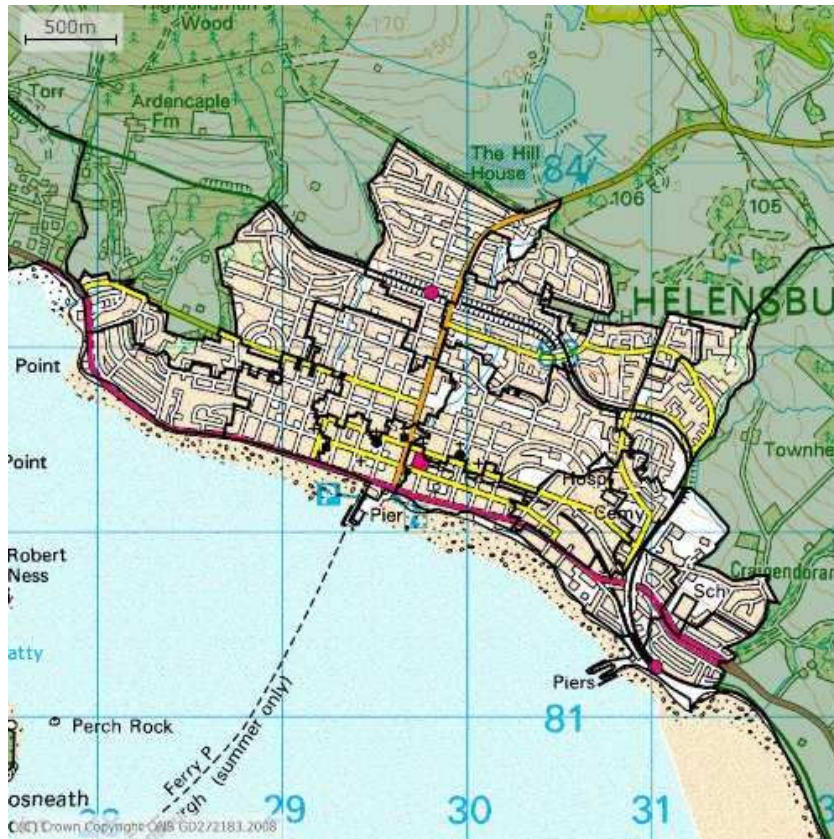
The cogentsi forecast for the whole of Argyll and Bute features out migration of young people (from 16 up to 33) and in migration of all other age groups. The consequence is a slightly more rapidly ageing population. Notably the number of people of childbearing age is projected to fall, so that by the later years of the projection the number of births is much lower in the cogentsi forecast, and this causes the rate of population decline to accelerate.

The differences between the three projections for Argyll and Bute are not negligible, but the differences between different parts of Argyll and Bute are much larger. These differences are primarily the consequences of different structures and trends, and the differences between areas are likely to remain broadly the same whichever model is used.

### *Helensburgh demographics*

Helensburgh town (defined as the twenty Data Zones shown in Figure 11, numbered S01000762-784) had a 2006 population of 7199 females and 6772 males<sup>20</sup>, a total of 13971.

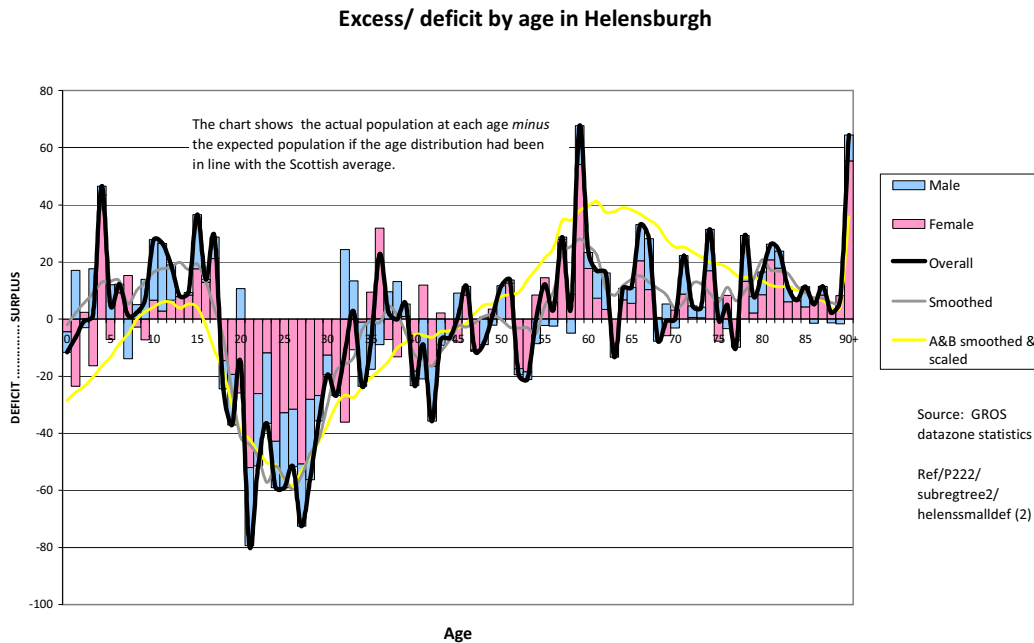
**Figure 11 : Map of Helensburgh**



<sup>20</sup> Numbers are quoted precisely here because of their use in later calculation. They should not be considered reliable more closely than the nearest 50.

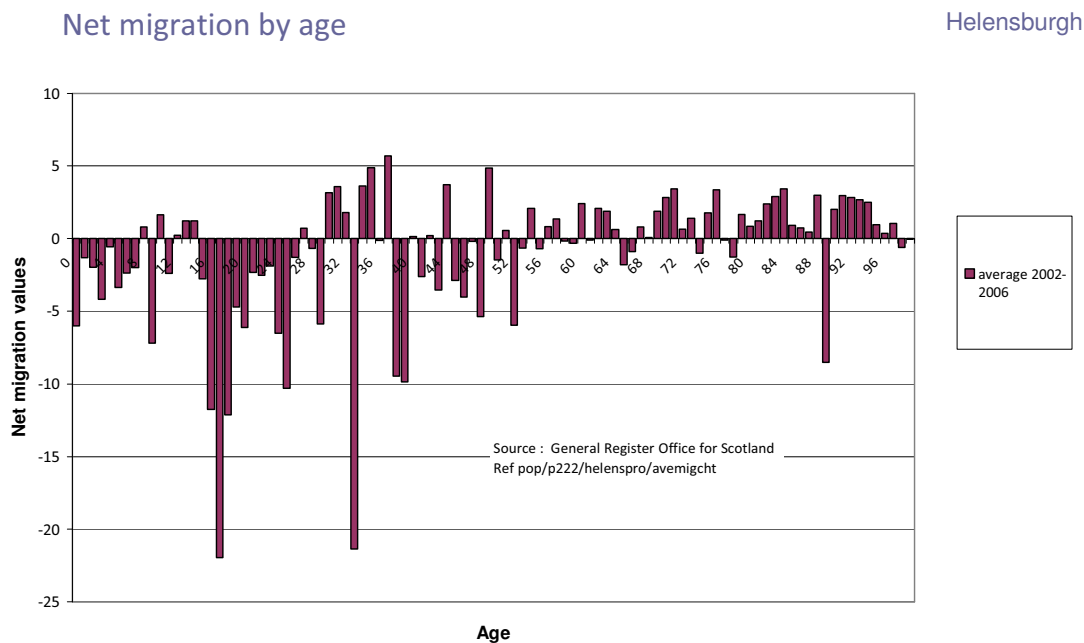
Helensburgh has slightly more people aged under 45 and slightly fewer aged over 60 than Argyll and Bute as a whole but generally the Helensburgh population distribution is similar to the Argyll and Bute average (see Figure 12).

**Figure 12 Comparative population structure**



This pattern has been created by shifts in birth and death rates, where Helensburgh has broadly mirrored the national experience, and by the ages of people moving to and from Helensburgh. The recent age pattern of net migration to and from Helensburgh is as follows:

**Figure 13 Migration by age**



There has been significant out-migration in the population of Helensburgh aged under 52. The largest migration occurs within the 16 to 25 age group which lost

around 80 people on average each year between 2002 and 2006. The migration in this age group can partly be accounted to young people leaving to pursue higher and further education. However there is also net out-migration of adults up to their early fifties, and young children with them. All in all Helensburgh suffers a net loss of about 150 people under 52 per year.

In contrast, there is consistent in-migration in the over 52 age group. This migration is largely in the retired community with an average of 35 people aged over 65 moving to the area each year.

Consequently net out-migration has averaged about 105 per year, adding up all age groups.

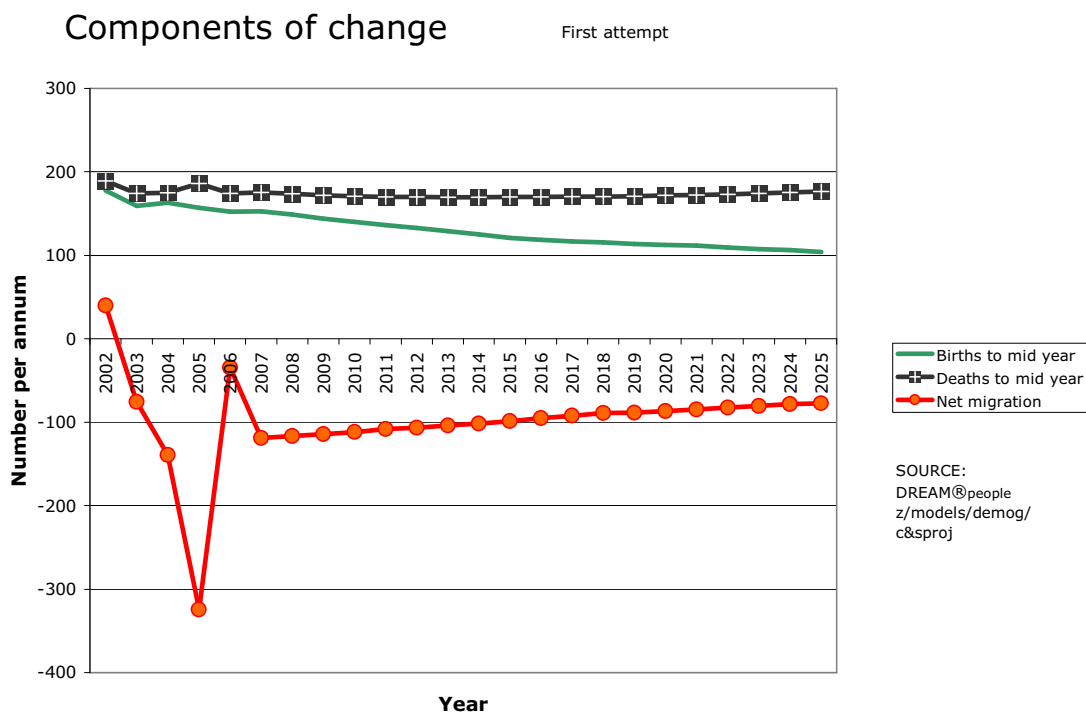
Births are currently running at around 160 per year. This is lower than the death rate which is currently running at around 180 per year.

Thus the population as a whole is declining annually by about 120 people, about 0.9 per cent, per year. This compares with an Argyll and Bute decline of 0.3 per cent.

*Projections*

The main components of population change are projected in Figure 14:

**Figure 14 Components of population change**



It can be seen that continuing trends, but no controversial shifts, are included for either birth rates or death rates. In general however, the number of deaths is expected to stay reasonably constant, because while the number of old people is increasing there is a tendency to survive longer. The number of births is projected to almost halve between 2002 and 2025.

However net migration is erratic from year to year and so no great certainty can be claimed.



Translating this into the effect on the individual age groups, as shown in Figure 15, shows that there will be a significant decline in the working age, student age and school age populations, which are expected to half in size by 2051. A major factor in this decline is the level of outward migration of people of child bearing age in Helensburgh. In contrast, the retired population is likely to increase, both due to an ageing population and because of the inward migration of older age groups.

**Figure 15 Future age group trends**

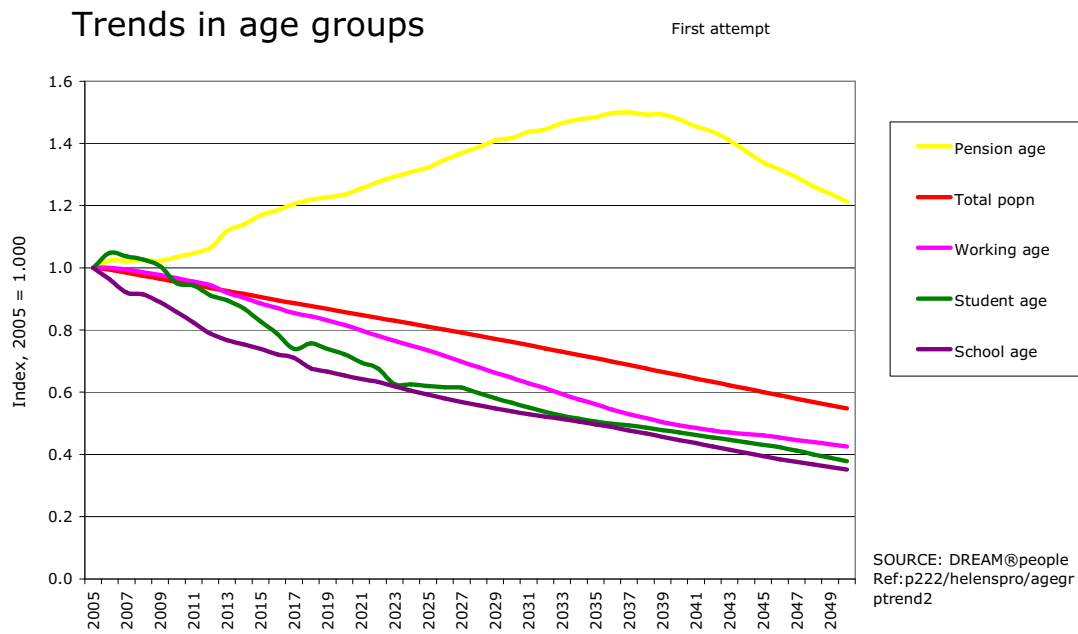
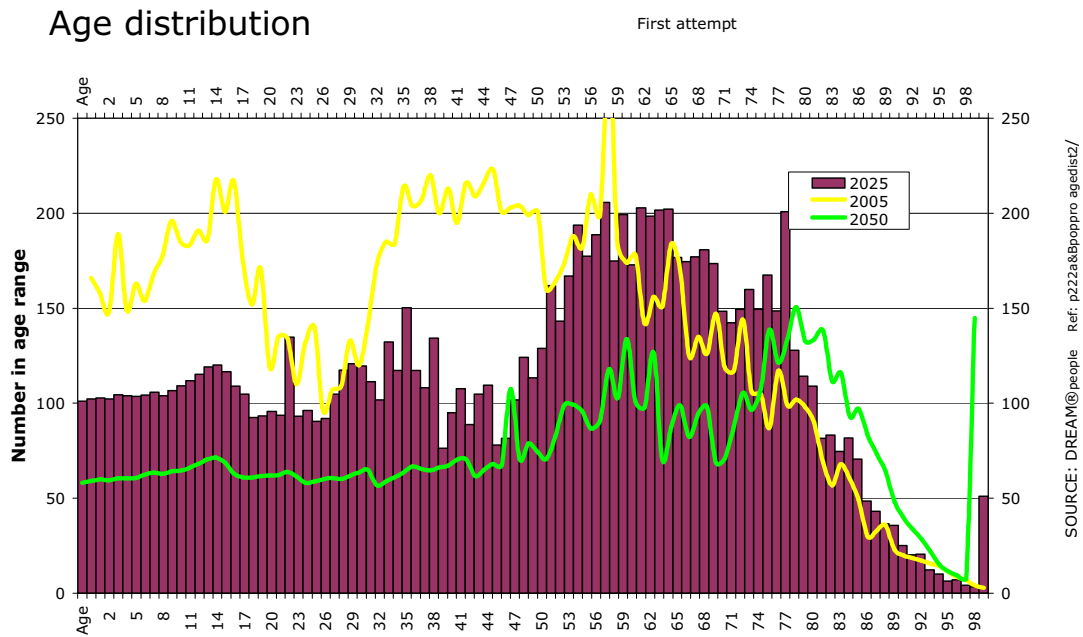


Figure 16 projects how the age distribution of Helensburgh’s population will change between now and 2050. It shows a move towards an older population, with fewer people of working age and a larger retired population. This is shown by the difference between the yellow line and the purple bars. It emphasises that the population decline is concentrated amongst the young. In addition, if the trend continues further into the future (illustrated by the green line) there will be a larger deficit between the size of the working age population and the retired community.

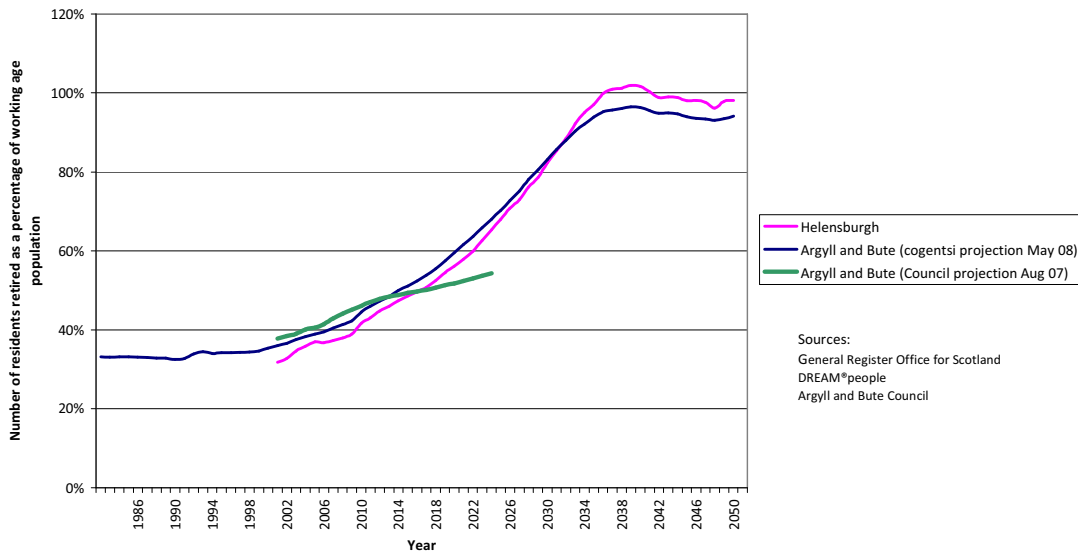
**Figure 16 Age distribution**



The ratio of people past retirement age (taking current conventions) to those aged between 18 and retirement is sometimes referred to as a 'dependency' ratio. Currently, at less than 40 per cent, this ratio is lower in Helensburgh than for Argyll and Bute as a whole. However it is set to rise to more than 100 per cent by 2036 to give Helensburgh a dependency ratio slightly above the Argyll and Bute average.

**Figure 17 Elderly dependency ratios**

Ratio of people over pension age to those aged 18-pension age\*



It would be hard to overstate the importance of this demographic trend as an issue requiring attention.

To ensure these forecasts can be reduced, or at least delay the level of dependency Argyll and Bute should adopt policies to attract more young people to live and work in the Helensburgh.

## Working Paper 4: Project Description – Town Centre

### *Short description, including location details*

This project involves the development of a comprehensive traffic management scheme centred on Colquhoun Square within Helensburgh town centre, as well as Sinclair Street, West Clyde Street, Colquhoun Street and West Princes Street. This project is based on the findings of a study by JMP Consulting in 2007 which sets out the various objectives and scope of the work. Specifically the project seeks to provide a shared vehicle and pedestrian surface within parts of the core shopping area, such as West Princes Street, to improve the quality of the shopping experience for pedestrians. It will also create public space for events, such as markets, theatrical and other performances and festivals.

Through the creation of wider footpaths cafes and restaurants will be able to provide seating outside, thereby encouraging the development of a café culture.

The shared space model will help remove some of the barriers to crossing the busy roads within the town centre and, through suitable signage on the approach, reduce the traffic through the town centre and recommend alternative through routes. The project also incorporates an improved parking regime including pay on-street parking, as well as improved cycling facilities. It could help to address parking provision lost due to the development of the pier site.

Associated with the overall traffic management of the town is a proposal to examine the feasibility of a park and ride scheme for Helensburgh. Currently around 100 spaces on the upper floor of a two storey building on a site next to Helensburgh Central Station, are occupied by the cars of people who merely catch the train to Glasgow during the day. The project proposes an Options appraisal of a park and ride scheme on derelict land at Craighendoran on the eastern outskirts of the town which would encourage people to catch the train there, thereby freeing up town centre parking spaces.

### **Rationale**

#### **What is the purpose of the project?**

The JMP study identified a number of specific objectives:

- 1) To encourage appropriate land use and achieve a good balance between the needs of the various users and residents of Helensburgh.
- 2) To improve parking management within the town.
- 3) To improve the pedestrian environment within the core shopping area.
- 4) Improve linkages between the waterfront and town centre.
- 5) Improve cycling facilities within Helensburgh.
- 6) Improve public transport provision and integration.
- 7) Reduce unnecessary through traffic through the town centre while encouraging shoppers and tourists to stop.

#### **What people or businesses will be able to receive benefit from this project?**

- 1) Local shopkeepers
- 2) Café/restaurant owners

- 3) Local residents and community groups
- 4) Day visitors and tourists
- 5) Commuters

**What will be the nature of the benefit?**

- 1) Shop keepers – less emphasis on traffic makes town centre shopping more attractive, hence increasing customer footfall.
- 2) Cafe and restaurant owners – a more pleasant environment resulting in the development of a pavement café culture within Helensburgh, both during the day (shoppers and browsers) and into the evening (diners)
- 3) Local residents and community groups – the project includes the development of a number of performance spaces within the town centre which may be used for a variety of uses, e.g. farmers markets.
- 4) Day visitors and tourists– the opportunity to visit a more attractive, lively and safe town centre environment.
- 5) Commuters – The study to consider options for the park and ride facilities raises the prospects of future travel improvements for commuters.

In addition the local authority is expected to benefit from reduced expenditure on roads maintenance in the town centre. Current maintenance costs of £28 000 are predicted to fall to £8 000, producing a benefit in terms of a saving in revenue expenditure of £178 000.

**Over what time scale?**

It is envisaged that the work will be carried out over a time scale from the second quarter of 2008 to the third quarter of 2012.

However, there is the possibility to reduce this timescale, to around two years, if the necessary funding is in place. This could have the effect of reducing costs and reducing the period of disruption to local residents and shop keepers, as well as developing the benefits more quickly.

**How many are expected to take up the opportunity/ be affected/, and to what extent?**

Café /restaurant owners - 60 per cent to 80 per cent of café, restaurant and bar owners have indicated that they will take up the opportunity to have seating on the widened pavements. In other areas where such a development has taken place the operators have benefited from increased revenues.

Local shop keepers – Once the work is completed it is expected that all shops within the town centre will benefit from increased footfall, particularly those in the project area. During the development phase some shops will experience disruption although contractors will be expected to work closely with the trade to minimise this.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

The JMP report suggests physical infrastructure benefits as follows:

- Breakout black top to pavements covering 8520 square metres

- Concrete block paving covering 25, 129 square metres,
- Alterations to kerbs of 2770 metres; plus
- Drainage and signage both for traffic signalling and for other works.

In a more general sense the potential beneficiaries of such a development can be detailed as:

The number of retail businesses in the town is 264 (source Colliers)

Local residents total 13,971 (2006) with a total of 25,852 including Lomond

Visitor numbers: Visitors nights: 96,767. Visiting Friends and Relatives: 94,281 and day trips: 162,744 (*see SWQ report for £ benefits*)

## Options

### **Are there other ways these benefits could be made available?**

This project is a public realm works with limited or no opportunities for direct revenue generation which would be attractive to a private company. It is unlikely that these benefits would be provided through other means, for example as part of a private development, since the works proposed cover the whole town centre and hence any work in a particular block would be limited to that area.

There are limited revenue flows from these works relating to parking charges, which could help pay for some elements of the work.

### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

This is not particularly applicable to this project as no buildings are involved and the existing roadways and pavement areas would be maintained.

### **What will happen if nothing at all is done?**

Current indications are that Helensburgh experiences a substantial leakage of retail spend to other towns, particularly Dumbarton. The retail study for Helensburgh Partnership suggests a total of 50 per cent of food and 75 per cent of non food purchases are made outside the town, equivalent to £70 mn per annum. This would be likely to continue in the future without action to improve the townscape. Currently the town centre contains a mix of chain stores and some independent shops, a number of which are trading successfully, but many which look as if they are struggling to survive. Goad statistics suggest that Helensburgh has a much lower level of retail floor space per head of population than other towns in Argyll and Bute, suggesting that if leakage could be reduce then there is scope for the local population to support an expanded retail floor space.

## Resources

### **What specific fixed assets will be used? (and who owns them?)**

The main areas of the proposed scheme are all within existing road boundaries. As such Argyll & Bute Council would be able to carry out proposed works without any issues over ownership. However, for maximum downstream economic benefits from the work there are a number of land ownership issues which would need to be addressed in the fullness of time for the development of the town, but they would not have any direct impact on the initial advancement of this scheme.

A number of the key sites are owned outright by Argyll and Bute Council of the local authority have a stake in the ownership and hence would have an influential role in future development of them.

It is predicted that Traffic Management proposals will in fact help accelerate addressing the ownership areas as investors will be attracted to area and enter into dialogue with owners whose current use/business is inappropriate for a town centre location.

**What new assets must be purchased or otherwise brought into use?**

The scheme simply uses existing assets, in terms of road infrastructure etc, and new additional assets would therefore not be required.

**What human resources will be used?**

No particular human resources would be used other than in the construction phase.

**What ongoing resources will be used?**

There will be some ongoing maintenance, although it is envisaged that this will be lower than the current expenditure of £25,800 per annum spent on Helensburgh town centre road works as detailed in the JMP report. This will drop to £8,000 per annum, saving £17,800 per annum over the first ten years.

**What capital funds are required from the Council and others?**

The share use project costs are detailed as follows:

The site works including block paving, work to pavement, kerbing, traffic islands and signage total £2.4 million.

Inclusions of other contingencies and professional fees take the total cost to £3.26 million.

It is not envisaged that any of these funds could be obtained from alternative sources.

The feasibility study for the park and ride scheme is projected to cost £50 000.

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

The JMP report identifies maintenance costs for road works within the town centre averaging £25 800 per annum. It is likely that this cost will drop in the future as a result of higher quality materials being used in the development to around £8 000 per annum. Over a ten year period this will create savings of around £129 000. It is also envisaged that there will be additional costs to maintain parking control within the town. This could be covered by the increased revenue to the Council that the parking control system will bring, in a worst case scenario. There is every possibility it could become a revenue positive scheme.

**Additional comments/notes on continuing viability/sustainability.**

There are likely to be limited ongoing costs in terms of routine maintenance only. However these are likely to be much lower than the current maintenance expenditure of £25 800 per annum and could result in savings of £178,000 in ten years.

**What commitments have already been made (by the Council or other parties) and to whom?**

None to date.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

It is always involved.

**Timing**

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

The JMP report sets out the timescale of the work starting with the appointment of consultants in the second quarter of 2008, with the design work being completed by the end of 2008. Planning permission would be sought and preparations made for the traffic order in early 2009 with the esplanade work, as detailed under a separate project, being completed before the works for the traffic management. The parking implementation would take place in the second quarter of 2010 with traffic management being completed in the third quarter of 2010 under phase 1, the third quarter of 2011 under phase 2 and the third quarter of 2012 under phase 3.

However, there is scope for reducing to time for completion to around 2 years in total if the necessary funding is in place from the outset.

**Are there any external constraints on either commencement or completion of the project?**

None.

**Strategic fit and externalities**

**How does the project impact on the Council's statutory obligations?**

The proposals fit with Argyll and Bute Transport Strategy. Action I 0.3 states an objective to 'improve traffic management throughout the network'.

**What are the relevant parts of the local plan and how does the project fit?**

Based on modified finalised draft local plan, June 2006:

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."

"3 Economic proposals – To undertake a town centre and waterfront strategy and action plan to assist in the regeneration of Helensburgh"

**What are the relevant parts of the structure plan and how does the project fit?**

From Argyll and Bute Structure Plan 2002:



2.16 Strategic issues 5: "Pursue an action programme for regenerating and enhancing the Helensburgh town centre and waterfront areas"

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Environment: the scheme would propose to provide a more pleasing town centre environment with less emphasis on traffic and more on individual people.

Economy: the scheme would seek to boost the economic performance of Helensburgh town centre through increased flows of shoppers to the area and the opportunities for events to take place within the town. The corporate plan includes a specific reference to the development of pavement café culture, which would be a central objective of this project.

**How does the project align with the Government's stated objectives of Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

Wealthier and fairer – it would be part of a project to encourage economic development within the town centre

Smarter – N/A

Healthier – By encouraging walking with in the town centre and cycle friendly transport the scheme could help to improve the health of the local population.

Safer and stronger – The project would seek to reduce the danger from traffic and pedestrian accidents within the town. In addition, by increasing the usage of the town centre at all times of the day and particularly in the evening s could help to reduce vandalism.

Greener – Encouraging cycling rather than car use and reducing the number of cars travelling outside the town to access shopping facilities can help to reduce emissions. Greater use of the train may also help.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

It is part of a scheme by the Scottish Government and Argyll & Bute Council to promote town centre regeneration. The project is also backed by a range of interested in parties in Helensburgh who see it as an important element of the town centre regeneration.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

All projects as proposed by the Helensburgh bid have a degree of integration. This project seeks to complement the development of the esplanade and in turn Kidston Park development. In addition, the proposed development of a park and ride facility to the east of the town around Craigendoran will help to free up parking provision currently used by commuters around the station/Co-op, thereby improving parking provision for town centre shoppers.

**Could the Council have partners in this project and what commitment could be expected of them?**

Given the nature of the project, it is unlikely that there would be commercial partners interested since it is not specifically linked to a development gain situation. Instead the project is seen as a facilitation of future development within the town centre and as a pre-requisite to this.

It is hoped that Strathclyde Partnership for transport would be a partner in the park and ride feasibility study and initial discussions have been very positive with further meetings proposed.

## **Management and monitoring**

### **What formal appraisal steps will be required, by whom and when?**

The final scheme will require to be signed off by Helensburgh Partnership Board and Argyll & Bute Council i.e. Final Business Case.

### **What procedures are required to manage the project?**

There are two specific requirements for the project to proceed. Firstly, planning permission will need to be sought for the proposed changes and secondly a traffic regulation order would need to be sought. These are detailed in the pre-development programme of the works.

In terms of ensuring the project is delivered on time and to budget a number of procedures would be put in place:

- Monthly client/contractor meetings to review progress of works and costs etc.
- Joint client meetings with Helensburgh Partnership and Argyll and Bute Council to discuss progress.

### **Who should bear what responsibilities and how should they be answerable?**

All responsibility for the implementation of this project is likely to ultimately lie within Argyll & Bute Council, although of course the successful contractors would be responsible for the delivery of the elements under their control.

Argyll and Bute Council rather than Helensburgh Partnership are likely to be client to contract as they are able to recover VAT

### **What are the main risks to the project?**

There are substantial elements of this project which are innovative in a Scottish context, although similar shared surface schemes have been implemented in the Netherlands and parts of the UK and so there is a track record of successful implementation elsewhere.

Extensive consultations have been carried out with the community and others, such as retailers, to ensure contentment with the proposals.

Despite efforts to reduce risks in a number of ways through a detailed preparation phase, there are a number of risks which are unavoidable, but are envisaged to be low.

There are a number of road alternations that are required to allow the scheme to proceed and hence they will require the promotion of a traffic regulation order. The scheme has been developed to ensure that as many of these items are seen as necessary and hence the statutory public consultation phase is envisaged to be relatively uncontroversial.

Secondly, if planning permission for the proposed changes was rejected. Again, extensive public consultation before the planning application and refinement of the proposals seeks to minimise this risk. There should be little or no planning risk

The highest risk is seen to be the resolution of the parking control issues, for example, introduction of parking charges which may be unfavoured by the local community. However, a significant time has been allocated to allow for full consultation on this aspect.

Another risk is the cost related to service diversions, however extensive work has been undertaken to ensure a fairly high degree of certainty over these costs which have been incorporated into the overall project costs. Any minor service diversions which are necessary have been incorporated into the final prepared costs.

To mitigate against the risks of cost overruns a healthy contingency allowance has been made with the £3.26 mn budget.

**How should they be reduced?**

See above.

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

There is a detailed programme of activities for the works which the council will be able to monitor progress against and identify any slippage.

During the development monthly client/contractor meetings will be held to review progress of works and costs etc as well as joint client meetings with Helensburgh Partnership and Argyll and Bute Council to discuss progress.

**When will the Council be able to withdraw from the project and leave it to its own devices?**

Given the nature of the work the council will not be in a position to withdraw from the project, but will have an ongoing commitment to maintain the town centre streetscape.

**When will the project terminate?**

The project is projected to be complete in the third quarter of 2012 when the final phase 3 of the traffic management work will be carried out.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

The aim of the project is to help stimulate private sector interest in the town centre and as such it is unlikely to see immediate benefits. An appropriate timescale for evaluation of this project would be five years after completion of the work with a review of the size and vibrancy of the retailing and restaurant/café offering within Helensburgh and an update of the studies carried out which identified retail leakage from the town.

## Working Paper 5: Project Proforma – The Waterfront

### **Short description, including location details**

The Westbay Esplanade project covers an area from Clyde Square in the east to Kidston Park in the west and incorporates Bell Square, Buchanan Gardens, Baird Square and Kerr Square. It incorporates Clyde Street, and the current grassed area between Clyde Street and the shore front.

The project is a public realm improvement scheme as detailed in a report for the Helensburgh Partnership by Keppie in April 2008. The project will provide a range of facilities including an events / performance place, a children's play area, landscaped gardens and an informal grassed area. A year round tourist information centre and café will also be incorporated.

*This project is closely linked with the traffic management and streetscape project detailed above.*

### **Rationale**

#### **What is the purpose of the project?**

The purpose of the project is to signal that the regeneration of Helensburgh has started. Helensburgh and its esplanade are inseparable. In many ways the condition of the esplanade reflects the condition of the town. The esplanade is currently tired and outdated. It is the first place that visitors to the town experience. For local residents, the esplanade is a special place. Upgrading it will have an important effect on community morale and will go a long way to removing historical tensions between the Council and the community of Helensburgh.

#### **What people or businesses will be able to receive benefit from this project?**

Helensburgh has an estimated population in 2007 of some 15,000 with a catchment population in excess of 26,000. Potentially all of these people would experience the benefits of an upgraded esplanade and waterfront. Below are a list of key beneficiaries:

- (1) Shops and restaurants on Clyde Street
- (2) Local shoppers
- (3) The local community
- (4) Visitors / tourists

#### **What will be the nature of the benefit?**

(1) Shops and restaurants / cafes on Clyde Street – these businesses will receive direct benefits in terms of improved pedestrian facilities outside their premises and opportunities to use this space for on street tables or displays. In addition, it is envisaged that shopper footfall would be increased to the esplanade area following the works.

(2) Shoppers – the greater focus on the needs of walkers as against motorists makes for a more pleasant shopping experience and would complement the work being undertaken within the town centre shared use scheme.

(3) and (4) The local community and visitors – local residents and visitors alike will benefit from a more attractive leisure area along the esplanade as well as the various events area.

The project therefore provides a mix of social, environmental and economic benefits. The social benefits will be achieved by providing an area which is attractive for events and activities and will help to lift the morale of the town through an improved external perception. Environmental benefits will be achieved via an enhanced environment in terms of landscaped areas while economic benefits will be obtained through improved footfall of visitors and local shoppers.

### **Over what timescale?**

The Keppie report provides a breakdown of the timetable for the works, with detailed design work taking place during the remainder of 2008, the physical infrastructure work starting in June 2009 and completion by June 2010.

The benefit should be immediate in terms of town morale (social) with local people seeking something happening on the ground. The benefits to the external perception of Helensburgh should be achieved soon after the works are completed while the economic benefits would come soon after.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

In a general sense the potential beneficiaries of such a development can be detailed as:

- The number of retail businesses in the town is 264 (source Colliers)
- Local residents total 13,971 (2006) with a total of 25,852 including Lomond
- Visitor numbers: Visitors nights: 96,767. Visiting Friends and Relatives: 94,281 and day trips: 162,744 (see SWQ report for £ benefits)

### **Options**

#### **Are there others ways these benefits could be made available?**

There are no obvious ways that this scale of benefit can be achieved in Helensburgh at this point in time through alternative means as the public realm nature of the work cannot be linked with a private development.

#### **Are there other uses for the specific resources (e.g. particular buildings) that might be considered?**

The esplanade site is a prominent part of Helensburgh waterfront. Given the dimensions of the site, alternative uses other than a public realm type development are limited.

#### **What will happen if nothing is done?**

Although Helensburgh is a highly sought after location close to major centres of population, its accessibility means that its town centre needs to compete with other neighbouring towns for trade. The development of the esplanade is a key element of making Helensburgh into a 'want to visit' destination and if this is not achieved then the risk is that Helensburgh's decline will continue and probably

accelerate. Given the already considerable decrease in the population of Helensburgh and Lomond between 2001 and 2006 (4.8 per cent) then without town centre and waterfront regeneration there is the risk that the decline of the area would exacerbate any future population decline.

## **Resources**

### **What specific fixed assets will be used and who owns them?**

The fixed assets used will be the promenade and adjoining land of the Westbay Esplanade. This is owned by Argyll and Bute Council.

### **What new assets must be purchased or otherwise brought into use?**

There are no new assets that must be purchased or otherwise brought into use. The improvement scheme will need to incorporate and work around a pumping station owned by Scottish Water.

### **What human resources will be used?**

None other than the labour required to carry out the refurbishment work.

### **What ongoing resources will be used?**

There will be an ongoing requirement to maintain the grounds.

### **What capital funds are required from the Council and others?**

The capital funding required from the Council is £2.5 million for buildings, hard and soft landscaping, signage, lighting and paving. Inclusions of other contingencies and professional fees take the total cost to £3.35 million. Efforts will be made to secure match funding from various sources. Specific sources are likely to include Heritage Lottery Fund and the Big Lottery.

### **What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

No additional revenue implications envisaged. Current maintenance costs are predicted to reduce from £12 350 to £3 750 per annum due to design solutions and the selection of suitable durable materials..

### **Additional comments/notes on continuing viability/sustainability.**

It is envisaged that ongoing costs will be relatively small – as detailed above annual maintenance costs are projected to be £3 750. This equates to cost savings over 15 years of £129 000.

### **What commitments have already been made (by the Council or other parties) and to whom?**

None as far as we are aware.

### **Is the Council's corporate (not individual) political capital likely to be involved and how?**

No

## **Timing**

### **Please provide an appropriate schedule, including both any development time and timespan over which any facility will operate and over which benefits will be delivered?**

The programme in the Keppie report indicates a public consultation during May 2008 followed by a period of design work between May 2008 and the end of the calendar year. The planning permission would be submitted in December 2008, with approval envisaged by June 2008, with work starting in June 2009 and finished a year later.

**Are there any external constraints on either commencement or completion of the project?**

There are no obvious constraints apart from the usual statutory consents.

***Strategic fit and externalities***

**How does the project impact on the Council's statutory obligations?**

N/A

**What are the relevant parts of the local plan and how does the project fit?**

Based on modified finalised draft local plan, June 2006:

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."

"3 Economic proposals – To undertake a town centre and waterfront strategy and action plan to assist in the regeneration of Helensburgh"

**What are the relevant parts of the structure plan and how does the project fit?**

From Argyll and Bute Structure Plan 2002:

2.16 Strategic issues 5: "Pursue an action programme for regenerating and enhancing the Helensburgh town centre and waterfront areas"

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

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

Economy: the scheme would seek to boost the economic performance of the areas around Clyde Street and provide an enhanced linkage between the sea and Helensburgh town centre. In addition, the corporate plan makes specific reference to pavement café culture which the esplanade development would complement.

**How does the project align with the Government's stated objectives of **Wealthier and fairer** / **Smarter** / **Healthier** / **Safer and stronger** / **Greener**?**

Wealthier and fairer – this project seeks to encourage economic development within the town centre and waterfront area

Smarter – N/A

Healthier – N/A

Safer and stronger – The project would seek to reduce the danger from traffic and pedestrian accidents within the waterfront area

Greener – The project seeks to encourage walking along the esplanade area.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

The project is backed by a range of interested parties in Helensburgh who see it as an important element of the town centre and waterfront regeneration.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project).?**

All projects as proposed by the Helensburgh bid have a degree of integration. This project seeks to complement the development of Kidston Park development in particular as well as providing an attractive link between the seafront and Helensburgh town centre.

The rejuvenation works to the esplanade will be linked to traffic management improvements in the town centre and waterfront. In particular, the carriageway on West Clyde Street will be reduced to a single lane and made one way. The pavement outside the shops will be widened giving shops, cafes and restaurants the opportunity to use the space for displays, outside dining etc.

There is also scope to link to a future route that connects both east and west bays and to future improvements on the Pier Head and in the Town Centre.

**Could the Council have partners in this project and what commitment could be expected of them?**

Given the nature of the project, it is unlikely that there would be commercial partners interested since it is not specifically linked to a development gain situation. Instead the project is seen as a facilitation of future development within the town centre and waterfront and as a pre-requisite to this.

***Management and monitoring***

**What formal appraisal steps will be required, by whom and when?**

The final scheme will require to be signed off by Helensburgh Partnership Board and Argyll & Bute Council i.e. Final Business Case.

**What procedures are required to manage the project?**

There are two specific requirements for the project to proceed. Firstly, planning permission will need to be sought for the proposed changes and secondly a traffic regulation order would need to be sought. These are detailed in the pre-development programme of the works.

In terms of ensuring the project is delivered on time and to budget a number of procedures would be put in place:

- Monthly client/contractor meetings to review progress of works and costs etc.
- Joint client meetings with Helensburgh Partnership and Argyll and Bute Council to discuss progress.

**Who should bear what responsibilities and how should they be answerable?**



All responsibility for the implementation of this project is likely to ultimately lie within Argyll & Bute council, although of course the successful contractors would be responsible for the delivery of the elements under their control.

**What are the main risks to the project?**

Delays or problems in finding a suitable site for to relocate of the Scottish Water pumping shed . If relocation not possible then consultants have stated the pumping station could be creatively integrated within the proposed scheme.

Any additional works which may be necessary to the quay walls, although local authority officers state that the walls are currently structurally sound.

**How should they be reduced?**

The relocation of the pumping shed is desirable but not necessary for the work to progress.

A full survey of the quay walls at an early stage would confirm the current belief that the structures are sound.

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

A detailed programme of activities for the works will be drawn un which the council will be able to monitor progress against and identify any slippage.

**When will the Council be able to withdraw from the project and leave it to its own devices?**

Given the nature of the work the council with not be in a position to withdraw from the project, but will have an ongoing commitment to public realm along the seafront.

**When will the project terminate?**

The project is projected to be complete in June 2010.

**How and by what criteria should the project be evaluated? What are the right times?**

The project may bring immediate benefits in terms of additional use of the esplanade areas by strollers etc. A survey of businesses to examine the effect on their turn over after the implementation of the improvements could be used to evaluation the project.

## Working Paper 6: Project Proforma – Kidston Park

### ***Short description, including location details***

Kidston Park is located at the far west end of Helensburgh's Esplanade about a mile and a half from Sinclair Street. Jenkins and Marr, the architects who are advising the Council, describe Kidston Park as the "bookend" to the Town Centre and Waterfront improvements in Helensburgh.

The project involves the redevelopment of the existing building to provide a café, local information centre and new toilets. There is also scope to make provision for a small scale event/exhibition space. The proposals also incorporate public realm works to the Park itself including the car park, kerbs, lighting and a new roof for the bandstand.

### ***Rationale***

#### **What is the purpose of the project?**

The Kidston Park works are in many ways an extension to the Esplanade Public Realm Improvements. The Park and its buildings are tired and outdated and the upgrading works will have an important effect on the morale of residents as well as offer an additional attraction for visitors to Helensburgh.

#### **What people or businesses will be able to receive benefit from this project?**

Helensburgh has an estimated population in 2007 of some 15,000 with a catchment population in excess of 26,000. Potentially all of these people will experience the benefits of an upgraded Kidston Park. Below are the key beneficiaries:

- (1) The local community
- (2) Visitors/tourists

#### ***What will be the nature of the benefit?***

The local community and visitors will benefit from a more attractive leisure area at the east end of the esplanade as well as from the new facilities of a café, children's' play area and a small exhibition space.

The project therefore provides a mix of social, environmental and economic benefits. The social benefits will be achieved by providing an area which is attractive for leisure activities and will help lift the morale of the town. The works will signal that the rejuvenation of Helensburgh has commenced. Environmental benefits will be achieved as a result of an enhanced environment in terms of a replacement building and landscaped areas. Economic benefits will be obtained through improved footfall of residents and visitors and the use of the café facility.

#### ***Over what time scale?***

Jenkins and Marr believe that detailed design can take place during 2008 with a lottery bid submitted by the end of September. The improvement works can commence by May 2009 and be completed by the end of 2009.

The benefit should be immediate in terms of town morale (social) with local people seeing something happening on the ground. The benefits to the external

perception of Helensburgh should be achieved soon after the works are completed while the economic benefits would come soon after.

***Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)***

In a general sense the potential beneficiaries of such a development can be detailed as:

- The number of retail businesses in the town is 264 (source Colliers)
- Local residents total 13,971 (2006) with a total of 25,852 including Lomond
- Visitor numbers: Visitors nights: 96,767. Visiting Friends and Relatives: 94,281 and day trips: 162,744 (see SWQ report for £ benefits)

### **Options**

***Are there other ways these benefits could be made available?***

There are no obvious ways that this benefit can be achieved in Helensburgh at this point in time through alternative means as the public realm nature of the work cannot be tied into a private sector development. Council funding of the order of £180k-£190k has already been set aside for Kidston Park and an application will be made for lottery funds.

***Are there other uses for the specific resources (eg particular buildings) that might be considered?***

The specific resources can always be put to other uses. For example, Helensburgh needs other community facilities such as a new community hall and a new swimming pool. However, when there are limited capital funds available, it comes down to level of impact. For the amount of money required to improve Kidston Park (£800,000), little could be achieved elsewhere by alternative use of funds.

***What will happen if nothing at all is done?***

The development of Kidston park is a key element of improving the esplanade and making Helensburgh attractive for residents and visitors. Kidston Park is already in a poor condition. If nothing is done then it will continue to deteriorate and contribute to Helensburgh's decline.

### **Resources**

***What specific fixed assets will be used? (and who owns them?)***

The fixed assets used will be the park and the existing building. This is owned by Argyll and Bute Council. There is an area of land comprising the route of the old road which is owned by a third party.

***What new assets must be purchased or otherwise brought into use?***

There are no new assets that must be purchased or otherwise brought into use. The location of the existing building will need to be moved to ensure it is redeveloped on land owned by the Council.

***What human resources will be used?***

None other than the labour required to carry out the refurbishment work.

***What ongoing resources will be used?***

There will be an ongoing requirement to maintain the grounds.

***What capital funds are required from the Council and others?***

Existing Council funds of some £200 000 are already in the budget. A further £800 000 of capital funding is required from the Council and efforts will be made to secure match funding from the lottery and other sources.

***What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).***

There will be ongoing revenue costs of running the toilets and park facility – amounts to be determined.

***Additional comments/notes on continuing viability/sustainability.***

The current toilet facility at Kidston Park needs to be upgraded to meet the expectations of the public.

***What commitments have already been made (by the Council or other parties) and to whom?***

None as far as we are aware.

***Is the Council's corporate (not individual) political capital likely to be involved and how?***

No

***Timing***

***Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.***

To date the local authority has delayed submitting applications for external funding until the resolution of the ownership issues. However as detailed above it is expected that this could be addressed by moving the site of the current toilet building to allow the development to take place as soon as funding is available.

***Are there any external constraints on either commencement or completion of the project?***

The council is currently seeking to resolve an outstanding ownership matter over a piece of land within the park owned by a third party.

### *Strategic fit and externalities*

#### **How does the project impact on the Council's statutory obligations?**

N/A

#### **What are the relevant parts of the local plan and how does the project fit?**

Based on modified finalised draft local plan, June 2006:

"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."

"3 Economic proposals – To undertake a town centre and waterfront strategy and action plan to assist in the regeneration of Helensburgh"

#### **What are the relevant parts of the structure plan and how does the project fit?**

From Argyll and Bute Structure Plan 2002:

2.16 Strategic issues 5: "Pursue an action programme for regenerating and enhancing the Helensburgh town centre and waterfront areas"

#### **How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

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

#### **How does the project align with the Government's stated objectives of Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

Greener – The project seeks to encourage outside exercise and activity within the park and the esplanade area.

#### **How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

The project is seen as a complementary element of the esplanade development promoted by the Helensburgh Partnership

#### **How does this project interact with other projects (please indicate if those projects are also part of the CHORD project).?**

All projects as proposed by the Helensburgh bid have a degree of integration. This project seeks to complement the development of the esplanade area in particular by providing a focal point to the eastern end

#### **Could the Council have partners in this project and what commitment could be expected of them?**

It is proposed that funding will be sought from Heritage Lottery Fund.

### *Management and monitoring*

#### **What formal appraisal steps will be required, by whom and when?**

The final scheme will require to be signed off by Argyll & Bute Council.

#### **What procedures are required to manage the project?**

Planning permission will need to be sought for any new toilet or café facility.

In terms of ensure the project is delivered on time and to budget a number of procedures would be put in place including regular client/contractor meetings to review progress of works and costs etc.

**Who should bear what responsibilities and how should they be answerable?**

All responsibility for the implementation of this project is likely to ultimately lie within Argyll & Bute council, although of course the successful contractors would be responsible for the delivery of the elements under their control.

**What are the main risks to the project?**

If the dispute over ownership of land is not resolved it could place restrictions on how the site is developed.

Any changes to views over the site, due to, for example the construction of buildings would be likely to be raised by local residents during the planning process.

**How should they be reduced?**

Ownership – the council is seeking to resolve the ownership issue.

Objections from neighbours - To reduce the changes of objections being raised it is proposed that the new building is at the same level on the skyline as the current toilet block.

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

A detailed programme of activities for the works will be drawn up which the council will be able to monitor progress against and identify any slippage.

**When will the Council be able to withdraw from the project and leave it to its own devices?**

Given the nature of the work the council will not be in a position to withdraw from the project, but will have an ongoing commitment to public realm within the park.

**When will the project terminate?**

To be determined.

**How and by what criteria should the project be evaluated? What are the right times?**

Usage of the site could be measured before and after development.

## Working Paper 7: Conformity of Helensburgh CHORD proposals with Argyll and Bute planning policies

All of the projects in the Helensburgh Outline Business Cases have been considered by the Head of Planning at Argyll and Bute Council, Angus Gilmour who has confirmed that there are no strategic development plan or land use issues which would represent a fundamental constraint on the delivery of the list of projects associated with each of the Outline Business Cases. However individual projects will have to be the subject of planning applications which will be subject to the "due planning process" and will have to address all material planning considerations.

### Argyll and Bute Structure Plan 2002

The Argyll and Bute Structure Plan 2002 identifies two of its seven strategic issues;

*"exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transit opportunities"*

*"planning for the special edge of conurbation circumstances of the Helensburgh Area."*

Prop SI 4 requires the Local Plan to make provision for

*"Pursuing an action programme for regenerating and enhancing the Helensburgh town centre and waterfront areas."*

All of the projects in the Helensburgh OBC are therefore compliant with the Structure Plan.

### Argyll and Bute Modified Finalised Draft Local Plan June 2006

The **Argyll and Bute Modified Finalised Draft Local Plan June 2006** contains an Area For Action (AFA) 3/1 for Helensburgh town centre and waterfront AFA.

AFA 3/4 Helensburgh Craigendoran sets out actions to be taken in support of recreation/tourist development potential including opportunities for rail linkage. It does not specifically address the scope for a park and ride facility in this location but the Planning Policy Manager has clarified that in principle the Park and Ride proposal would be compatible with the aims of the AFA.

All of the projects in the Helensburgh OBC are therefore broadly compliant with the Local Plan.

### Argyll and Bute Council Corporate Plan 2007-2011 and Beyond

The Corporate Plan sets out five strategic objectives of Environment, Social Change, Economy and Organisational Development. 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".

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.

The principle of town centre and waterfront projects in Helensburgh is therefore supported by the Council's Corporate Plan.

### [Loch Lomond and the Trossachs National Park Plan 2007-2012](#)

The Loch Lomond and the Trossachs National Park Plan 2007-2012 highlights Helensburgh as being a Strategic Transport Interchange Hub for the National Park. Under Policy TR2 Improving the Transport Network, item (f) seeks to provide and facilitate opportunities for water transport on the sea lochs to access the park. Helensburgh is also highlighted as a Key Tourist Service Centre.

### [Helensburgh Town Centre and Waterfront Final Report 2004 Yellow Book](#)

This report undertaken in 2004 provides a strategy to “justify public sector investment” and “stimulate the private sector” in Helensburgh. The projects put forward for the Helensburgh Waterfront and Town Centre are drawn from this strategy.



## Working Paper 8: Conformity of Helensburgh CHORD proposals with Scottish Planning and Economic Strategies

### *Scottish Government Economic Strategy*

#### **Wealthier and Fairer**

The proposals will increase Helensburgh's place competitiveness by creating an environment which will improve businesses, investors, the community's and visitors' confidence in the area. This will be achieved through both the traffic management and esplanade proposals by creating a quality environment, for example, space for events and for food and beverage outlets to improve their offering. As a result, turnover will increase as residents and visitors will be attracted to the area and encouraged to stay longer. Increased footfall will encourage investors, which will help address the current leakage of food and non food sales which in 2007 equates to £70 million in lost expenditure. In addition, potential private sector investment of circa £85million is expected to flow downstream from the OBC investment.

Helensburgh is regarded as an affluent area but it does have pockets of deprivation i.e. Kirkmichael and Churchill that will not only benefit from the improved town centre and waterfront environment but from the creation of jobs and training opportunities that the proposed investment will bring.

#### **Smarter**

Helensburgh Partnership will engage with the Skills Development Scotland's Construction Skills Team to ensure that all capital work tender packages include opportunities for local people to be given access to training opportunities in, for example, mason pavior, general building operatives etc.

#### **Safer and Stronger**

The creation of more pedestrian space and reduced crossing areas will enhance road safety in the town. The proposals will also encourage people to stay longer in the town, which has shown to improve public safety. In essence the proposals will help the community to flourish, becoming stronger, safer places to live, offering improved opportunities for investment due to the better quality of life on offer.

#### **Greener**

Helensburgh has a rich natural and built environment within a scenic setting that is currently not being fully enjoyed or exploited due to a lack of investment, poor traffic management, access arrangements and a tired esplanade. The proposals will create events and open recreational space, improved traffic management and access arrangements that will address these problems and create the right environment for people, visitors and businesses to flourish.

### *Scottish Enterprise Strategy*

Given the current transitional arrangements with the Enterprise network strategic guidance is being drawn from the Government's Economic Strategy.

## National Planning Framework

The first National Planning Framework (NPF) was published in April 2004. It set out a strategy for Scotland's development to 2025, providing a national context for development plans and planning decisions and helped to inform the wider programmes of government, public agencies and local authorities.

The second National Planning Framework (NPF2)<sup>21</sup> develops the first and describes Scotland as it is in 2008, identifies key issues and drivers of change, sets out a vision to 2030, and identifies priorities and opportunities for different parts of the country in spatial perspectives. It contains both thematic and spatial perspectives and focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development.

It should be borne in mind that national strategies by their very nature invariably contain something for everyone. NPF1, for example, contains some advice on economic development which is relevant to all of the CHORD projects.

*As far as spatial planning is concerned, there are two main issues:*

- *ensuring that priorities for economic development are chosen in a way which takes account of the location of communities where the need for regeneration and renewal is most pressing; and*
- *once long-term commitments to economic development have been made, timely investment is needed to ensure that hard to reach groups in disadvantaged areas are put in a position to benefit from the jobs and opportunities that will be created.*

NPF1, p.90

Helensburgh does not specifically receive a mention in the NPFs. Indeed, references to the wider Argyll and Bute area are relatively few and often presented in the context of either the wider Highland area or the River Clyde corridor. There are nevertheless several aspects of the NPF and NPF2 that are of relevance in evaluating the strategic fit of the Chord projects.

## Regeneration

The NPFs are generally positive about the economic conditions and growth potential of the Argyll and Bute area as a whole<sup>22</sup>. Both NPFs emphasise that sustainable growth should benefit all parts of Scotland<sup>23</sup> and focus heavily on the role of community led regeneration. There are several references to social capital and community enterprise and empowerment.<sup>24</sup> Connectivity and environmental quality are two of the NPFs other watchwords, and attention is drawn to the need to co-ordinate infrastructure improvements with other economic investments.<sup>25</sup>

When the first NPF was written, area regeneration was delivered through 32 Social Inclusion Partnerships, one of them covering Argyll and Bute. NPF2 instead presents Urban Regeneration Companies (URCs) as the effective agents

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<sup>21</sup> <http://www.scotland.gov.uk/Resource/Doc/208174/0055210.pdf>

<sup>22</sup> NPF1 paras 10 & 40, NPF2 para 18

<sup>23</sup> NPF2 paras 148, 150 & 158

<sup>24</sup> NPF1 para 177, NPF2 para 147

<sup>25</sup> NPF1 para 88 & 177, NPF2 paras 105 & 158

of change, although none are yet identified in the A&B area<sup>26</sup>. NPF2 also points out that the Highlands and Islands are to receive EU Convergence funding whereas the Lowland and Upland parts of Scotland are covered by EU Competitiveness and Employment funding. Helensburgh falls under the latter (the only one of the five Chord towns to do so) and is also eligible for funding under the Northern Periphery programme to support cross-border co-operation with the Republic of Ireland.<sup>27</sup>

### Transport & infrastructure

Both NPF1 and NPF2 place great emphasis on improving connectivity, recognising that improvements in transport infrastructure are needed to support economic activity and "*unlock the potential of priority areas for regeneration such as the Clyde corridor*"<sup>28</sup> Both NPFs make commitments to improving road, rail and sea links across the country and beyond.<sup>29</sup> There are also references to improving connections in and across city regions in order to achieve economic benefits<sup>30</sup>, perhaps of greatest relevance to the park and ride scheme proposed for Helensburgh's.

### Quality environments, tourism and heritage regeneration

The NPFs make frequent reference to the role that environmental quality, built heritage and cultural life can play in providing a focus for regeneration, as resources that can support economic and social development, and in helping to create strong, positive community identities<sup>31</sup> The NPFs also acknowledge the contribution that tourism and leisure activities make to the economy, noting tourism's symbiotic relationship to the conservation and promotion of the historic environment as well as freshwater and marine environments.<sup>32</sup>

Both NPFs consequently call for the sustainable management of environmental resources<sup>33</sup> and Scotland's two national parks are lifted up as good examples of areas where environmental quality is being put to good effect.<sup>34</sup> 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.<sup>35</sup>

### Coastal areas and energy

The role of coastal areas is further expanded on in relation to renewable energy. The strategy map in NPF2 draws attention to the untapped potential for marine energy development on the West Coast. References are made to the key role of wind and marine power technology and locations for turbine fabrication are also

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<sup>26</sup> NPF1 para 70, NPF2 para 148

<sup>27</sup> NPF2 Map 12, NPF2 para 112

<sup>28</sup> NPF1 para 100, NPF2 para 115

<sup>29</sup> NPF1 para 101, NPF2 para 192

<sup>30</sup> NPF1 paras 103 & 105, NPF2 paras 153 & 154

<sup>31</sup> NPF1 paras 67 & 93, NPF2 paras 18, 79, 160 & 248

<sup>32</sup> NPF1 paras 40, 109 & 164, NPF2 para 21

<sup>33</sup> NPF1 paras 11, 56 & 106, NPF2 paras 79 & 146

<sup>34</sup> NPF2 para 160

<sup>35</sup> NPF1 para 158, NPF2 para 258

mentioned.<sup>36</sup> The need for accompanying grid connections is highlighted and Argyll and Bute is identified as an area where the transmission system needs to be strengthened.<sup>37</sup> NPF2's *Map18: Transmission system reinforcements* includes grid improvements west of Glasgow towards Helensburgh.

The potential impact of sea level rises on communities and business in coastal areas is also highlighted and caution urged in the siting of new development.<sup>38</sup>

### **The Clyde Corridor Spatial Perspective**

NPF1 identifies the Clyde corridor as a strategic economic development zone where co-ordinated action is required in the national interest<sup>39</sup>. This commitment is re-affirmed in NPF2 with renewed concentration on the strategic growth potential of the Clyde Waterfront and Clyde Gateway<sup>40</sup> and the identification of the Clyde corridor as a national strategic regeneration priority<sup>41</sup>. Government support is being given to a number of Urban Regeneration Companies along the Clyde Corridor, and significant regeneration activity in the form of housing and waterfront developments is taking place in Greenock and Port Glasgow under the auspices of Riverside Inverclyde Urban Regeneration Company.<sup>42</sup>

The Clyde Corridor regeneration area is primarily centred on the Glasgow conurbation, and spreads east as well as west. Helensburgh lies on the regeneration area's western fringes.

### **Synergies with the CHORD projects**

NPF support for Helensburgh's case relate primarily to the more general recommendations regarding environmental quality, preservation of the historic environment and tourism development, as well as positive statements regarding the Loch Lomond and Trossachs National Park and the Firth of Clyde. They also have better prospects when it comes to creating synergies with wider initiatives in the Clyde Corridor.

The project within Helensburgh which fits best with the objectives of the NPF is the park and ride feasibility study element of the traffic management proposal. The proposed STAG approach is consistent with NPF aims to improve connectivity across city regions. To a lesser extent the development of the Esplanade, which will lead to improvements in Helensburgh's environmental quality and improve the tourist experience of the Firth of Clyde, has synergies with the NPF objectives.

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<sup>36</sup> NPF1 para 173, NPF2 paras 162 & 187

<sup>37</sup> NPF1 para 139

<sup>38</sup> NPF2 para 87, NPF2 para 242

<sup>39</sup> NPF1 paras 107 & 151

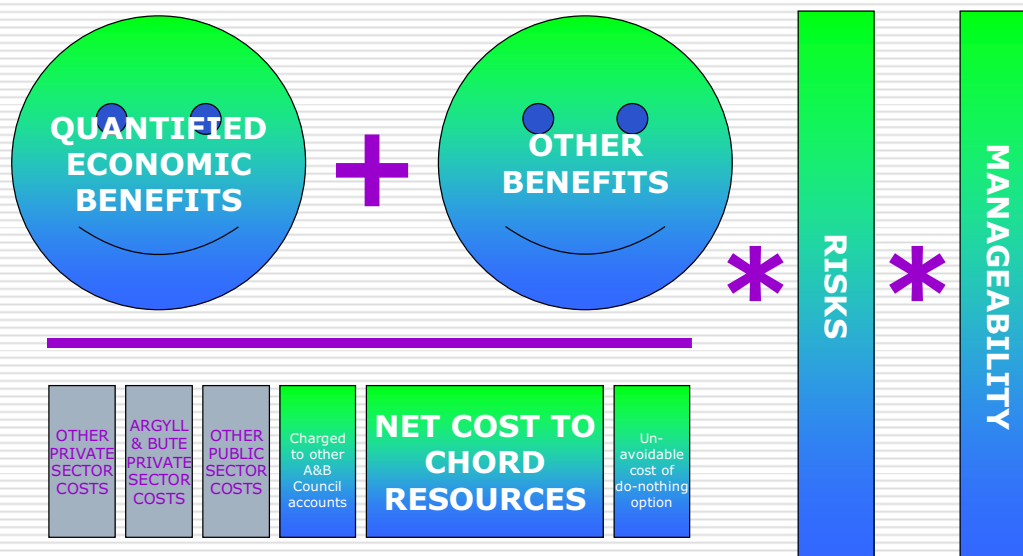
<sup>40</sup> NPF2 para 155

<sup>41</sup> NPF2 para 103

<sup>42</sup> NPF2 paras 104 & 257

## Working Paper 9: Economic appraisals including discounted costs and benefits

### Evaluation Formula



**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

The economic appraisals in Helensburgh have been based on the assumption that the return to the community of the improvements planned will be similar to the average return on distribution and hospitality investment in the UK.

Discounted at public sector discount rates, this yields an immediate Benefit: cost ratio of just over 2:1

As noted elsewhere, expert opinion was that if, as expected, the developments trigger private investment, that investment could amount to as much as £25mn, which would approximately correct the shortfall over the past 10-15 years.

For fair comparison with other towns, we have taken a conservative view this induced investment would be 33 per cent additional. In our judgement this is compatible with additionality judgements normally made in Scottish public sector evaluations.

Local multipliers are low, because of the high leakage which the project seeks to address. A value of 1.1 Type I and 1.21 Types I and II has been taken.

The overall economic benefit is based on the improved supply quality. Most of the tourism benefits are assumed to come from the Esplanade and Kidston Park developments rather than the town centre, but other than drawing visitors to the town Kidston Park is assumed to have a lower impact on retailing because of its distance from the commercial centre.

The economic benefits are updated by 12/15 per cent for the town centre and esplanade projects and 25 per cent for Kidston Park, to allow for non market

factors. These are mainly based on heritage, aesthetics and civic pride, and in the case of the esplanade and Kidstone Park, health and well being benefits. For Kidstone Park an allowance is also made for benefits for children.

The projects are expected to reduce future maintenance costs significantly, and the partnership suggests the following estimates:

<b>Helensburgh's OBC - Deductible Costs</b>			
Deductible Costs	Kidston Park	Esplanade	City Centre
	Total Project Cost £1mn	Total Project Cost £3.35mn	Total Project Cost £3.31mn
Category 1 -costs which would have been incurred by the Council	<b>Toilets</b> - Maintenance cost, 2k per annum x 15 years = £30,000. <b>Landscape Maintenance</b> £10,000 per annum x 15 years = £150,000	Maintenance £12,350 per annum £3,750 revised maintenance cost following scheme = saving of £8,600 x 15 years = £129,000	Maintenance cost £25,800 per annum - £8,000 revised maintenance cost following scheme = saving of 17,800 x 15 years = £267,000
Category 2 Private sector costs incurred	0	0	0
Category 3 costs incurred by others	0	0	0
Category 4 Grants	£0	£0	0
Category 5 Council committed funds from resources other than Chord budget	£200 000	0	0
<b>Total deductible costs</b>	<b>£380 000</b>	<b>£129 000</b>	<b>£267 000</b>

### *Kick start effects*

The Partnership's various consultants have raised the possibility of a very significant accelerator or 'kick start' effect. We understand their view of the retail investment which might be induced is £25 mn, and as a consequence of this a further £55mn of housing and related investment.

This level of retail investment, if realised, ought to be enough to increase by a quarter the size of Helensburgh's retail sector, and the housing would be sufficient to accommodate 1300 people or a 9 per cent population increase.

While the essence of the Helensburgh case is that it is tangible, can be quickly implemented and will benefit the town's existing residential and business community, leading to a solid increase in GVA. Nevertheless it is a measure of confidence in the town that such large magnitudes for induced investment can be contemplated. The partnership's own physical assessment is that the space for such expansions does exist, and its view is that a firm commitment by the public sector will be needed to obtain these attractive benefits.

## Working Paper 10: Financial and commercial appraisals

The projects seeking support do not themselves have a commercial element. A judgmental appraisal of the commercial viability of possible induced investment was made by Colliers CHE and JMP.

## Working Paper 11: Benefits register

Most of the benefits will be realised in terms of increased retail turnover, margins and value added.

There is at present no mechanism for measuring either the baseline or progress, and we would strongly recommend that one is established, perhaps as a 'town monitor'. A separate proposal will be put to the Council



## Working Paper 12: Draft risk register and risk potential assessment

The risks assessed are considered very slight. The works required are well within the proven capability of the Council. There is of course a significant risk that the induced investment which is hoped for will not materialise, but the project has a positive cost benefit ratio before that.

## Working Paper 13: Draft and nominations for commissions/ stakeholder support

The Helensburgh Partnership is in our view an admirable vehicle for demonstrating stakeholder support. It does not, of course, obviate the need for open public consultation and we suggest a Charrette mechanism (open workshop) mechanism for drawing up the plans .

## Working Paper 14: Arrangements for post-project evaluation and implementation review

Our monitoring proposals under the benefits register should be included in this. We recommend also a review on completion of the works, and again 6 months, one year and three years afterwards.

## Working Paper 15: References

- Argyll & Bute Council (November 2002), *Argyll and Bute Structure Plan 2002*
- Argyll & Bute Council (May 2005), *Argyll and Bute Finalised Draft Local Plan Proposal Maps – Helensburgh and Lomond*
- Argyll & Bute Council (June 2006), *Argyll and Bute Modified Finalised Draft Local Plan Written Statement*
- Argyll & Bute Council (September 2006), *Working with Argyll and Bute’s built heritage*, Sustainable Design Guidance 3
- Argyll & Bute Council (2007), *Argyll and Bute Council Corporate Plan 2007-2011 and beyond*
- Argyll & Bute Council (2007), *Initial Business Case – Helensburgh Town Centre and Waterfront*
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## Working Paper 16: Consultees

The following individuals were consulted during the development of the OBC for Helensburgh:

- Bill Brackenridge (Chairman), Independent
- Andy Law (Project Director), Director of Operations, Argyll and Bute Council
- Derek Anderson (Project Manager), Chief Executive of the Helensburgh Partnership
- Nigel Millar, Chair of Helensburgh Community Council
- Alan Dundas, Chair of Helensburgh and Lomond Chamber of Commerce
- David Campbell, Past President of Helensburgh Retailers Association
- Councillor James Robb, Chair of the Helensburgh and Lomond Area Committee
- Councillor Ellen Morton
- Councillor Gary Mulvaney
- Councillor Vivien Dance
- Helen Ford, Helensburgh Partnership
- Paul Smith, WSI Globalnet
- Ian Stewart, Stewarts of Helensburgh
- Michael Curley, The Buffet Shop
- Ken Aitken, JMP Consulting
- Ian Alexander, Gleeds
- Laura-Jo Mellan, Keppie Design
- Iain Welsh, Argyll and Bute Council
- Compton McGill, Helensburgh Toyota
- Bryan Wilson, Glennier Estates
- Robert Kay, Commodore Hotel
- Anne and John Urquhart, Lomond and Clyde Tourist Association
- Michael Thornley, MAST Architects re Glenarn Gardens
- Mike Edwards, Walker Group
- Robert Prow, Helensburgh Honda
- Jane Connor Fowler, Argyll & Bute Council
- Arlene Cullum, Argyll & Bute Council
- Ewan McPherson, ARDP Project Officer
- Angus Gilmour, Argyll & Bute Council
- Fergus Murray, Argyll & Bute Council

- Paul Smith, Chamber of Commerce
- Paul Docherty, Palisade Properties
- Bruce West, Argyll & Bute Council

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# The Helensburgh Dossier

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## Notes pages

These notes are intended to expand informally upon the panels presented in the Dossier itself. They should be compatible with the Dossier.

09 July 2008

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**



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## Panel 1: Executive Summary

The Helensburgh town economy is currently based more than 90 per cent on services for local people, and the proposal will yield benefits by building on this strength. Currently value added in the town centre retail sector is about £15 mn per annum, and in hospitality industries about £5mn. The first is only about two thirds of what would be expected as 'town centre' facilities for a catchment population the size of Helensburgh and Lomond, in the geographic position it occupies. The latter is just over half. However, there is no lack of local spending power - the households of Helensburgh do have the money, but they spend most of it in Dumbarton (for food and 'convenience goods') and in Glasgow and its retail satellites (for 'comparison goods').

These project elements will encourage money earned by residents of Argyll and Bute to be spent in Argyll and Bute. They will make it a more attractive place to live and visit, and build on one of the demographic strengths which Helensburgh has demonstrated in the past – the ability to attract and educate children and young people.

They will also go some way to recovering Helensburgh's historic position as a prime destination for visitors, and thus underscore its role as a key gateway to the Loch Lomond and the Trossachs National Park and the remainder of Argyll and Bute.

## Panel 2: The background

Waterfronts and town centres in settlements across Argyll & Bute need investment to rejuvenate them as the main centres of economic activity within the region. Argyll & Bute Council's Corporate Plan identifies waterfront and town centre regeneration as a strategic priority.

However, the work programme and required investment is huge and hence the council wish to prioritise its limited regeneration resources in terms of officer time and capital spending on its five largest waterfront towns, namely Campbelltown, Helensburgh, Oban, Rothesay and Dunoon.

Each of these towns had an Initial Business Case produced for them, and at a meeting of the council on the 26 September 2007 it was agreed to move each of these forward to an Outline Business Case (OBC) in order to equitably determine a priority for undertaking the work. On 20 December 2007, Argyll & Bute Council's Executive agreed to appoint external consultants to help with the preparation of the OBCs using a common format.

Initially £3 mn of Council funding was identified to be spent on priority areas of action. However, as part of the budget setting process additional funding was identified, taking the funding to a total of £10 mn to be distributed as part of this process.

This report is one of five OBCs produced and seeks to put the case for priority funding for Helensburgh.

The information in the report includes an economic and social review of the economy of Helensburgh and a summary of each of the proposals being put forward as part of the investment in the town centre and waterfront area. This summary information is supplemented with more detailed information contained within a pro-forma, each of which is attached as a working paper to the report. The report also examines the interactions between the individual proposals and also briefly considers proposals or other activities which are ongoing within the town, but do not form part of the specific projects identified for funding.

For each town's proposals, a strategic fit with key strategies is identified, the economic case for undertaking the work is considered and the commercial case in terms of how the proposal could be put together is dealt with. The financial case considers how the council's finances will be affected, in terms of both revenue and capital funding and finally the management case considers how the individual proposals could actually be delivered.

The next phase of this work will be to score each of the town's proposals on an agreed scoring matrix using these OBC reports as the basis for consideration.

### Panel 3: Argyll and Bute's biggest town

Helensburgh houses nearly 14000 people amongst whom five groups are distinctive

- **An above average normal proportion of families with children**
- **Commuters, who bring income into Argyll and Bute, mainly from Glasgow**
- **Later-life and affluent incomers, who often bring retirement income**
- **Submariners and other naval-related personnel**
- **Long term residents who choose Helensburgh and Argyll and Bute for its quality of life**

Helensburgh town's economy operates almost exclusively to provide public and private services for these residents and for other people who live in Lomond – Helensburgh's hinterland. The population of Helensburgh and Lomond in 2007 was 26,000, about one third of the total population of Argyll & Bute. Helensburgh is well located in relation to the Glasgow conurbation and has excellent transportation links to that city.

From total Gross Value Added (GVA) of £104 mn generated in the town, 88 per cent comes from service industries and construction makes up 11½ of the remaining 12 per cent.

Except for schooling Helensburgh doesn't achieve as high a market penetration as it should, even for local services – local retailers capture about one third of the available local spending (two-thirds to three quarters would be the norm), local hospitality industries are half the size expected in a Scottish town of 14000 people.

Despite this picture of a sector that could and should be quantitatively much stronger, it is considered that Helensburgh provides a wide range of local services with much qualitative success. While the local retail picture is certainly capable of substantial expansion, the existing take-up of shop premises compares well with the national average and there are a number of very successful niche retailers. It is acknowledged that work also needs to be done in the local hospitality industry to bring it more into line with similar towns in Scotland. The work done by the previous Scottish Enterprise Dunbartonshire and the Loch Lomond & the Trossachs National Park in its 'Destination Loch Lomond' strategy points towards the importance of such developments in the Helensburgh area. The Council considers the town's presence in local government as substantial and in some aspects strategic, the de-centralised services and area committee for Helensburgh & Lomond being operated in the area, as well as the headquarters function for ICT support for all of Argyll & Bute.

Lomond houses HM Naval Base Clyde, which makes massive 'exports' of defence services and has GVA, according to national accounting conventions, of about £250mn. The Base also attracts many foreign and UK visitors to the area through temporary work and naval exercises, these visitors having the potential to return / stay on a permanent basis. Lomond also has substantial, internationally renowned – and in some cases very high value and in some cases very

influential-tourism<sup>1</sup> and some other industries, and serves as a tourism gateway to the National Park and to Argyll and Bute.

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<sup>1</sup> From the Loch Lomond Golf Club to the Youth Hostel to the seaplanes, for example



## Panels 4-10: Four crucial economic issues

### *Four crucial economic issues*

In Cogents's view, the key long term economic issues in Helensburgh are the competitiveness of the local service economy, demography – attracting enough young people to keep the town functioning, enhancing the visitor experience and retaining the Naval Base.

### *The local property market*

A commissioned study (Colliers) of the retail market in Helensburgh identified a number of key messages about the town's shopping, and were in close agreement with the economic model, DREAM®, on which the pie charts in Panel 5 were drawn and which underlies the economic assessments used throughout the CHORD proposals.

- The vacant shops in Helensburgh are too small and of such inferior quality that they are unattractive to multiple retailers.
- The household survey carried out as part of the study indicated that Helensburgh is leaking 50% of its convenience (food) expenditure and 74% of its comparison (non-food) expenditure. In 2007, this equated to £70 million. Leakage will continue to rise if action is not taken to reverse the trend
- The report recommended that not only should new retail space be built of the order of 76,500 sq ft (7,100 sq m) but that a townscape improvement scheme be drawn up and implemented. This should include improvements to traffic management and public realm as well as a shop front improvement scheme.
- The report carried out research into retailers' requirements for space and a number of multiples had an outstanding requirement for Helensburgh. However, the multiple retailers are very specific about their space requirements. They want new shops of the right size and in the right location. Helensburgh has no space at present to match these requirements.

A commissioned study (Creevy) into the market for leisure and hotels in the Helensburgh area highlighted the following points, which again are in concordance with the DREAM® economic model.

- There is extensive private food and beverage provision but limited national operators
- The existing provision is below what should be anticipated for a town the size of Helensburgh
- There are no branded hotel operators, the largest existing operators being the Commodore (43 bedrooms) and the Rosslea Hall Hotel (28 bedrooms). There is high quality hotel accommodation at Loch Lomond.

- The report indicates potential demand for up to 20,000 sq ft (1,900 sq m) of additional branded food and beverage operations but only within new space.
- A number of specific operators have requirements for Helensburgh
- The report indicates that there could be demand for a boutique hotel and perhaps a budget hotel in or on the edge of town.

The office market is centred around Colquhoun Street and Colquhoun Square. Other offices are spread throughout the central core. Offices in Helensburgh are mostly occupied by professional firms and many have retail frontages with offices above. The majority are in traditional buildings.

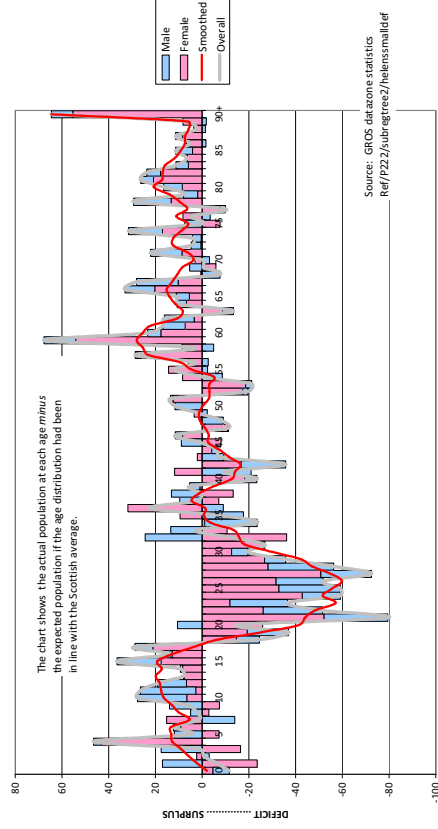
Historically, Helensburgh has had an active residential market with prices rising during the recent boom. There has been pressure on the housing supply since the increase in housing stock of 2% between 1991 and 2001 has not matched the 3% growth in household formation. There are also some gaps in the provision of certain types of houses.

A recent report (Henderson) noted that Helensburgh had a significantly lower number of semi-detached and terraced homes than the average for Scotland. The figures were 16.8% against a Scottish average of 23.5% for semi-detached and 13.2% against a Scottish average of 20.3% for terraced.

### The people balance

**Figure 1 Population excess/deficit (Helensburgh)**

Population excess/ deficit by age (Helensburgh central area)



**Figure 2 Population excess/deficit (Rest of Lomond)**

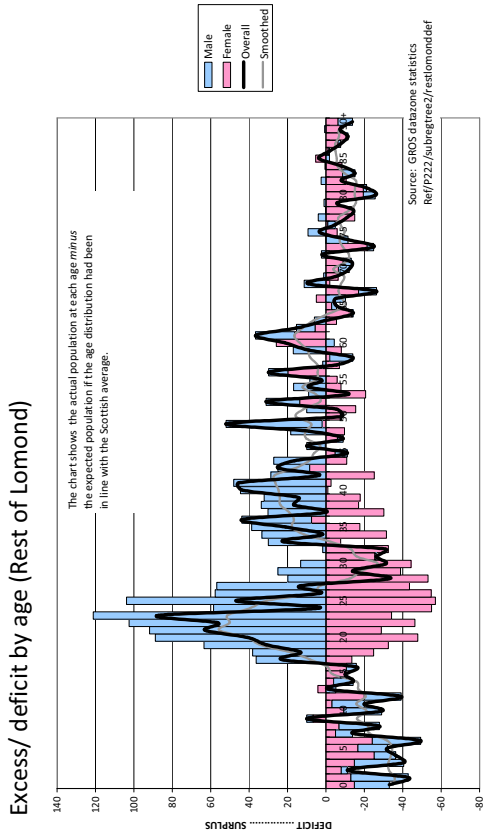


Figure 1 and 2 above show the difference between the local age structure and the Scottish norm. Demographically, the town contains a significant number of families, has more people in couples, especially married, and far fewer single people than is the norm across Scotland. Thanks mainly to the base, but also to residential features, it is relatively young. Lomond, in contrast, has a large 'excess' of young and young-middle-aged men (1300 more than typical), at least as far as the Census protocols are concerned, although many are in the Base and a significant number at sea. The population differentials shown in Panel 8 have built up through migration, rather than any special features or trends in birth and death rates.

**Figure 3 Components of population change - Helensburgh**

Components of population change - Helensburgh

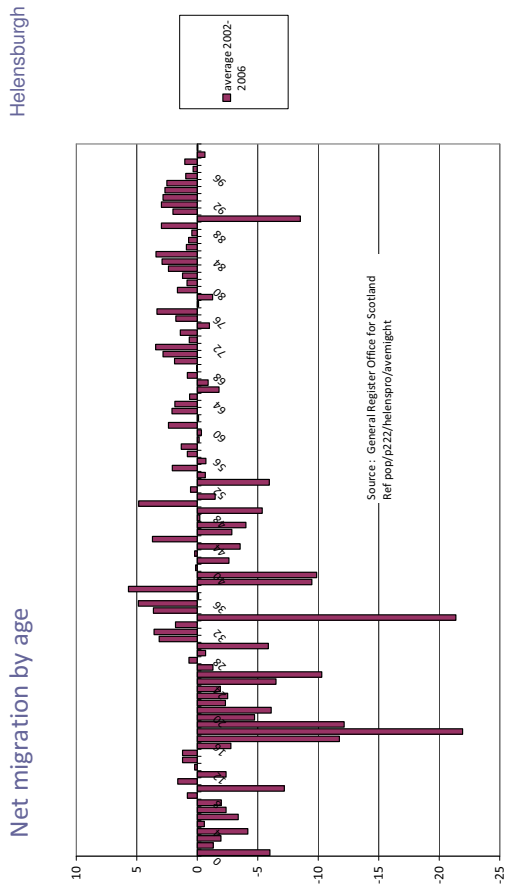


Source: General Register Office for Scotland and cognates calculations

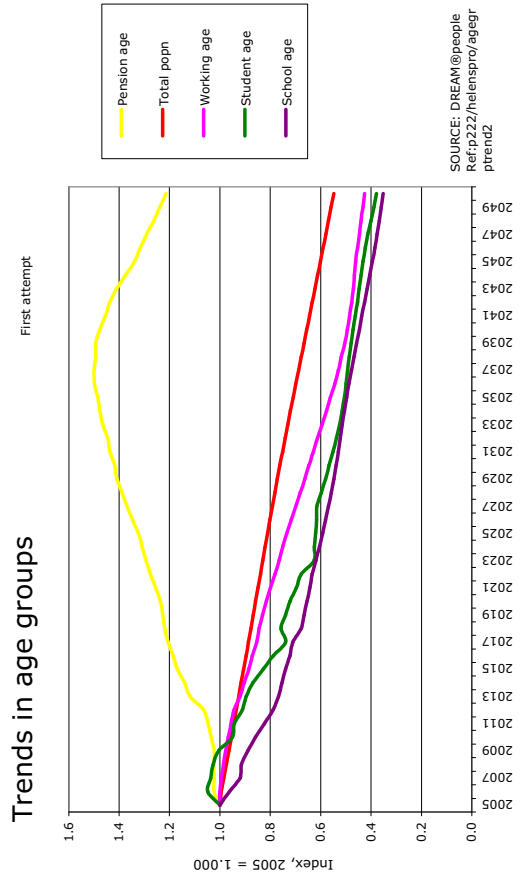
Ref P222/H/Helenspro

It is difficult to know how much migration figures are a consequence of shifts in naval deployment, but in recent years there has been substantial net out-migration from Helensburgh, about 150 people per year aged 15 to 50 (2½ per cent of the age group per year), although there was a net inflow in 2006. There is a net inflow of older people (about 40 over 55-year-olds), but (at 0.3 per cent of the total population per year) it is no larger than elsewhere in Argyll and Bute. This is no doubt because house prices in Helensburgh are, on a town basis, on average the highest in the West of Scotland, and second only to Edinburgh. Opportunities for people from the city of Glasgow and its affluent suburbs to make high-equity purchases are slight, because Helensburgh already houses some of the most affluent suburbanites. However, average house prices must be treated with a degree of caution as a number of very high value houses can distort the average figure. A closer examination of the local housing market indicates that there are noticeable differences in the spread of house types compared with other parts of the country. In particular, Helensburgh has a significantly lower number of semi-detached and terraced homes than the average for Scotland (see Henderson report below).

**Figure 4 Net migration by age**



**Figure 5 Trends in age groups**



The consequence if migration with the recent age structure were to continue would be that the population of Helensburgh would fall by about 1 per cent per year. The working age population would fall slightly faster, and there would be 1½ per cent per year increase in the number of people of retirement age, and a 2 per cent per year drop in the number of children and young people.

### Panel 11-12: Element 1 – The town centre

A strategy document commissioned for Helensburgh (Yellow Book), identified three cross-cutting themes for Helensburgh town centre – investment in the public realm, traffic management/parking and management, promotion and animation. This proposal seeks to address all of these issues.

A Traffic Management Study carried out in 2007 by JMP addressed a number of problems and issues relating to traffic and transportation within Helensburgh. These included

- A congested townscape obstructed with parking
- Footways described as being too narrow
- A town centre dominated by vehicles acting as a barrier to pedestrians
- Colquhoun Square as an area with potential for use for public events
- The Pier Head as an area remote from the rest of the town centre despite its immediate proximity

Element 1 is designed to tackle these problems whilst implementing the three cross-cutting themes.

The shared use element of this proposal seeks to take the main streets of Helensburgh, other than the Esplanade, and to develop them so that while formally they are suitable for use by both cars and pedestrians, preference is given to pedestrians. This shared use has been used in the Netherlands with good results. It is not a pedestrianisation scheme.

The Proposal involves the development of a comprehensive traffic management scheme in the central area bounded by Sinclair Street, Colquhoun Street and West Princes Street. It also incorporates Colquhoun Square. This proposal is based on the findings of a further study by JMP Consulting in 2008 which sets out the various objectives and scope of the work.

It will remove some of the barriers to crossing the busy roads within the town centre and, through suitable signage on the approach, reduce the traffic through the town centre and recommend alternative through routes. The proposal also incorporates an improved enforcement of parking regulations including pay on-street parking, as well as improved cycling facilities.

Associated with the overall traffic management of the town is a proposal to examine the feasibility of a 'Park and Ride' scheme for Helensburgh. Currently around 100 spaces on the upper floor of a two storey building, next to Helensburgh Central Station, are occupied by the cars of people who merely catch the train to Glasgow during the day. The proposal recommends an options appraisal for a park and ride scheme which would be designed to remove a large element of commuter parking from the town centre, thereby freeing up parking spaces for use by shoppers and others.

The cost of the shared use scheme is £3.26 million, with the feasibility study for the park and ride scheme projected to cost £50000, taking the total cost of the scheme to £3.31 mn. Strathclyde Partnership for Transport has indicated that it is interested in contributing to the cost of the study.

It is envisaged that the work will be carried out over a time scale from the second quarter of 2008 to the third quarter of 2011. However, there is the possibility to reduce this timescale to around two years if the necessary funding is available.



## Panel 13-14: Element 2 – The Esplanade

The Yellow book Report identified a number of strategic objectives for Helensburgh, one of which is to revitalise the waterfront as Scotland's finest urban promenade and an integral part of the Helensburgh experience for residents and visitors. Under the section on Regeneration Opportunities, the Report identified that the waterfront should continue to be open space although it could accommodate small pavilions or similar structures. In particular, Yellow book recommended that the waterfront should continue to be an outdoor experience and the quality of the waterfront experience west of the pier head should be improved.

The report identified as a priority proposal the long-term enhancement of West Bay Promenade including the provision of a string of "event points" along the shore.

Element 2 seeks to implement this strategic objective.

The West Bay Esplanade proposal covers an area from Colquhoun Street to William Street. It incorporates Clyde Street, and the current grassed area between Clyde Street and the shore front.

The proposal is a Town Centre improvement scheme as detailed in a report for the Helensburgh Partnership by Keppie in April 2008.

The Esplanade and the greensward would be redesigned by landscape architects to provide a more exciting experience and to replace some of the inadequate materials which past mend-and-make-do developments have imposed. The proposal will provide a range of facilities including an events / performance place, a children's play area, landscaped gardens and an informal grassed area. A year round tourist information centre and café will also be incorporated.

The cost of this proposal is £3.35 mn and efforts will be made to secure match funding from various sources, such as lottery.

The design work could start in Summer 2008 and be completed by the end of the calendar year. The planning permission would be submitted in December 2008, with approval envisaged by May 2009, with work starting in June 2009 and finished in June 2010.

### Panel 15: Element 3 – Kidston Park

The Yellow book Report established a strategic objective of revitalising the waterfront as Scotland's finest urban promenade and an integral part of the Helensburgh experience for residents and visitors. Under priority proposals for the waterfront, the Report identified upgrading Kidston Park as a destination point and a place for recreation.

Element 3 seeks to implement this priority proposal.

Kidston Park is located at the far west end of Helensburgh's Esplanade about a mile and a half from Sinclair Street. Jenkins and Marr, the architects who are advising the Council, describe Kidston Park as the 'bookend' to the Town Centre and Waterfront improvements in Helensburgh.

The proposal involves the redevelopment of the existing building to provide a café, local information centre and new toilets. The café would be run on a franchised basis. There is also scope to make provision for a small scale event/exhibition space. The proposals also incorporate public realm works to the Park itself including the car park, kerbs, lighting and a new roof for the bandstand.

The cost of this proposal is around £1 mn. Existing Council funds of some £200 000 are already in the budget leaving a balance of £800 000 which would be sought from Council capital funding and potential other sources, such as lottery.

It is envisaged that that the detailed design would take place during 2008 with a lottery bid submitted by the end of September 2008. The improvement works would commence by May 2009 and be completed by December 2009.

## Panel 16 – The Helensburgh Partnership

The Helensburgh Partnership is not currently a legal entity although it does operate under its own Standing Orders. Procurement and all financial matters are to date handled through the Council which holds the Partnership's funds. The existence and operation of the Helensburgh Partnership is a key asset in the delivery process. It has a Board, with an independent Chair, which includes representation from Argyll & Bute Council as well as local community groups. The Partnership has an office in Helensburgh and has been fully operational since the beginning of 2007. It currently employs an Executive Director and a PT Administrator. The legal status, human resources and operation arrangements of the Helensburgh Partnership will be reviewed by the Board in consultation with the Council following the outcome of the OBC bid process.

## Panel 17: Strategic case

The strategic case for the Helensburgh Proposals is made quite clearly in the Yellow book Report. All three of the elements have been highlighted in that report as being of strategic importance to the future regeneration and revitalisation of Helensburgh.

Element 1 seeks to address the three cross-cutting themes identified for the town centre.

Element 2 seeks to meet the strategic objective of revitalising the waterfront as Scotland's finest urban promenade. Element 3 is identified as a priority proposal for the waterfront.

The modern day structure and functions of the town mean that a very large proportion of the workforce are employed in the public service, almost half the working population, and almost double the proportion found in most other towns. There is relatively little private employment in Helensburgh itself and its environs. Finance and business services are strongly represented as employers of people that live in Helensburgh, but many workers in these industries commute. Private sector services located in the town are not large. Helensburgh has relatively little in the way of hospitality industries, (less than five per cent of employment against almost 12 per cent in other Argyll and Bute towns) and only about two thirds the retailing, in terms of floorspace per head of catchment population, that other towns have. About one third of retail spending by Helensburgh people takes place in the town. Manufacturing and construction are both very small industries compared with other towns, and production industries generally are about two thirds the proportion found elsewhere.

Demographically, the town contains a significant number of families, has more people in couples, especially married, and far fewer single people than is the norm across Scotland. Thanks mainly to the base, but also to residential features it is relatively young. It is difficult to know how much migration figures are a consequence of shifts in naval deployment, but in recent years there has been substantial net out-migration from Helensburgh, about 150 people per year aged 15 to 50, partly offset by a net inflow of older people (about 40 over 55-year-olds).

The consequence if migration with this age structure were to continue would be that the population of Helensburgh would fall by about 1 per cent per year. The working age population would fall slightly faster, and there would be 1½ per cent per year increase in the number of people of retirement age, and a 2 per cent per year drop in the number of children and young people.

An increase in the naval establishment cannot be expected. The main ways, therefore, in which the town is seeking to benefit from development funding are in making it a more attractive place to live and in stimulating the commercial centre. Of more than £40 mn that Lomond residents pay in retail margins each year, less than half is retained in Lomond, with the remainder being supplied from Glasgow and its suburbs for comparison shopping, and West Dunbartonshire for some daily needs. In addition, the town will make itself more attractive to visitors, both for their own sake and to 'advertise its wares' as a place to live.

## Panels 18-20: The economic case

The project elements will make Helensburgh much more attractive and this will be obvious to all. When it comes to quantifying this in terms of money, this will be most obvious in the town centre retail and hospitality sector.

### *The economic impact of shopping street refurbishment*

Often improvements made to shopping streets and even individual shop fronts will be additional, in the sense that they would not occur (or have not occurred) without public sector intervention. In the case of improvements to individual shops this is because often the shops wouldn't have done it anyway, either because they lack funds to do their own shop fronts, or (in the view of some town planners) they lack the motivation, taste and coordination to do it appropriately.

In more general cases, the improvement is additional because it is a widely-shared public good, like sorting out the pavement or street lighting, which no individual or single company is likely to fund. In both these cases the 'additional' improvements usually benefit local people and possibly attract tourists by providing a more pleasant or striking shopping experience. This makes the shops more competitive, generating higher sales with greater added value and employment. To a small degree it makes the town a better place to live.

Even if the improvements are not 'additional' then the shopkeepers would in principle have done them anyway, but they and the local community of course still benefit directly at the expense of the wider community that is providing the funds. If they are in a particularly disadvantaged situation this may be fair enough.

We have estimated the additional value on the basis that it will yield the same return as an average investment in UK retailing. This is perhaps generous, as no public sector proposal is likely to be well-focused on retail GVA as an investment by the retailer himself but after a history of under investment, the additional value will not grossly exaggerate the takings.

### *The three elements to the project*

All three elements have a high degree of integration and interdependence. Each element has been developed to be complementary to the overall objective of increasing footfall and therefore retail, leisure and tourism expenditure within the town centre and waterfront. The elements can be completed individually but maximum benefits will be achieved by if all three are completed.

The economic case has been constructed primarily in terms of the benefit to local retailers from investment.

Unfortunately, there are no reliable figures on investment by industry below UK level.

If it behaved like UK retailing on average, the Helensburgh retail sector would have been investing about £1.5 mn per year in non-land net capital spending over recent years.

The actual figure is likely to have been much less than this, as there are limited visible signs of substantial development or refurbishment.

### *Outline calculation of the basic return*

- On average, £1mn of retail investment in the UK will eventually facilitate about £180 000 annual value added.
- The CHORD proposals from Helensburgh, if equally productive for the retail sector, will generate about £1.2 mn of additional value added.
- That amounts to a 6 per cent increase in retail and hospitality GVA (which currently totals £20 mn – see GVA chart panel 5)
- If the improvements draw in new retailers, as well as new customers for existing retailers and their successors, there would be an enhanced or ‘accelerator’ effect.
- The benefit: cost ratio (discounted at 3.5 per cent real over 15 years) would be slightly greater than 2. This figure will increase due to multiplier effects, although within Argyll & Bute those will be limited to 10%, thus giving an overall benefit: cost ratio of 2.5:1

The range of development proposals referred to earlier will generate new economic development activity as a direct consequence of their delivery.

The economic activity will be generated from a number of sources.

- Direct construction employment and GVA generated through the land and building works
- Indirect employment and GVA generated through the housing development activity
- Direct employment and GVA generated through the provision of new retail, food/beverage/hotel and business accommodation
- Direct and induced employment and GVA through the development of the leisure and tourist facilities

### *The accelerator or kick start effect*

Most importantly, the Board believes that an investment on this scale has the potential to break the cycle of decline. The proposals are essential to encourage development by the private sector and to kick-start the entire regeneration process.

In fact, market studies commissioned by the Board and carried out by experts of national standing indicate that there is potential for up to 9,000 sq m (97,000 sq ft) of new retail and leisure space with a total investment amount of the order of £25 million. This is a high level estimate based on guidance from the 2007 studies by Colliers and Creevy.

Studies into market demand have identified the need for the development of modern space for occupation by a range of businesses. The space needs identified amounted to a representative private sector figure of:

- Supermarket – up to 2,500 sq m (27,000 sq ft)
- Non-food Shopping – up to 5,600 sq m (60,000 sq ft)
- Food and beverage space – up to 1,860 sq m (20,000 sq ft)
- Up to 2 new hotels
- Offices (town centre and Class 4)
- New car showrooms
- Council space needs – new offices and new depot.

Research by the Helensburgh Partnership indicates that there are sites both in the town centre and on the periphery that can meet all these space requirements. All of these sites are likely to be developed using private sector funds. The sites on the edge of town are necessary to enable existing owners in the town centre to relocate and make their currently unsuitable premises available for redevelopment. The Helensburgh Partnership has also been in contact with each of the owners to establish the status of the sites.

It is of particular note that all of the identified owners of existing businesses would consider making their sites available for redevelopment, subject to suitable sites being available (preferably in Helensburgh) to relocate their business and subject to the right financial deal.

It is also worthy of note that a large number of the key development sites are owned in full or in part by the Council. This includes the Pier Head site, the single most important development opportunity in Helensburgh. The high level of land ownership by the Council and the positive feedback from developers and existing business owners clearly reduces the risks to the community as private sector-led developments proceed.

The Partnership's consultant also took the view that additional housing and commercial investment might be induced, conceivably as much as £55 mn worth. This would accommodate an increase of more than 9 per cent in Helensburgh's population, with huge strategic ramifications for the town and for the Council.

It is evident that the £7.7 mn investment from the Council could potentially bring forth several times that amount in private investment capital.

*The do-nothing option*

The 'do nothing option' would risk continuing decline and lack of investment in the town centre. There is clearly an economic case for public investment to counter further decline.



### Panel 21: The commercial case

There are no significant commercial deals necessary to achieve the direct benefits claimed for the Helensburgh OBC. Commercial deals will follow, but they will be part of the very substantial accelerator or kick-start effect.

**Panel 22: The financial case**

The Proposals being put forward for CHORD can be categorised in 5 ways in terms of their effect on the Council’s finances, as shown in Figure 6.

**Figure 6 Categorisation of proposals based on effect on council funding**

Categorisation	Description
A – Public sector investment (No Payback)	A straightforward public sector investment that is essential as part of the overall infrastructure/support to the project and where no related payback can be identified. Capital investment in this category will count against the £10m provided in the Council capital plan.
B – Public sector investment (With Payback)	Similar investment in public sector infrastructure as above but where the investment can be related to the release/development of a specific asset or other project and the effect is a full or partial payback of the initial investment. Where a full payback is achieved then this expenditure will not count against the £10m available in the capital plan. Any unfunded element of a partial payback will count against the £10m.
C – Business Opportunity (Requiring Pump Priming)	Some projects will be viable business opportunities on an ongoing basis but will require initial pump priming. Where the Council is to make the initial investment of pump priming then this will count against the £10m available in the capital plan.
D – Business Opportunity (Joint Venture)	Some projects will be viable business opportunities without any requirement for pump priming. However in some cases there may be a benefit from the project being delivered on a joint venture or partnership basis. Any investment by the Council should be off set by a return or payback in later years and as a result does not need to count against the £10m available in the capital plan. The nature of the joint venture or partnership will need to be assessed in the OBC eg develop and lease, develop and operate partnership.
E – Business Opportunity (Standalone)	Some projects will be viable business opportunities without any requirement for pump priming or partnership. There will be no role for the Council in the financing of these. These will not count against the £10m available in the capital plan.

At one end of the spectrum this involves proposals which are fully funded by the Council with no direct pay back and at the other end, proposals which are entirely business opportunities requiring no Council financial intervention. There is a range of other scenarios in between these two financial situations.

Thus subject to the sale and grant input described below, it is anticipated that the Helensburgh proposals would be funded almost entirely by the Council. Predominately, but not entirely, the Helensburgh proposals listed below therefore all sit within Category A as follows;

- 1) Town Centre
- 2) Waterfront
- 3) Kidston Park

There will be some revenue consequences that could move them to Category B or C.

Previously a contribution from Scottish Enterprise Dunbartonshire would have been expected but the changes in Scottish Enterprise nationally mean that local regeneration proposals such the proposals recommended for Helensburgh would be funded by the Council. Scottish Enterprise are currently agreeing with COSLA how their finance for such proposals will be distributed to the Council.

### *Grant funding*

Sources of grant funding have been identified wherever possible. Many of the proposals require greater definition of elements and outcomes in order for the grant opportunities to be explored in greater detail. In addition, many grant sources are currently in a state of transition and many programmes are not developed to a stage whereby the eligibility of the proposals can be assessed in more detail. However the most likely sources have been identified below with input from the Councils Funding Officer and European Manager.

There may also be additional sources of funding from:

### **UK sources**

- Heritage Lottery Fund
- Townscape Heritage Initiative – for town centre area and public realm restoration if there is a Conservation Area designation. This is not currently the case in Helensburgh.
- Parks for People – for part of waterfront that restores the area to its original Victorian form. This could cover the promenade and Kidston Park should they incorporate an element of restoration of the Victorian form for example the bandstand at Kidston Park.

- Creative Scotland (Scottish Arts Council) - Public Art Scheme – This element may provide funding for any public art elements on the promenade.

### **European Funding**

- Helensburgh is within the Lowland and Upland Programme Scotland (LUPS) which includes both ERDF and ESF funding. There do not appear to be any eligible costs for the Helensburgh proposals within this source.
- Interreg – Helensburgh is also eligible for the INTERREG Cross Border Programme with Ireland and North West Europe. This international cooperation programme can assist with large proposals with a strategic impact and a transnational cooperation element, but does not contribute in principle to infrastructure. For the Helensburgh proposals to benefit they would require to be part of a larger bid encompassing a number of locations. One of the objectives of this programme relates to the promotion of transnational actions that will enhance the economic and social performance of cities, towns and rural areas, including the economic potential of local and regional assets. This source of funding may be worth exploring with the caveat that transnational proposals take time to put together and require a number of very committed transnational partners.
- The Atlantic Area Cooperation Strategy has an objective related to the promotion of interoperability and continuity of existing transport networks and sea/road/rail/air intermodality and another objective for the promotion of short sea shipping and cooperation between ports.
- LEADER - activities in Helensburgh would be eligible for the Leader programme, but only if the benefit could be shown to accrue to the wider area, for example a proposal officer dealing with wider Lomond related activities.

### Panel 23: The management case

The existence and operation of the Helensburgh Partnership is a key asset in the delivery process. It has a Board, with an independent Chair, which includes representation from Argyll & Bute Council as well as local community groups. The Partnership has an office in Helensburgh and has been fully operational since the beginning of 2007. It currently employs an Executive Director and a PT Administrator. The legal status, human resources and operating arrangements of the Helensburgh Partnership will be reviewed by the Board in consultation with the Council following the outcome of the OBC bid process.

The Helensburgh Partnership is not currently a legal entity although it does operate under its own Standing Orders. Procurement and all financial matters are to date handled through the Council which holds the Partnership's funds.

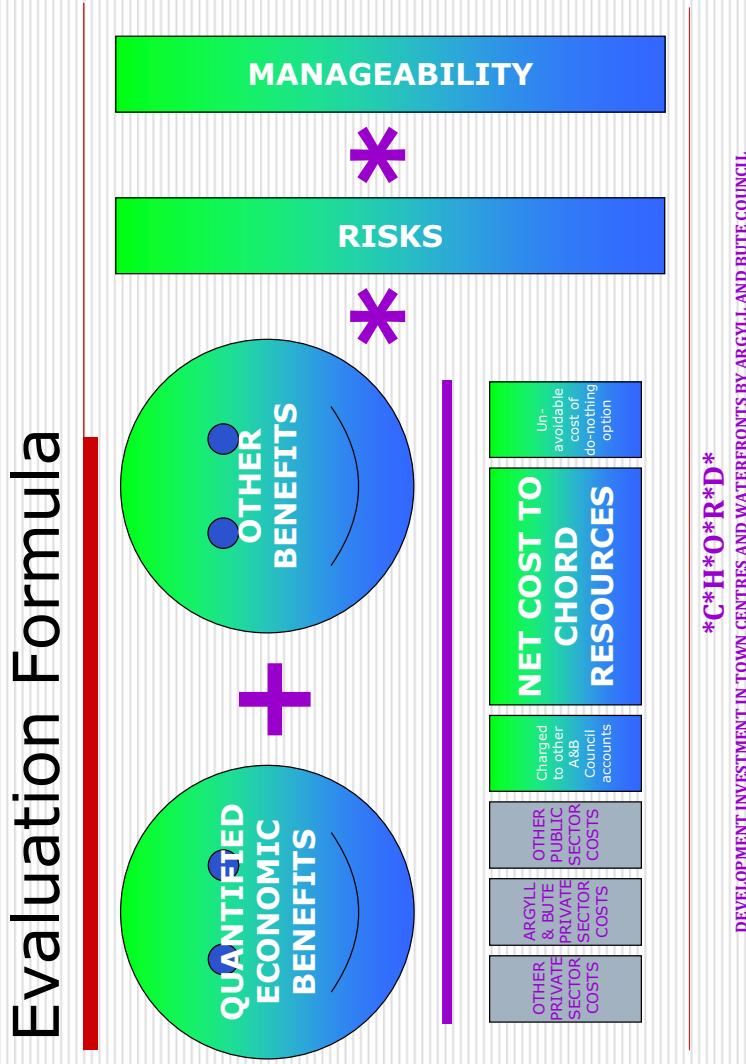
**Panel 24: The risk register**

See panel and working paper.

**Panel 25: Benefits register**

See panel and working paper

Panel 26: A balanced appraisal



The diagram above summarises the evaluation formula that is to be applied to the projects in this dossier. More detail is provided in the working papers to this dossier and in the CHORD project working paper 'Assessing business cases'. One of the benefits is an expected reduction in maintenance costs in each of the three regeneration areas, while maintaining the highest standard of public realm. This is outlined in the working papers, and significantly reduces the net cost to the Council.



## Panel 27: Backup and boilerplate

### CHORD PROPOSAL WORKING PAPERS

1. Helensburgh Economic Profile – cogentsi
2. Helensburgh Property Market Review – Smiths Gore
3. DREAM@people demographic analysis and projections for Helensburgh, Lomond and Argyll and Bute - cogentsi
4. Proposal Proforma – Town Centre & Park'n'Go – Helensburgh Partnership
5. Proposal Proforma – Esplanade – Helensburgh Partnership
6. Proposal Proforma – Kidston Park – Helensburgh Partnership
7. Conformity of Helensburgh CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
8. Conformity of Helensburgh CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
9. Economic appraisals including discounted costs and benefits
10. Financial and commercial appraisals including discounted cash flows,
11. Benefits register
12. Draft risk register and risk potential assessment
13. Draft and nominations for commissioner/stakeholder support,
14. Arrangements for post-proposal evaluation and implementation review.
15. References
16. Consultees

## *BACKGROUND AND PREPARATORY STUDIES*

1. Argyll & Bute Structure Plan
2. Argyll & Bute Finalised Draft Local Plan Maps
3. Argyll & Bute Modified Draft Local Plan Written Statement
4. Working with Argyll & Bute's Built Heritage
5. Argyll & Bute Council Corporate Plan 2007-2011 and beyond
6. Initial Business Case – Helensburgh Town Centre and Waterfront
7. Argyll & Bute Data Set
8. An Economic Strategy for Argyll and the Islands
9. Heritage: Social, Economic and Environmental Benefits
10. Helensburgh Retail Study
11. Helensburgh Hotel & Leisure Assessment
12. GOAD Town Centre Report - Helensburgh
13. Public Sector Business Cases Using the Five Case Model: a Toolkit
14. The Outline Business Case – Project and Procurement Support for Local Authorities
15. 200 years of Helensburgh 1802-2002
16. Helensburgh: Be Better, Be Excellent
17. Helensburgh Housing Report
18. Townscape Heritage Initiative
19. Appraisal and Evaluation in Central Government – The Green Book
20. Helensburgh: Transforming the Town Centre
21. Helensburgh Traffic Management Study
22. Reinventing West Bay Esplanade

23. Helensburgh Street Guide
24. Operational Programme – European Territorial Cooperation Objective
25. Scottish Small Towns Report 2007-2013)
26. A Smart Successful Scotland
27. National Planning Framework for Scotland
28. National Planning Framework for Scotland Monitoring Report
29. Interreg IV Operational Programme
30. Investment in Helensburgh
31. The Scottish Government Economic Strategy
32. VisitScotland Accommodation Guide
33. Helensburgh Town Centre and Waterfront

## Panel 28: Helensburgh – the best bet for Argyll and Bute

The wording of the panel is reproduced here for convenience:

- *Helensburgh is able to seize the moment, in that its proposal has been focused so that what is being sought can be delivered, and delivered quickly. It is not contingent on elaborating difficult technical proposals or securing agreement from partners whose decision-taking may be tortuous. Where consensus and agreement is necessary it has already been established. In terms of realistic regeneration timescales, what Helensburgh is offering Argyll and Bute is the ability to act today and reap benefits tomorrow, rather than next week or next month. Additional ambitious developments, including new shopping, food and beverage space, can be foreseen and are confidently predicted, but the case stands up as it is now.*
- *The economic case is built around reducing the amount of 'leakage' from the local economy – currently about two thirds of retail spending by Helensburgh people is directed outside the town. With commercial realism we have discounted somewhat the projections of Helensburgh's professional advisors. Nevertheless we think the Council can prudently expect its investment of £7.7mn to yield a 6 per cent increase in annual retail and hospitality GVA. This means close to £14mn in additional value added, a measurable benefit cost ratio of 2.5 to 1. (including multiplier effects)*
- *Most of this will come from enhancing the built environment, by the innovative proposals for sharing street surfaces between pedestrians and vehicles operated in a streetscape designed for safety, and by making room for shoppers to bring their vehicles into the town, rather than filling prime parking space with commuters vehicles which are empty all day.*
- *Information from professional studies indicate that the £7.7 mn invested by the Council could trigger £25 mn private sector retail and hospitality investments and £55 mn residential and commercial developments*
- *These proposals will encourage money earned by Argyll and Bute residents to be spent in Argyll and Bute. They will give a very attractive economic return and make it a more attractive place to live, and build on one of the demographic strengths which Helensburgh has demonstrated – the ability to attract and educate children and young people. And if the Council shows its confidence in Helensburgh, that can trigger private investment more readily here than anywhere else. That private investment would exceed by multiples the public investment sought now.*



# The Helensburgh Dossier

## Executive Summary

Helensburgh is able to seize the moment, in that its proposals can be delivered and delivered quickly. It is transparently low risk and totally in the control of the Council as owners of all of the land involved. Helensburgh is ready to act to-day and offers Argyll and Bute benefits tomorrow rather than next week or next month. There is considerable potential downstream investment including new shopping, food and beverage space—but the case stands on its own.

The Helensburgh OBC comprises one project with three elements:-

- Element 1 Transforming the Town Centre – A Traffic Management and Street Improvement Scheme
- Element 2 Redeveloping the Esplanade
- Element 3 Redeveloping Kidston Park

Helensburgh plans to redesign and rejuvenate the Town Centre and to redevelop West Bay Esplanade and Kidston Park. The Town Centre is currently congested by traffic and parking and the Esplanade and Kidston Park are both tired. Through implementing the redesign proposals these will become pleasant places in which to shop, gather and relax.

The economic case is sound, it is built around reducing the amount of 'leakage' from the local economy – currently about two thirds of retail spending by Helensburgh people is directed outside the town and Argyll and Bute. In addition, these proposals will increase tourism spend.

There is clear demand for significant new private sector development but it requires public sector investment to kick-start the process

We believe the Council can expect its investment of £7.7mn to yield a 6 per cent increase in annual retail and hospitality GVA. This additional value added, capitalises at close to £14 mn, which with multiplier effects gives benefit cost ratio of 2.5 to 1.

If, as we expect, this triggers private sector investment the amounts involved have been estimated using information from independent studies as high as £25 mn retailing and hospitality and £55 mn housing and commercial. In this case the Benefit: cost ratio rises above 10 to 1.

The project will encourage money earned by Argyll and Bute residents to be spent in Argyll and Bute. They will give a very attractive economic return and make it a more attractive place to live and visit.

If the Council shows its confidence in Helensburgh, that can trigger private investment more readily here than anywhere else in Argyll and Bute... That level of private investment will be much greater in Helensburgh than elsewhere and would exceed by multiples the investment sought now. Investing now in Helensburgh is an unmissable opportunity for Argyll and Bute Council.

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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

# The background

- Argyll and Bute Council is planning to invest £10 mn in town centre and waterfront development. Helensburgh is one of five candidate towns for these funds.
- Helensburgh has produced an outline business case which is thoroughly worked up and ready to move into action. It has been extensively researched and considerable effort has gone into gathering a broad partnership representing the whole community to move it forward.
- What Helensburgh plans to do is to redesign and rejuvenate the Town Centre and to redevelop the Esplanade and Kidston Park. The Town Centre is currently congested by traffic and parking and the Esplanade and Kidston Park are both tired. Through implementing the redesign proposals these will become pleasant places in which to shop, gather and relax. They will attract increased revenue from residents and visitors which will help generate interest and investment in the area.
- This dossier sets out an outline business case for Argyll and Bute Council to invest in Helensburgh's town centre and waterfront. The dossier consists of three parts:
  - Twenty eight panels outlining the business case
  - A set of notes on the panels expanding the discussion and providing additional evidence
  - A number of working papers (listed on Panel 27) which have contributed to the development of the case

# As Argyll and Bute's biggest town, Helensburgh houses 14 000 people amongst whom four groups are distinctive

- Helensburgh is Argyll and Bute's largest town, excellently 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, in particular:
  - **An above-average proportion of families with children**
  - **Commuters, who bring income into Argyll and Bute, mainly from Glasgow**
  - **Later-life and affluent incomers, who often have retirement income**
  - **Naval-related personnel**

The strongly predominant function of Helensburgh town's economy is to provide public and private services for these residents and for other people who live in Lomond – Helensburgh's hinterland.

From total Gross Value Added (GVA) of £104 mn) generated in the town itself, 88 per cent comes from service industries and construction makes up the majority of the remaining. (DREAM® based on ONS regional accounts) The town's commuters bring home around £50 mn in earnings, to add to this locally-created wealth.

Except for schooling the share that Helensburgh local services capture of potential markets is low – local retailers receive about one third of the available local spending, local hospitality industries are half the size you would expect in a Scottish town of 14000 people.

Helensburgh has a catchment of about 26 000 people which includes Lomond. The Helensburgh and Lomond Area houses HM Naval Base Clyde, with 'exports' of defence services, of about £250mn. The Base attracts many foreign and UK visitors to the area. This includes a considerable number of overseas sailors participating in joint naval exercises. These visitors potentially could return/stay on as visitors if the area is seen to be an attractive destination.

Lomond is of course a major centre for tourism, based on the scenery and heritage, and increasingly on activities such as golf and sailing.

## The crucial economic issues in Helensburgh are

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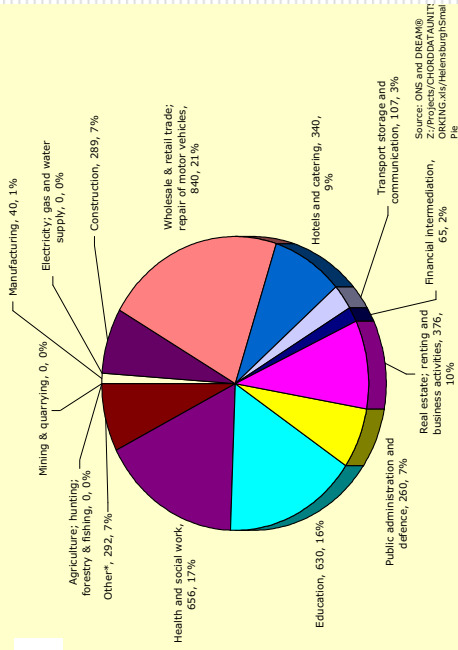
1. the competitiveness of the local service economy – reduce expenditure leakage and provide modern retail, commercial and business space, and
2. demography – retaining/attracting enough people to keep the town functioning,
3. enhancing the visitor experience – sustain and grow the number of visitors and associated spend, and
4. retaining the Naval Base



# The local economy is a service economy

Helensburgh employment 2006

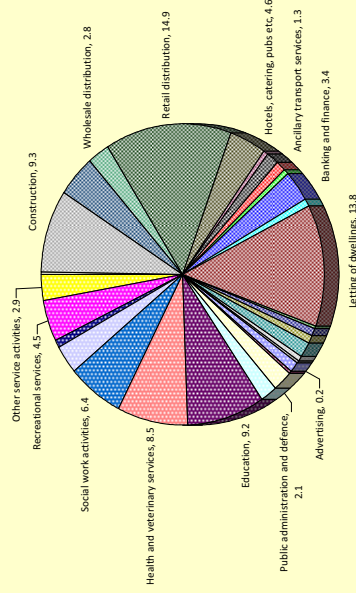
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Using money (Gross Value Added) as a measuring stick, the residential and service nature of the community stands out even more.

- In Helensburgh town employment is almost evenly split between the public and private service sectors.
- The area has a very low presence of manufacturing compared to regional averages.

GVA in Central Helensburgh - 2003 estimates £104 mm



Source: DREAM\*Detailed Regional Economic Accounting Model  
Ref P222-CHORDGVA

# Assessment of local Property Market

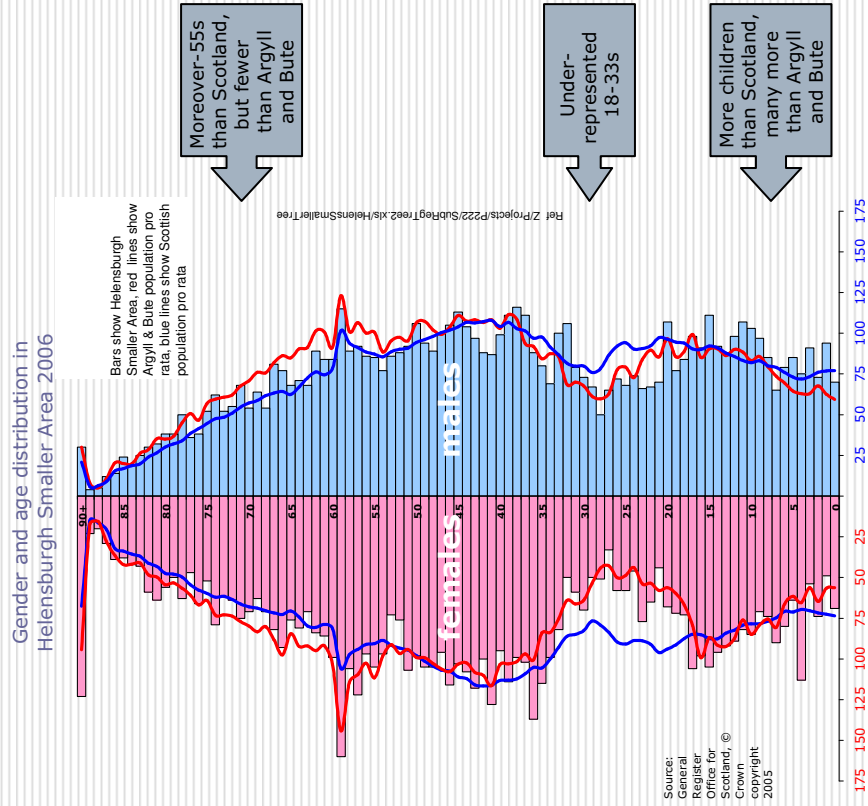
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Independently commissioned studies (Colliers, Creevy, Henderson) identify a number of key messages about the local property market:-

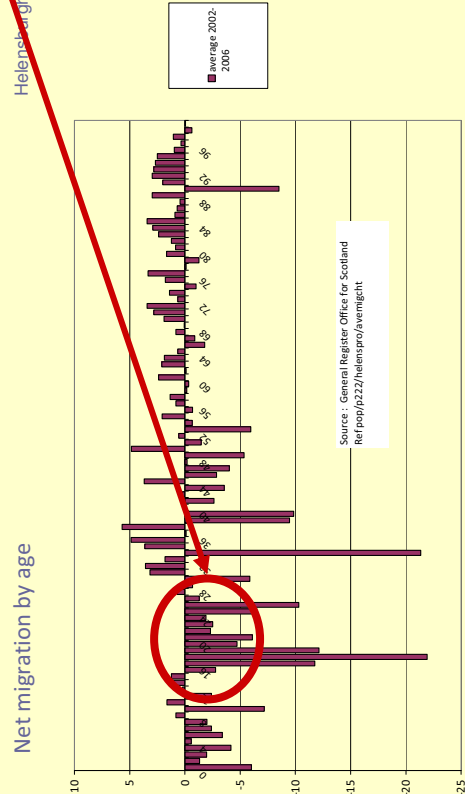
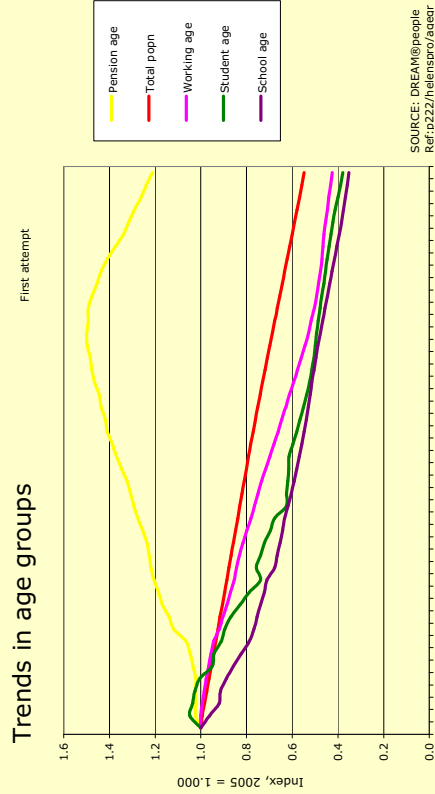
- Helensburgh is leaking 50% of its convenience (food) expenditure and 74% of its comparison (non-food) expenditure. In 2007 this equated to £70mn (in expenditure terms) and will continue to rise if no action is taken.
- New retail space of approximately 7000 m<sup>2</sup> should be developed and a townscape improvement scheme implemented to recover expenditure leakage and meet demand from mainly multiple retailers.
- The existing food & beverage provision is below what should be expected for a town of Helensburgh's size and there are no branded hotel operators.
- A number of specific food/beverage operators have requirements for Helensburgh and there could be potential demand for up to 1900 m<sup>2</sup> of new space. There could also be demand for both boutique and budget hotels.
- There are clear gaps in the housing stock in that Helensburgh has a significantly lower percentage of semi-detached and terraced homes than the Scottish average.

# The people balance

□ Helensburgh contains a significant number of families, has more people in couples, especially married, and far fewer single people than is the norm across Scotland.



# The people balance



- However Lomond is unusual in Argyll and Bute as it has net in-migration of young people. Young seamen (and some women) move in to Lomond, stay attached to the area during their prime working years, and some stay as their naval career draws to a close in their thirties or forties.
- Providing a good living environment will help to hang on to this ever-more-valuable human asset.

## The visitor experience

- Evolving as a tourism destination, Helensburgh's visitor numbers fell off in the 1950s when tourism patterns changed
- However the town retains its character and good connections to potential visitor sources
- In recent years the development of Loch Lomond side and the growth of other green tourism (such as yachting: the Crown Estates have recently purchased Rhu Marina) have increased the actual and potential role that Helensburgh can play
- These elements form an important first step in destination development

# The Naval Base



**HM Clyde Naval Base** is the largest economic activity in the whole of Argyll and Bute. The amount of money that spills over into the regional economy may not be very large compared to the Base's national economic significance. However, regular purchases by the Base, and personal spending by Base personnel, are important sources of income in relation to local businesses.

Some former Naval family quarters in the town have been transferred and are now considered part of the social housing sector, and the families of many naval personnel do not live locally. Nevertheless many are still here and form a vibrant part of the community of Helensburgh and its economy.

- The Base attracts many foreign and UK visitors to the area. This includes a number of overseas sailors participating in joint naval exercises. These visitors could potentially return/stay on as visitors if the area is seen to be an attractive destination. One of the aims of Helensburgh's OBC is to maximise the benefits from residents and visitors linked to the Base.
- The future of the Base is outwith the remit of this exercise. However, what Helensburgh will ensure by implementing all three elements of its OBC is that the town will be more attractive and successful and as such bring greater resilience to the local economy making it less dependent on future decisions regarding the Base.

The Helensburgh OBC comprises one project. There are three elements to it and these have been costed individually to take account of funding timing and the practicalities of deliverability

## Element 1 – Transforming the Town Centre

- Shared surfaces - innovative
- Road narrowing
- Favour pedestrian
- Park and ride feasibility scheme
- Cost - £3.31 million (JMP report)



- Helensburgh's first element is to renew the central area around Colquhoun Square incorporating Sinclair Street, West Clyde Street, Colquhoun Street and West Princes Street. At present traffic dominates these streets, and we will change their pattern of use to enhance pedestrian movement, create events space and a street café culture. This will encourage people to spend more money in the local shops, bars etc.
- The town centre has seen limited new retail units in the past 25 years, and it is clear that private sector investment is nowhere near the £1.5 mn per year that even the existing relatively small base would expect to call forward on average (Working Paper 9). Surveys indicate a demand from multiples and local people for new retail outlets (Colliers)
- There is clear demand for significant new private sector development but it will require public sector investment to kick-start the process.
- The element will thus benefit local people through a better shopping environment, existing local traders through increased revenue and bring new businesses/investment to the town.
- The element also includes plans for a 'Park 'n' Ride' feasibility study to explore options to encourage Glasgow-bound commuters not to park in town centre streets.



Above: Colquhoun Square  
Below: town centre shopping in Helensburgh





## Element 2 – The Esplanade



The second element will extensively redevelop the Esplanade, linking it to the town centre improvements to create an environment suited both for leisure strolling and for much better access by customers to commercial premises. The aim is to

### Renew Esplanade Walkway

- Create New Meeting Points
- Create New Event Space
- Rejuvenate area
- Create a 21<sup>st</sup> Century Esplanade

□ Cost - £3.35 million (Keppies)



**FROM** a tired 'seafront'



### Transforming the Esplanade

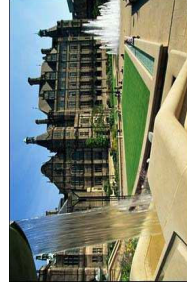
Materials & Surfacing



Planting



Public art & use of water



Signage



THE HELENSBURGH PARTNERSHIP

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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

## Element 3 – Kidston Park

Kidston Park lies at the North Western end of the Esplanade and is a formerly pleasant recreational and entertainment area which has become outdated. Improved facilities will include:

- New café
- New toilets
- Tourist information
- Improved play area
- Upgraded car park

□ Cost - £1.0 million (A&B Council )



## THE HELENSBURGH PARTNERSHIP

- The project elements have been conceived and developed by The Helensburgh Partnership, which has operated for 18 months as a body combining the Council, Scottish Enterprise, local Businesses and Helensburgh Community Council.
- The Partnership has commissioned independent research from national experts (including, Colliers, Keppie, JMP, Creevy), which identified the issues. This research has been used to develop these elements in consultation with the community.

## Strategic case

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- Helensburgh is the largest town in Argyll and Bute, with a core population of 14000, it is the residential and commercial centre of the Lomond area. Helensburgh and Lomond together have a population of 26 000, a third of the Argyll and Bute total.
- It is primarily a commuter town as well as an attractive seaside town for day trippers. It is the gateway to Argyll and Bute from the Glasgow conurbation and it plays an integral role in Destination Loch Lomond.
- The town and its hinterland perform an important role in UK military strategy, through HM Naval Base Clyde situated just outwith the town boundaries.
- Past under-investment has diminished the inherent attractiveness of the town centre and waterfront. This has led to expenditure leakage of approximately £70mn in 2007. Virtually all of this expenditure is being lost to Argyll and Bute.
- A public sector kick-start, based on improvements to the Town Centre and Esplanade, should in itself generate increased turnover and attract new retailers :additional value added of around £1.2 mn could be generated

## The economic case

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- In terms of immediately measurable economic benefit, these project elements will be most apparent in terms of improving the retail and leisure environment of the town. If they reflect the productivity of general retail investment these benefits capitalise at close to £14mn. The immediate benefit: cost ratio (discounted at 3.5 per cent real over 15 years) would be 2.5. (including multiplier effects)
- These elements will pave the way for the future development of the Pier Head site. A Park and Ride scheme will free up the Pier Head car park for future development.
- This, it is expected, will draw in new retailers, as well as new customers for existing retailers and their successors, and there would be an enhanced or ‘accelerator’ effect. This would substantially increase the benefit: cost ratio. The focus is not just on retailing but on the hospitality industries, restaurants and bars which capture tourism and day-visitor spending and add to the life of the town.

## The economic case (ii) - evidence/reference figures

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- On average, £1mn of retail/hospitality investment in the UK will eventually facilitate about £180 000 annual value added. (See Working Paper 9)
- The CHORD proposal for Helensburgh town centre, if equally productive for the retail sector, will generate about £1.2 mn of additional value added. That amounts to a 6 per cent increase in retail and hospitality GVA (which currently totals £20 mn – see GVA chart panel 5)
- The improvements potentially generated through the kick-start or accelerator mechanism are much more substantial. For example, property, retail and hospitality consultants Colliers and Creevy suggested 9000 m<sup>2</sup> of new space, which with other investment could amount to £25 mn. If these are successful and ascribed entirely to the project they increases the overall benefit: cost return on Council money to 10:1. Even conservatively assessed they put it up to 4.0.
- Helensburgh Partnership's calculations using independent reports suggest this would lead to residential and commercial investment, perhaps as much as £55 mn, bringing the total private sector investment triggered to £80 mn. Such an outcome would transform the trends in and structure of the town's population.

## The economic case (iii) – the do-nothing option

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- ❑ The do-nothing option would entail relative decline and lack of investment in the town centre becoming absolute decline, and possibly accelerating.
- ❑ Shop closures could be expected, with the consequence that the number of ‘void’ premises began to rise to levels found elsewhere. There would be an increasing divergence between what residents and customers expect from a town centre and what they are able to obtain from Helensburgh.
- ❑ That, in turn, would lead to steeper declines in population and could eventually lose Helensburgh its valuable cachet as an attractive place to live.
- ❑ There is clearly an economic case for public investment to counter further decline.



## The commercial case

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- Helensburgh's CHORD project elements are based on sound strategic rationale, supported by independent advice and community consultation. These elements offer high returns with low risk and low relative costs. These are not dependent for implementation on commercial inputs from third parties and are therefore immediately deliverable and predictable.

## The financial case

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- The essence of these project elements is that they use public investment to kick-start further activity by both the private sector and by other public sector bodies.
  - The funds required are thus in the first instance essentially 100 per cent Council, £7.7 mn. There will be some small offsetting revenues in due course, and savings in maintenance costs of significant magnitude.
  - Additional public sector funds could further enhance the schemes and possible sources include
    - Heritage Lottery Fund
      - Townscape Heritage Initiative
      - Parks for People
    - Creative Scotland (formerly Scottish Arts Council)
    - Strathclyde Partnership for Transport
-

## The management case

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- The lack of dependency on third parties means that in terms of execution Helensburgh will be able quickly to put these project elements into the implementation phase.
- The works to be undertaken can be straightforwardly managed, and this has the added effect of reducing risk, and the risk of cost over-runs, significantly.
- The existence of the Helensburgh Partnership provides a knowledgeable, well-resourced and ready-made framework for implementation and for monitoring the impact of the project elements as discussed below.

## Risk register

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- The project will be subject to normal execution risks, but at a low level because the techniques envisaged are well known and have been successfully employed in many places. Due to Helensburgh's favourable position at the end of the Central Belt the skill sets required are readily available.
- Helensburgh is not considered a locus of concern as regards new flood risks
- There is a risk that future private sector investment will be lost if this initial public sector pump priming investment does not take place

## Benefits register

- The major benefits will be realised through increased turnover and employment in the retail and hospitality sectors and Helensburgh Partnership is recommended to set in place a system for monitoring this. Such a system could include a quarterly tally of retail turnover and monitoring of employment vacancies advertised in the local press and via JobCentres.

- Benefits will be achieved through making Helensburgh a more attractive place to live, visit and invest in. This will result in higher spend in Argyll and Bute as a whole.

## Partners

- The existing members of the Helensburgh partnership are

- Argyll and Bute Council
- Scottish Enterprise
- Helensburgh Community Council
- Local businesses

- Partners for further developments could include

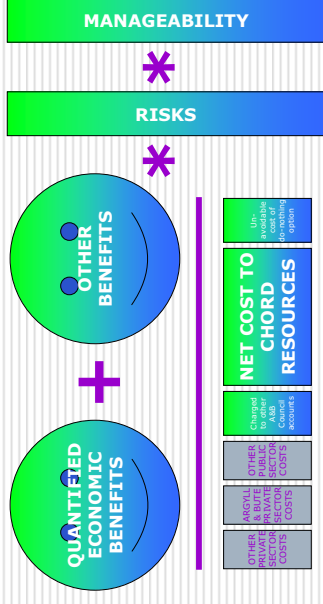
- Heritage Lottery Fund
- Creative Scotland (Scottish Arts Council)
- Strathclyde Partnership for Transport
- Franchisees – e.g. Kidston Park

# A balanced appraisal

- The main measurable economic benefits of this OBC lie in providing an attractive focus for shopping and leisure in Helensburgh town centre and esplanade. Even if it only achieved a typical 'retail investment' return this would yield additional value added of some £180 000 per year, but we judge it can trigger a retail revival which will bring approximately £25 mn of new retail and hospitality investment for the first time in a generation, with continuing benefits for consumers and retailers.
- In addition to these quantifiable benefits we also see development of Helensburgh as a sustainable community, better able to retain not only the young people that grow up in the town but also those that move here. These project elements will help Helensburgh add to its advantages as a place for young families and adults. If the more vibrant retail centre also brings forth housing and other commercial investment in the town centre and waterfront (judged at potentially £55 mn) this will reverse the town demographic dynamic.
- The cost of the three elements is as follows
  - Element One – Town Centre regeneration and Park'n'Ride feasibility - £3.31 mn
  - Element Two – Esplanade - £3.35 mn
  - Element Three – Kidston Park renewal - £1.0 mn
  - Total: £7.66 mn

- Against these figures can be offset £0.2 mn already committed to Kidstone Park by the Council and maintenance savings for the town centre which capitalise at £0.27mn, £0.13 mn and £0.18 mn on the three projects
- The elements have been designed to address the challenges currently facing Helensburgh, i.e. addressing retail expenditure leakage and enhancing day visitor numbers and have been constructed to minimise risk whilst maximising deliverability and return. Work can start in 2008 and, because the Partnership is established there is no additional need for long delays for further partners to agree and to raise funds. In terms of general oversight and ensuring that social benefits are all captured the existing Helensburgh Partnership was established and is tried and tested for the purpose.

## Evaluation Formula



**\*C\*H\*O\*R\*D\***  
DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

# Backup and Boilerplate

## □ CHORD PROJECT WORKING PAPERS

1. Helensburgh Economic Profile – cogentsi
2. Helensburgh Property Market Review – Smiths Gore
3. DREAM® people demographic analysis and projections for Helensburgh, Lomond and Argyll and Bute - cogentsi
4. Project Proforma – Town Centre & Park'n'Go – Helensburgh Partnership
5. Project Proforma – Esplanade – Helensburgh Partnership
6. Project Proforma – Kidston Park – Helensburgh Partnership
7. Conformity of Helensburgh CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
8. Conformity of Helensburgh CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
9. Economic appraisals including discounted costs and benefits
10. Financial and commercial appraisals including discounted cash flows, Benefits register
11. Draft risk register and risk potential assessment
13. Draft and nominations for commissioner/stakeholder support,
14. Arrangements for post-project evaluation and implementation review.
15. References
16. Consultees

## □ BACKGROUND AND PREPARATORY STUDIES

1. Argyll & Bute Structure Plan
2. Argyll & Bute Finalised Draft Local Plan Maps
3. Argyll & Bute Modified Draft Local Plan Written Statement
4. Working with Argyll & Bute's Built Heritage
5. Argyll & Bute Council Corporate Plan 2007-2011 and beyond
6. Initial Business Case – Helensburgh Town Centre and Waterfront
7. Argyll & Bute Data Set
8. An Economic Strategy for Argyll and the Islands
9. Heritage: Social, Economic and Environmental Benefits
10. Helensburgh Retail Study
11. Helensburgh Hotel & Leisure Assessment
12. GOAD Town Centre Report - Helensburgh
13. Public Sector Business Cases Using the Five Case Model: a Toolkit
14. The Outline Business Case – Project and Procurement Support for Local Authorities
15. 200 years of Helensburgh 1802-2002
16. Helensburgh: Be Better, Be Excellent
17. Helensburgh Housing Report
18. Townscape Heritage Initiative
19. Appraisal and Evaluation in Central Government – The Green Book
20. Helensburgh: Transforming the Town Centre
21. Helensburgh Traffic Management Study
22. Reinventing West Bay Esplanade
23. Helensburgh Street Guide
24. Operational Programme – European Territorial Cooperation Objective
25. Scottish Small Towns Report 2007-2013)
26. A Smart Successful Scotland
27. National Planning Framework for Scotland
28. National Planning Framework for Scotland Monitoring Report
29. Interreg IV Operational Programme
30. Investment in Helensburgh
31. The Scottish Government Economic Strategy
32. VisitScotland Accommodation Guide
33. Helensburgh Town Centre and Waterfront

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

## Helensburgh – the best bet for Argyll and Bute

- *Helensburgh is able to seize the moment, in that its proposal has been focused so that what is being sought can be delivered, and delivered quickly. It is not contingent on elaborating difficult technical proposals or securing agreement from partners whose decision-taking may be tortuous. Where consensus and agreement is necessary it has already been established. In terms of realistic regeneration timescales, what Helensburgh is offering Argyll and Bute is the ability to act today and reap benefits tomorrow, rather than next week or next month. Additional ambitious developments, including new shopping, food and beverage space, can be foreseen and are confidently predicted, but the case stands up as it is now.*
- *The economic case is built around reducing the amount of ‘leakage’ from the local economy – currently about two thirds of retail spending by Helensburgh people is directed outside the town. With commercial realism we have discounted somewhat the projections of Helensburgh’s professional advisors. Nevertheless we think the Council can prudently expect its investment of £7.7mn to yield a 6 per cent increase in annual retail and hospitality GVA. This means close to £14mn in additional value added, a measurable benefit cost ratio of 2.5 to 1. (including multiplier effects)*
- *Most of this will come from enhancing the built environment, by the innovative proposals for sharing street surfaces between pedestrians and vehicles operated in a streetscape designed for safety, and by making room for shoppers to bring their vehicles into the town, rather than filling prime parking space with commuters vehicles which are empty all day.*
- *Information from professional studies indicate that the £7.7 mn invested by the Council could trigger £25 mn private sector retail and hospitality investments and £55 mn residential and commercial developments*
- *These proposals will encourage money earned by Argyll and Bute residents to be spent in Argyll and Bute. They will give a very attractive economic return and make it a more attractive place to live, and build on one of the demographic strengths which Helensburgh has demonstrated – the ability to attract and educate children and young people. And if the Council shows its confidence in Helensburgh, that can trigger private investment more readily here than anywhere else. That private investment would exceed by multiples the public investment sought now.*

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**





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## **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

DTZ  
One Edinburgh Quay  
133 Fountainbridge  
Edinburgh  
EH3 9QG

September 2008

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## 1. Introduction

DTZ was commissioned by Argyll & Bute Council to carry out a brief, independent review of the outline business case (OBC) for five town centre and waterfront projects including Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The business cases are being prepared and will be scored once each of the business cases are approved by each project board.

The Council has made a sum of money of £10m available through its capital program, but it will only be available to one of the five waterfront projects being considered. These all come under the moniker of “CHORD”. Elements across the proposed projects include:

- Campbeltown;
  - Kinloch Road - Area Regeneration;
  - Marina Development;
  - Townscape Heritage Initiative;
- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.



## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press



### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttik<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttik, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

#### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.**<sup>7</sup> Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

### 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

### 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

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<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006





## 3. Helensburgh Project

### 3.1 Overview

The total capital cost of the Helensburgh project is £7.66 million, and out of this the Council is expected to contribute with £7.46 million. The project consists of three development elements:

- New and improved shared surfaces in the **Town Centre** which enhance pedestrian movement and create improved space for commercial and leisure activities;
- Redevelop the **Esplanade**, linking it to town centre improvements to create an environment suited both for leisure strolling and for much better access by customers to commercial premises; and
- Improve the facilities at **Kidston Park**, with new café, new toilets, tourist information centre, improved play area and upgraded car park.

Currently vehicle traffic dominates the streets of the centre, but the town centre project will develop a shared function operation. The redevelopment of the town centre will favour pedestrians, create event space and street café areas. Part of this will also be a Park & Ride feasibility study to explore options for commuters to Glasgow not to park in the town centre.

The aim of the town centre development is to encourage people to spend money locally and to incentivise people to come into Helensburgh to use shops and cafés. This will benefit local people through better shopping environment, existing local traders through increased revenue and bring new business and investment to the town.

A renewal of the esplanade walkway would further add to the rejuvenation of the town centre, creating new event space and public green space. The development of the esplanade will include surfacing, planting, signage and the display of public art. Kidston Park lies at the end of the esplanade, and this aged entertainment area will be improved. These two project elements are expected to further enhance Helensburgh as a place for leisure and retail.

### 3.2 Baseline

In Dumbarton travel to work area (see map below) 7,197 people were employed in retail, leisure and tourism sectors in 2006. Of these, 3,157 were in the retail sector and 2,870 in hospitality. In Helensburgh (including central, east, west and north wards of the town) 1,248 people were employed in the retail, leisure and tourism sectors.

While the proposed development will take place in Helensburgh the impacts will be expected to be present in the Dumbarton travel to work area. However, this area is not as self-contained in terms of the labour market compared to Campbeltown and the Kintyre peninsula. Based on the employment numbers, the town currently represents 17% of the areas retail, leisure and tourism sectors. This share however, could potentially increase following investment into the town centre. It is reasonable to estimate that investment in Helensburgh will affect 25% of the activity base in the Dumbarton travel to work area.

**Map 3: Dumbarton Travel to Work Area**



The total income is calculated by taking the 25% share of area activity and multiplying the number of retail, tourism and leisure related job with the median wage for all workers in Argyll and Bute. This suggests a **total income of around £32.2 million**.

As per Scottish Input-Output tables, published by the Scottish Government, income accounts for two thirds of the GVA in hotels and restaurant sector. Applying this to the estimated total income implies that **total GVA is £48.8 million**.

### 3.3 Socio-economic Impact

The proposed developments in Helensburgh aim to improve the attraction of the town as a place to visit and to increase retail spend. Helensburgh currently faces a substantial level of leakage to other towns, particularly Dumbarton. However, it is worth pointing out that some of the current leakage is to Glasgow, and this may be more difficult to transfer back to Helensburgh due to people working in Glasgow or preferring larger retail markets.



A retail study by Helensburgh Partnership suggests that 50% of food and 75% of non-food purchases are made out of town. Research also suggests that Helensburgh has much lower levels of retail floor space per head of population compared to other towns in Argyll and Bute, which can be explained by the high level of spending elsewhere. Investment in the town centre is expected to reduce this leakage dramatically.

Developments to the Colquhoun Square, surrounding streets, the Esplanade and the Kidston Park will substantially contribute to improving the appearance of the town. This will particularly attract people coming into Helensburgh from neighbouring areas and towns. With Glasgow city on the doorstep there is a major catchment area to be targeted for day visitors. Furthermore, visits from tourists may increase as Helensburgh are able to benefit from passing-through trade of Loch Lomond visitors and those travelling north and west.

The literature reviewed suggests that the improvement of public realm can have a substantial impact on local revenues from retail. Up to 40% increase in visitor numbers can be expected as a result of improvement to public spaces. This increase does not directly translate to a similar increase in economic activity, however the impact on GVA is still substantial. With Helensburgh being situated in a strategic location, close to urban centres and with a waterfront, the town can expect to increase the retail spend by around 15% as a result of more people using the local shops and increased visitor numbers. This suggests that economic activity will increase by around £7.3 million.

The reduction in leakage will affect the displacement of investment, with Dumbarton being particularly affected as Helensburgh residents shift their retail spend location. However, it is reasonable to assume that the displacement from elsewhere in Argyll and Bute is lower, than for example Dunoon and Campbeltown, due to its location on the border of the Council and with a major urban city nearby. Assuming displacement of 40% from elsewhere suggest an **additional increase of around £4.4 million in economic activity.**

As stated earlier income in retail is on average 66% of total GVA. Multiplying additional GVA with this share and dividing by the average salary in Argyll and Bute translates to **136 full-time equivalent jobs or a total of 162 jobs being created.** These employment levels are expected once the developments are completed and the increase in economic activity is achieved.

HM Treasury guidelines on Net Present Value (NPV) recommend that benefits which accrue annually should be discounted at a rate of 3.5% per year. **Over 25 years the NPV of the Helensburgh project is likely to be around £72.4 million.** Offsetting this against the total capital cost of £7.66 million suggests a **positive NPV of £64.7 million.**

If the increase in economic activity was lower, at 5%, the NPV would be reduced to £16.5 million, and a 1.6% uplift is required to achieve a net positive NPV.

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Evan Williams  
Director  
RPS  
7 Claremont Gardens  
Glasgow  
G3 7LW  
29 October 2008

Dear Evan

Helensburgh's OBC

As Chair of The Helensburgh Partnership/Project Board it gives me immense pleasure to put forward Helensburgh's OBC for scoring.

As you will see from my Introduction, I believe Helensburgh has made a robust and deliverable economic case for investment, the benefits of which will have a significant and immediate positive impact on communities across Argyll & Bute.

I am also pleased to be able to advise you that Helensburgh's economic case has since been further enhanced by the recent Reporter's Recommendations on the Draft Local Plan, which supports the position of the Partnership and Argyll & Bute Council in the development of many of the key development sites identified by the Partnership but more specifically the Pier Head site and Colgrain Business Park site. The deliverability of both of these sites is, however, dependent on raising private sector interest and confidence in Helensburgh.

This can only be achieved by making Helensburgh a more attractive place to live, visit and invest in. Helensburgh's OBC projects are aimed at doing exactly that. As the reports clearly show, the project elements will help re-capture lost retail expenditure and attract additional day visitors, both in turn will attract investors.

If Helensburgh OBC's is awarded the necessary funds of £7.46mn then you can be assured that the projects will be successfully delivered within the Council's four year time frame and the expected economic outcomes will begin to flow more readily from here than anywhere else in Argyll & Bute.

Yours sincerely

Bill Brackenridge  
Chairman  
The Helensburgh Partnership





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# **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

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- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.



## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press



### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttik<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttik, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.<sup>7</sup>** Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

### 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

### 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006



## 3. Oban Project

### 3.1 Overview

The Oban project consists of three development elements:

- A **Development road** will provide new routes to the south of the town and the harbour and will open up new areas for residential and commercial development;
- The **Dunbeg corridor** will facilitate access to town centre services from an area of new residences close to hi-tech job opportunities;
- **Harbour 'Areas for Action'** will improve the efficiency and safety of the waterfront area; and
- A **Transit Marina** will provide short stay marina facilities in the centre of town.

The Dunbeg corridor proposal is now with the West Highland Housing Association and no CHORD money will be required to fund this element of the project. Therefore the corridor has not been considered in this review.

The total capital cost of the Oban project is £19.63 million, of which the Council will contribute £10.0 million.

The development road is considered to be necessary to reduce congestion in the town centre of Oban and will be positioned to the east of the town itself. Furthermore, it will relieve the pressure from heavy traffic to and from the harbour going through the town. This improved infrastructure in Oban will open up sites for residential, commercial and industrial developments.

The developments of the harbour include moving the life boat station, enhancing the fish berthing facilities and create a safer berthing for CalMac ferries. This will considerably improve the safety around the harbour area which now suffers from congestion.

The transit marina is a pontoon facility which will be situated right in the town centre. It is expected to provide 60 to 80 short-stay berths for visiting boats. This facility will particularly benefit the seafront retail businesses, but benefits are expected to arise in the rest of Oban as well. The berths will lead to fewer boats anchoring to buoys in the ferry area, again helping to reduce the congestion and safety problems.

### 3.2 Baseline

The Oban travel to work area (see map below) provides jobs for 2,901 people in retail, tourism and leisure. This includes 1,136 employees in retail, 1,567 in hospitality and 198 people in sports and culture. In addition, there are 409 people employed in the fishing, marine and water transport sectors. The travel to work area covers a large area around Oban, stretching as far as Loch Lomond and the Trossachs. Despite this, Oban is a central hub of the area with the town providing more than 60% of total jobs in retail, tourism, and sports and culture.







### 3.3 Socio-economic Impact

Research has shown that improvements in transport infrastructure may have impacts on:

- Inward investment;
- Organisation of land use;
- Opening up of sites;
- Improving access to declining industrial areas;
- Improving access to rural/more peripheral areas to maintain population; and
- Improving access as a response to economic pressures.

There is strong evidence of road improvements opening up new sites for development, although the size and nature of the developments are dependent on the specific project and local economic circumstances. The DTZ review of unimproved routes also supported the view that road infrastructure investments have an impact on site development and property demand.

The poor quality of road links was cited as an explanatory factor in accounting for lack of demand for sites and, indeed, inability to attract mobile investment. There was also much clearer evidence that roads investment can have a substantial impact on the development of industrial and commercial sites and thus on the location of economic activity.

A number of road infrastructure studies have considered the impact of the road improvement on location decisions in the vicinity of the project. These studies report that the improvement in road infrastructure can have a positive impact on the perceptions of an area, particularly if the area is perceived as being remote and difficult to access and can enhance the attractiveness of the area for development.<sup>12</sup>

In contrast, the DTZ study also showed that there was limited evidence of migration and labour market impacts as a result of road infrastructure improvements. It is worth pointing out that Oban is the largest town in North Argyll, and plays a major part in the activity of mainland Argyll but also the island communities served by its ferries. Transport routes converge to the town and in addition to the income that this brings to the town it is also a popular tourism destination and a centre for private investment.

With a more balanced economy, with less dependency on tourism, there is prospect of growth in terms of migration and labour markets in Oban. The town is situated on the banks of the bay and suffers from restrictions in development. The development road to the east of Oban will not only relieve congestion in the town centre but also release sites for development. The road can facilitate the building of commercial and industrial developments as well as approximately 600 houses.

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<sup>12</sup> DTZ Piedad Consulting, Economic Impact of a Second Severn Crossing, 1992



The Dunbeg corridor development at the north of the town will provide the infrastructure for building up to 800 houses. This together with the development opportunities to the east, as a result of the development road, will increase the housing supply substantially. The Local Housing Strategy states that there is currently a severe shortage of suitable sites and infrastructure restrictions constraining further house and economic development.<sup>13</sup>

While there is a high level of immigration to the area the demand is not expected to accommodate such a substantial rise in supply. The main migration is due to retirement and lifestyle reasons, and so far the economic migration, similar to that experienced by Inverness for example, is limited. In addition, both Argyll & Bute Council and GROS project that the population of the Argyll and Bute area will fall, and the Oban population which has slightly different demographic characteristics is expected to remain relatively static.

Crucially though, it is suggested that without the development road, traffic will eventually gridlock the town and this will provide severe restrictions to further economic development of Oban and the wider communities. Therefore we can assume that further residential development will be possible as a result of the development road, and the economic impacts of these developments will offset the cost of the infrastructure improvements.

Assuming that the road will lead to 500 new houses built, the impact of these can be calculated using the same average household spending as in the Campbeltown section. However, with such a large increase in housing the development is expected to be phased. In this case we will assume that 50 houses are completed in the next 10 years. With an average household spend of £27,664 the total gross disposable income arising from the developments is £172.9 million.

Some of this spending will be accrued by individuals who simply move from a current property in Oban, seen as undesirable, to a new development. Furthermore, some of this additional spend will be displaced from surrounding communities in Argyll and Bute. With a displacement of 60% assumed **the additional household spend as a result of the development road is £69.2 million over 25 years.**

Harbour Areas for Action will have an impact on the fishing community and may also improve the potential for leisure water activities to expand and increase in Oban. The fishing industry currently employs around 200 people in Oban, and another 100 people employed in water related activities. Furthermore, a possible transport interchange for trains, buses and ferries will provide additional jobs in the harbour in water transport related jobs but also retail. An additional 100 jobs could arise as a result of harbour developments, of which 40% are displaced. This will result in an **additional £1.6 million in GVA being generated in the harbour.**

Transit marina will increase retail spend in the town centre, particularly at the seafront. With around 60 to 80 berths, designated for visiting boats only, the transit marina can expect around 3,000 boat nights per year. Assuming a daily spend of £150 per boat suggests the new marina will lead to an additional £450,000 being spent in the town on retail and leisure.

<sup>13</sup> Argyll and Bute Council. Local Housing Strategy 2004-2009, February 2005



There is currently no marina in Oban itself and some boats decide to anchor to buoys in the ferry area, which is very busy with CalMac ferries, fishing boats and other leisure boats and this is currently not an ideal situation. Most boats visiting the town however, use the Oban marina on Isle of Kerrera. They currently offer 94 berths and have a shuttle service available between the island and Oban town itself.

With these two options for berthings Oban is not able to fully benefit from income generated by the sailing community. A transit marina in the town would offer more accessible and safer facilities for visiting boats. Oban is a popular town to visit and therefore the transit marina is expected to have high visitor numbers.

Some of this activity may be displaced from the Isle of Kerrera, however with positive externalities arising from increasing visiting boats, the current marina would not suffer from a major decline in demand. With minimal displacement and positive externalities arising, the town will benefit from an **additional £450,000 spent on retail and leisure goods and services.**

The above estimations and qualifications suggest that Oban can expect an uplift of 15% in economic activity if the proposed investment goes ahead, and this suggests that income would increase by around £10.8 million. Some of this increase will be displaced from other areas within Argyll and Bute, however the location of Oban mean that the town competes to a lesser extent with towns in the Clyde Estuary, it has strong tourism market already, it is a transport hub of the area and it has a healthy community.

Assuming a displacement of 40% from elsewhere in Argyll and Bute suggests an additional increase of around £6.5 million. The additional income increases annually and is discounted by 3.5% as per HM Treasury guidelines. **Over 25 years the Net Present Value (NPV) of the Oban infrastructure and waterfront project is likely to be around £106.4 million.**

Comparing this against £19.63 million, which is the cost of the project, suggests that **there is a positive NPV of around £86.8 million.** A 5% uplift in activity leads to a positive NPV of £15.8 million, and the project needs to generate an uplift of 2.7% to achieve a net positive position.

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# The Oban Dossier

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## Working papers

These working papers were produced in order to create the Oban Dossier. Although they illustrate the method they may not be exactly compatible with the Dossier itself

23 July 2008

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## Working Paper 1 - Oban Economic Profile

### 1.1 About Oban

Oban is probably the largest retail centre of any of the five CHORD towns, serving not only the town itself and its rural hinterland, but also a large number of island communities served by ferries from Oban. The town is one of the main hubs for the Calmac network and has passenger throughput of 700,000 passengers per annum. The town centre is relatively bustling and traffic congestion is a problem. The town has a large supermarket and other retail offerings and within the economy the main sectors of employment are tourism and transport and logistics. There is a push for Oban to develop as "the Inverness of the West Highlands" .

Figure 1 is a map of the area considered in this section.

**Figure 1 : Map of Oban settlement**



### 1.2 Population distribution

In 2006 the population of Oban was approximately 8,078. Table 1 shows the population change in Oban between 2001 and 2006 and compares it with the respective changes in Argyll and Bute and Scotland as a whole. The figures indicate that, like Argyll and Bute as a whole the Oban population has been stable over recent years.

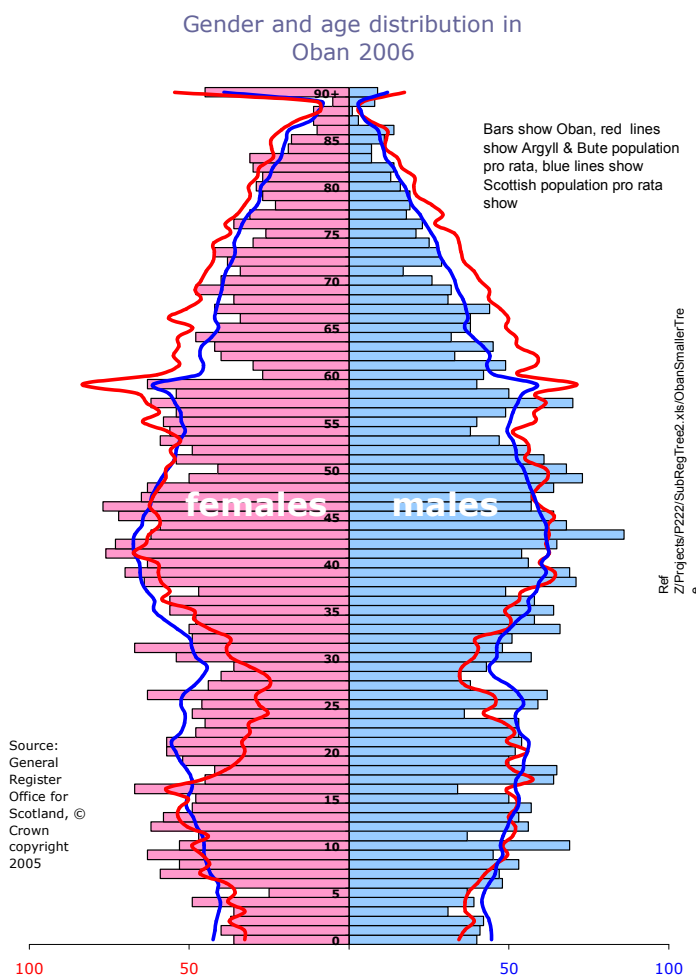
**Table 1: Population change 2001 - 2006**

Population Change 2001-2006				
Area	2001	2006	Change 2001-2006	% Change 2001-2006
Oban	8,100	8,078	-22	-0.3%
Argyll & Bute	91,300	91,390	90	0.1%
Scotland	5,064,200	5,116,900	52,700	1.0%

Source: GROS, Small Area Population Estimates, 2001 to 2006

Figure 2, below shows the age and gender structure of the Oban population and compares it with the populations of Argyll and Bute and Scotland as a whole.

**Figure 2 : Gender and age distribution in Oban 2006**



It illustrates that the population of Oban is much younger than for the rest of Argyll and Bute and broadly in line with the population distribution in Scotland. In Oban only 21 per cent of the population is aged over 60 compared with 27 per cent for Argyll and Bute and 22 per cent for Scotland. The other most notable difference between Oban’s population and that of Argyll and Bute is that the proportion of the female population in Oban aged between 18 and 35 is considerably higher (22 per cent compared to 15 per cent.)

Table 2 illustrates the population change in Oban in specific age groups and compares them with the changes at Argyll and Bute and Scottish levels.

**Table 2: Change in population age structure of Oban 2001 - 2006**

Table 2 Change in population age structure							
Age Group	Oban				Argyll and Bute	Scotland	
	2001	2006	Change 2001-06	% Change 2001-06	% Change 2001-06	% Change 2001-2006	
0-4	479	391	-88	-18.4	-12.2	-2.8	
5-19	1,592	1,529	-63	-4.0	-2.5	-3.2	
20-44	2,891	2,784	-107	-3.7	-7.2	-2.1	
45-64	1,905	2,099	194	10.2	7.3	7.8	
65-84	1,069	1,129	60	5.6	8.7	3.4	
85+	164	146	-18	-11.0	0.9	7.2	
<b>Total</b>	<b>8,100</b>	<b>8,078</b>	<b>-22</b>	<b>-0.3</b>	<b>0.1</b>	<b>1.0</b>	

Source: GROS

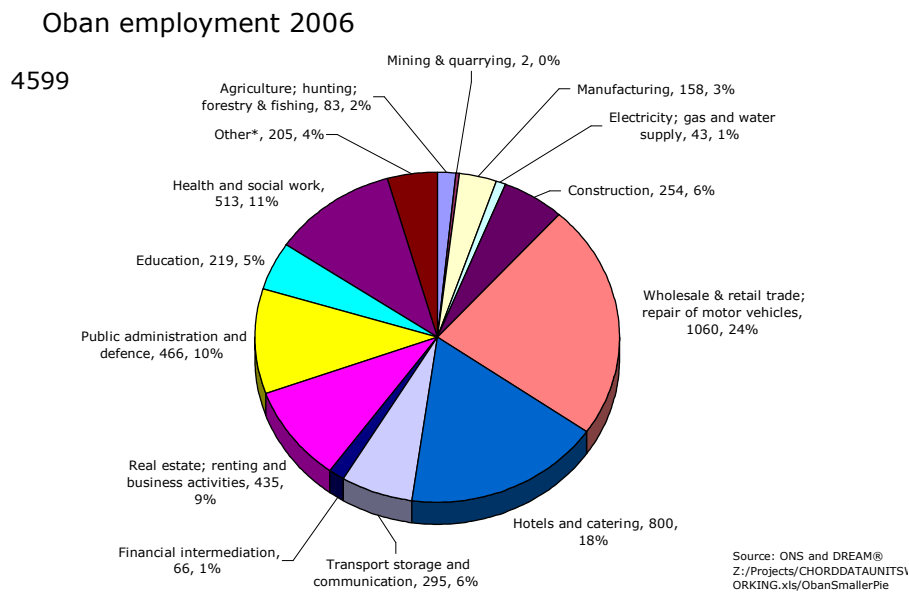
Small Area Population Estimates 2001, 200

In many respects the changes in the population distribution in Oban mirror the Argyll and Bute averages. Overall there was a decline in the numbers in the younger age groups and an increase in the older age groups. However, it is worth noting that in the working age population (20-64) has actually enjoyed a healthy rise overall, much closer to the Scottish average than the Argyll and Bute figures.

### 1.3 Employment by sector

According to the Annual Business Inquiry, there were 4 599 employees in Oban in 2006. Figure 3 shows the distribution of employees by broad sector in Oban in 2006 and Figure shows the employment distribution of Argyll and Bute as a whole.

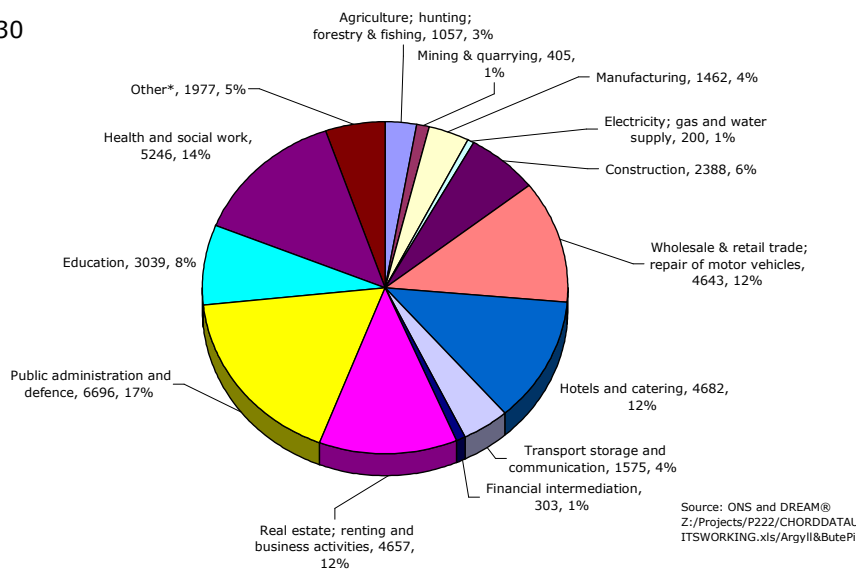
**Figure 3 : Distribution of employees in employment in Oban 2006**



**Figure 4 : Distribution of employees in employment in Argyll and Bute 2006**

Argyll and Bute employment 2006

38330



The figures illustrate the important function Oban plays as a retail, tourism and transport centre, with almost 50 per cent of all people employed in one of these areas. This compares to little over a quarter in the rest of Argyll and Bute.

In comparison to Argyll and Bute, Oban is under represented in all public sector activities which only account for 26 per cent of total employees. In contrast, in Argyll and Bute 39 per cent of the working population are employed in these sectors.

Oban is also home to a number of small scale businesses involved in heavy industry and workshop activities, particularly relating to the fishing industry.

Within Oban 9.7 per cent of the population in 2001 was self employed. Although this is below the average for Argyll and Bute as a whole (at 11.5 per cent) it is higher than any of the other CHORD towns. This is probably a reflection of the importance of the tourism sector locally.

### 1.4 Business size

The Annual Business Inquiry provides information on the number of data units located in an area. The number of data units in an area can act as a good indication as to the number of work places operating in an area employing staff. Data units do not correspond directly to the number of work places in an area as self employment is not taken into consideration.

In 2006 there were 506 data units in Oban employing staff. Figure 5 shows the break down of data units by business size in Oban, Argyll and Bute and Scotland.

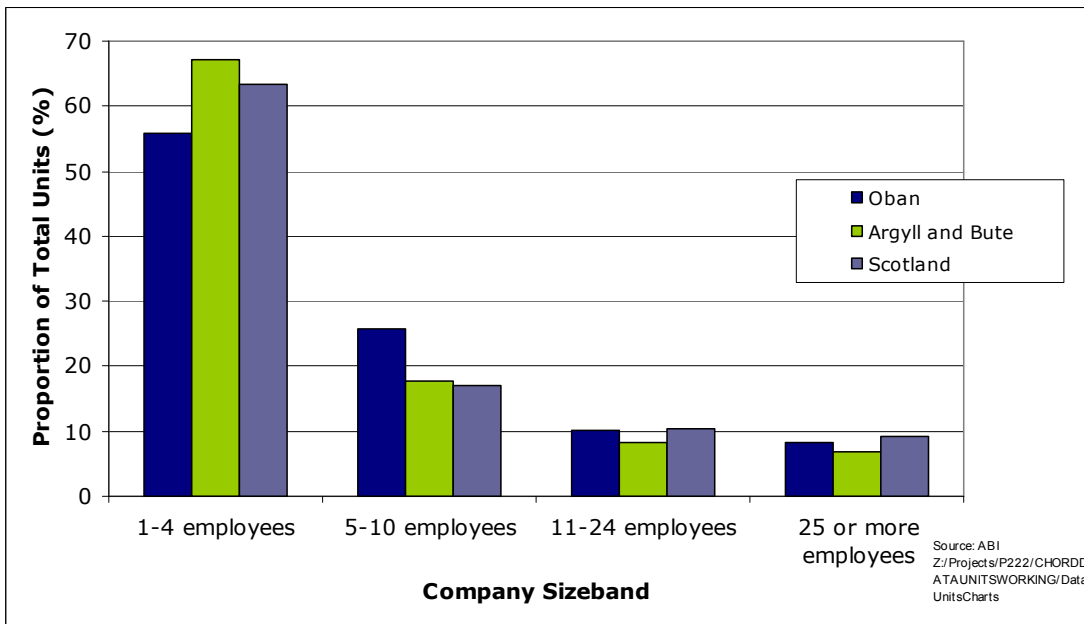
**Figure 5 : Distribution of business units by company size, 2006**

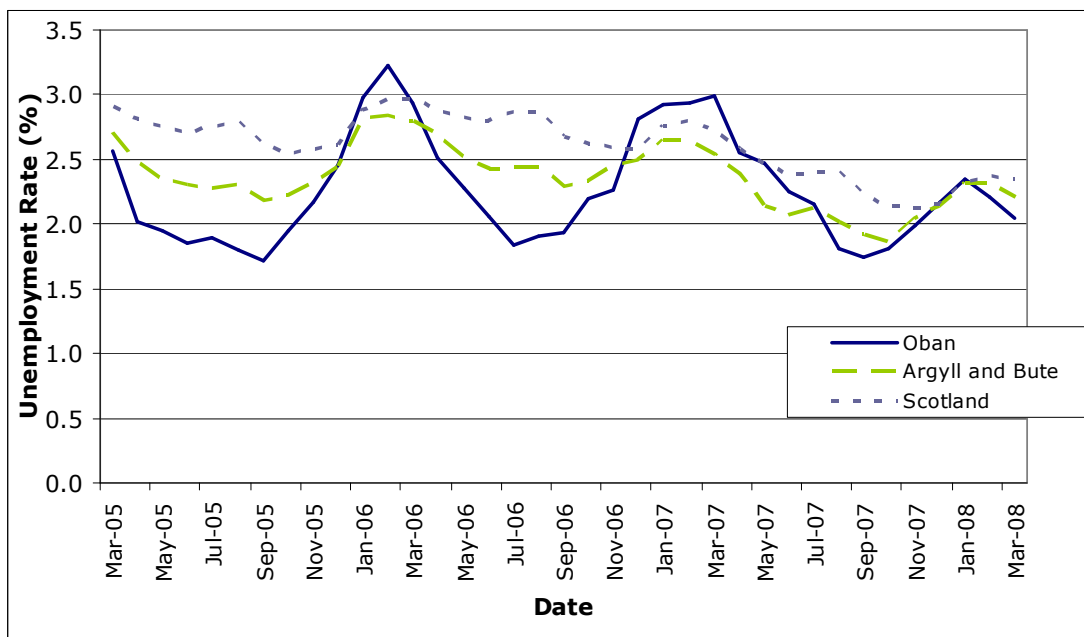
Figure 5 shows that Oban that although more than 50 per cent of business units employ fewer than 5 staff, this is significantly lower than in Argyll and Bute and Scotland as a whole. By contrast, Oban has a greater proportion of businesses with 5 to 10 employees (25.7 per cent) than the comparison areas (17.7 per cent for Argyll and Bute and 17.1 per cent for Scotland).

The proportion of larger businesses employing 11 or more employees in Oban is broadly in line with Scottish levels but is greater than at Argyll and Bute level.

### 1.5 Unemployment

In March 2008, there were 109 JSA claimants in Oban. At this time the unemployment rate in Oban was 2.0 per cent, a slightly lower level than for both Argyll and Bute and Scotland (2.2 per cent and 2.3 per cent respectively).

Figure 6 illustrates the unemployment rate from March 2005 to March 2008 of Oban, Argyll and Bute as a whole and Scotland.

**Figure 6 : Unemployment rates March 2005 to March 2008**

It indicates the high level of seasonality in Oban's employment market, further illustrating the importance of the tourism industry in Oban's local economy. Other than in winter months the unemployment levels in Oban are generally below those of Argyll and Bute and Scotland.

As in Argyll and Bute and Scotland, the unemployment levels in Oban showed a general downtrend over the past 3 years; decreasing from 2.6 per cent in March 2005 to 2.0 per cent in March 2008.

A summary of the changes in long-term unemployment (claiming unemployment benefits for six months or more) over the period March 2005 to March 2008 is given in Table 3.

**Table 3: Long-term unemployment March 2005-March 2008**

<b>Long-term unemployment March 2005-March 2008</b>				
<b>Date</b>	<b>Oban</b>		<b>Argyll and Bute</b>	<b>Scotland</b>
	<b>No. unemployed long term</b>	<b>% of total unemployed</b>	<b>% of total unemployed</b>	<b>% of total unemployed</b>
March 2005	40	29.6	35.7	30.0
March 2006	30	19.4	32.9	30.2
March 2007	40	25.0	33.5	31.2
March 2008	35	31.8	29.2	25.9

Source: ONS JSA Claimant Count

In March 2008 there were 35 claimants unemployed long-term accounting for 31.8 per cent of all claimants. This was a slightly higher proportion than for Argyll and Bute and Scotland (29.2 per cent and 25.9 per cent respectively). Unlike the comparison areas, the proportion of long term claimants increased in Oban during this time period, however this increase is based on very small absolute numbers.

## Working Paper 2 - Rothesay Property and Retail Market Review

A recent report<sup>1</sup> indicates that in October 2007 there were a total of 185 retail outlets in Oban with a combined floorspace of 295, 800 square feet.

The number of vacant retail outlets in an area can act as a good indicator as to the success of a local economy. As illustrated in Figure 7 the percentage of vacant retail outlets in Oban is below the UK average with 9.9 per cent compared to 11.2. The proportion of vacant floorspace in Oban is broadly in line with the UK average with 9.7 per cent vacant floor space compared to 9.4 per cent.

**Figure 7 : Retail vacancy rates**

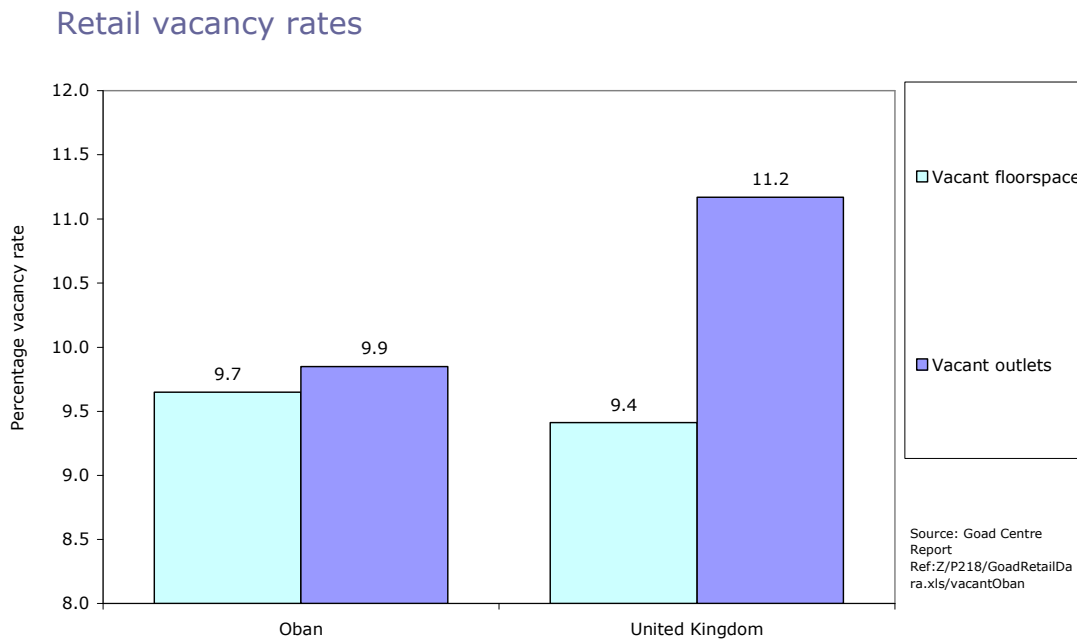


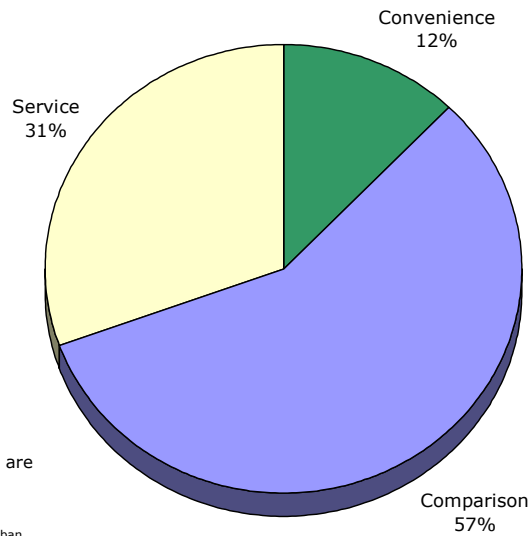
Figure 8 shows how the occupied retail units in Oban are split into three different categories, comparison (non-food retailers), convenience (food retailers) and services (such as banks).

The figures illustrate that there are a higher proportion of service and retailers in Oban, with 31 per cent of all retail outlets compared to just 24 per cent at UK level. In contrast the proportion of convenience retailers is considerably smaller in Oban compared to the UK as a whole (12 per cent compared to 19 per cent respectively).

<sup>1</sup> Goad report for Oban, October 2007

**Figure 8 : Number of occupied retail units in Oban**

Number of occupied retail units in Oban

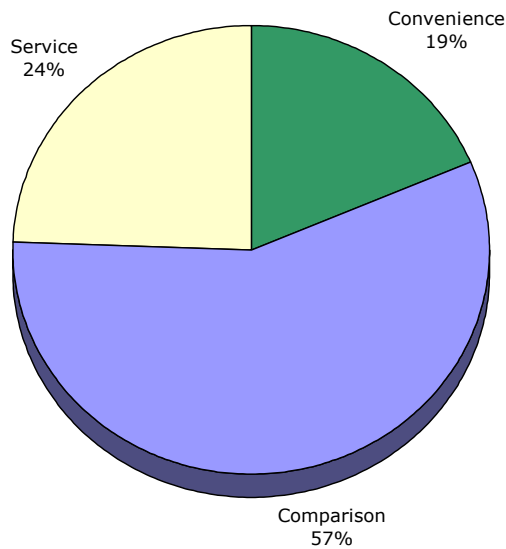


Figures exclude vacant units and are correct as at October 2007

Source: Goad Centre Report  
Ref: Z/P218/GoadRetailData.xls/NumofUnitsOban

**Figure 9 : Number of occupied retail units in the UK**

Number of occupied retail units in the UK



Figures exclude vacant units and are correct as at October 2007

Source: Goad Centre Report  
Ref: Z/P218/GoadRetailData.xls/NumofUnitsUK

**Retail businesses**

The Scottish Property Network database has details of 875 businesses and business occupiers in Oban, which employ approximately 6 711 people<sup>2</sup>.

The town’s core retail area is George Street and the network of small roads off it.

Oban is served by a number of supermarkets, including Tesco on Lochside Street, Farmfoods Freezer Centres on Dunollie Rd, Aldi and Lidl on Lochavullin Drive, and Co-Op Foodstores on Soroba Road. There is also a small Spar on Soroba Road.

<sup>2</sup> Scottish Property Network, searched on 4 April 2008.



There are several national multiple retailers, including Boots the Chemists, W H Smith, Millets, Thorntons, Superdrug, Woolworths, Ottakars, Blockbuster, Specsavers, Edinburgh Woollen Mill, Victoria Wine, and Clinton Cards. There are also a number of national charities, such as Oxfam and Cancer Research.

There are a large number of local independent retailers, including butchers, fishmongers, bookshops, hairdressers, gifts, chemists, toys, clothes, shoes and luxury foods.

### ***Demand for retail space and vacant space***

Only three requirements for retail space have been identified<sup>3</sup>, two of which are general for all types of property throughout Scotland and one is for a retail business for 600 - 3 000 square feet.

There are currently nine retail properties available in Oban, eight to lease and one / two to buy, with 38 503 square feet available. Three of the properties are on North Pier and four on Shore Street. Rents on offer range from £18 - 29 per square feet. Prime rents in Oban are estimated to be £40 per square feet in Oban<sup>4</sup>.

### ***Retail planning applications and inquiries***

There are few retail planning applications in Oban. Significant applications in the recent past include the 32 000 square feet retail warehouse for Booker Belmont Wholesale (known as Booker Cash and Carry) at Glenshellach Business Park, which was approved in 2001; the Tesco supermarket on Lochside Street, approved in 1996; and, the Star Brae Properties application for three shops and nine flats on Stevenson Street, which was approved in 2001 and subsequently completed.

There are no allocations for more shops (use class 1) in the Local Plan<sup>5</sup>.

### ***Recent retail deals***

Four recent leasehold transactions have been identified, which leased 7 319 square feet of space at an average annual rent of £14 per square foot<sup>6</sup>.

There have been around sixteen sales of retail properties since April 2005, covering 31 000 square feet of space at an average price of £293 per square foot (range £88-£1 286) for traditional shop units.

### ***Leisure activity***

Oban appears well served in terms of leisure activities. There is an active tourist information centre and attractive website, which advertises activities including golf, bike hire, wildlife and fishing trips, sealife adventures, sea kayaking, the community-owned Atlantis leisure centre, The Beach Health and Fitness Club and amusement arcades. There is also a wide selection of restaurants, cafes and bars.

There has been no recent leisure investment or planning applications of note in recent years. The former Harbour Bowl Ten Pin Bowling Alley was sold in October 2007 and closed. There are five leisure properties for sale in Oban in April 2008, including two

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<sup>3</sup> Scottish Property Network, searched on 4 April 2008.

<sup>4</sup> Colliers CRE. Helensburgh Retail Study, for the Helensburgh Partnership. July 2007.

<sup>5</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>6</sup> Scottish property Network. A further 15 undated leasehold transactions in Oban have been analysed, which covered 34,697 ft<sup>2</sup> with an annual average rent of £12 ft<sup>2</sup>.

hotels, two guest houses / B&Bs and a restaurant. There are no allocations or potential development areas for leisure facilities (use class 11) in the Local Plan<sup>7</sup>.

### *Office market*

The Oban office market is focused on the southern end of the town, around Albany Street, Argyll Square, George Street, Stevenson Street and Glengallan Road, around Glenshellach Business Park. Other office locations include Crannog Lane, Croft Avenue, and Dunollie Road.

Most of the office space is in traditional buildings with little modern space. They are predominantly occupied by service industries, such as accountants and solicitors as well as some new service occupiers. There is a large unoccupied office in Glenshellach Business Park, which was built by Highlands and Islands Enterprise for a call centre.

The Council has four office complexes around Oban, totalling 24 186 square feet. There has been at least one proposal to relocate the Council's occupation onto one site, on Albany Road, but it has not been followed up.

Supply of offices is very low in Oban at present, with only two offices available to lease and none to buy; they are both on Glengallan Road and one is a small traditional office of 130 square feet for £1 500 per annum (£11 per square foot) and the other a modern office of 6 539 square foot for £56 000 per annum (£9 per square foot) within the Glenshellach Business Park.

The most recent transactions are the leases of two small modern offices on Glengallan Road at £12 per square foot; the typical range of office rents is £8-14 per square foot. Historically, there are few offices for sale in the town.

There are five sites allocated for business use in the Local Plan all of which are on Glenshellach Business Park in Glengallan Road, which totals 8.5 hectares<sup>8</sup>.

### *The residential market*

#### *Population projections*

Oban is the second largest town in Argyll and Bute<sup>9</sup> and is the main town in the Oban, Lorn and the Isles administrative area. The administrative area's population has grown from 18 700 in 1999 to 19 100 in 2002, to 19 600 in 2007 and is forecast to be 20 000 in 2012, an increase of 400 people or 2 per cent from 2007 levels. Oban is viewed by the Council as 'the gateway to the isles' and a focal point for economic growth, which will grow by the opening up of one or two development corridors along the A82 and the railway leading to Connel.

#### *Market activity*

House prices in Oban have risen faster than in Scotland as a whole and the average price of a house is now slightly above the national average, as shown in Table 4.

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<sup>7</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>8</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

<sup>9</sup> Census 2001. Oban was the third largest settlement in Argyll and Bute with 8,120 residents in 2001, after Helensburgh (14,626) and Dunoon (8,251).

**Table 4 Average house prices**

Average house prices (£) <sup>10</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Oban	£105 402	£121 495	£145 565	15%	20%
Scotland	£117 179	£129 575	£144 807	11%	12%

The number of houses sold in Oban fell 25 per cent in 2007, compared to a rise of 2 per cent in Scotland, but it is still above 2005 levels.

**Table 5 House sales volumes**

House sales volumes <sup>11</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Oban	200	245	183	23%	-25%
Scotland	125 523	133 174	136 106	6%	2%

Local agents report that although there is a greater supply of houses for sale in 2008, more sales are falling through and vendors' price expectations are unrealistic. It is too early to know what effect this will have on prices.

There is a high level of immigration to the area for retirement and lifestyle reasons, which has greatly increased demand for and prices of houses at the upper end of the market, which has had a knock-on effect on affordable social housing. There is considerable demand for social rented housing, with low turnover of tenants and 12-20 applicants per let; there is also significant under-supply of housing for temporary and move-on accommodation. A significant number of new homes will be needed to meet this demand.

### **Residential developments**

No recent residential developments could be found; this finding is reinforced by the Local Housing Strategy which states that there is a severe shortage of suitable sites and infrastructure restrictions constraining further house and economic development<sup>12</sup>.

The Council's Local Plan proposed to allocate land for an estimated 796 houses for 2003-2007, of which a minimum of 198 are expected to be affordable. It is anticipated that a similar level of provision will be made for the period 2007 to 2014, and a number of sites have been identified and allocated in the Local Plan (see Table 6). Therefore a number of residential developments can be expected in the next few years.

**Table 6 Housing allocations in Oban**

Housing allocations in Oban <sup>13</sup>	Number of units	% of affordable housing
Glengallon 1	100	0%

<sup>10</sup> Registers of Scotland; data for April 2005 to April 2008. Data is not available for Oban from HBOS / Halifax.

<sup>11</sup> Registers of Scotland; data for April 2005 to April 2008

<sup>12</sup> Argyll and Bute Council. Local Housing Strategy 2004-2009. February 2005. Pages 106 and 111.

<sup>13</sup> Argyll and Bute Council. Modified Finalised Draft Local Plan. Written Statement. June 2006.

Glenshellach Road 1	40	0%
Glenshellach Road 2	23	0%
Glengallon 2	75	100%
Glengallon 3	30	100%

There is a proposal for a 850 house development between Oban and Dunbeg, between the local housing association West Highland Housing and a developer. An application may be lodged later in 2008 and the development will contain a significant proportion of affordable housing.

## Working Paper 3 - DREAM®people demographic analysis and projections for Oban and Argyll and Bute

### Population trends

Considerable attention has been paid to the trends in population, because most CHORD projects aim to make Argyll and Bute a more attractive place to live and work, and thus to bend such trends.

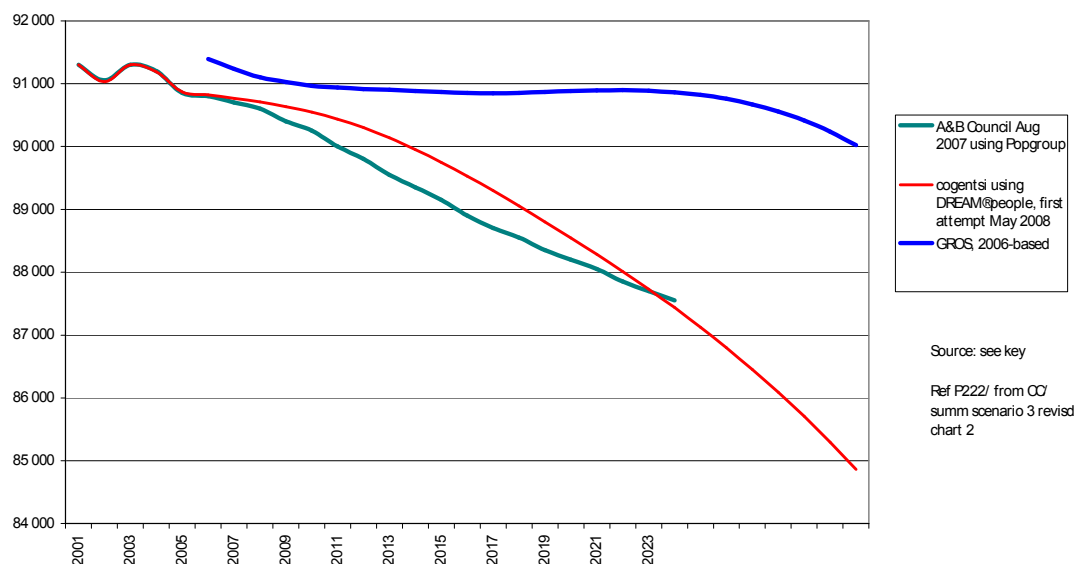
Chris Carr, the Council's Research and Information Officer, produced the Council's own projections in August 2007, based on midyear estimates made by the General Register Office (GROS) for mid 2005. This showed the regional population declining slowly from 91 350 to 87 550 in 2024. It was broken down into five areas, but not to the level of the towns which are the subject of the CHORD studies.

The consultants, cogentsi, have used their own model, DREAM®people, to generate town projections based on 2006 mid year estimates from GROS. In order to calibrate these projections they allowed the model to project for the whole of Argyll and Bute. The end result, a total population of 87 375 in 2024 is virtually identical to the A&B Council projections.

GROS itself prepared a projection published in January, based on rather higher birth rates and lower death rates, and substantially higher retention of young people. This resulted in a higher and more stable population, but eventually in a decline at an accelerating rate.

### Figure 10 Population projection

Population projections - Argyll and Bute Council Area



While the Council's and cogentsi's forecasts differ little in total, there are differences in the forecast structure of the population. These arise because the models used for projection, while mathematically very similar indeed, differ slightly in the way that migration assumptions are input and are treated. Using a model Popgroup, the council made a single constant level net migration assumption of 241 net in migrants per year, and a single fixed assumption about the age of these migrants. Using DREAM®people, cogentsi assumed constant rates of net migration for five different age groups, based on recent experience.

The cogentsi forecast features out migration of young people (from 16 up to 33) and in migration of all other age groups. The consequence is a slightly more rapidly ageing population. Notably the number of people of childbearing age is projected to fall, so that by the later years of the projection the number of births is much lower in the cogentsi forecast, and this causes the rate of population decline to accelerate.

The differences between the three projections for Argyll and Bute are not negligible, but the differences between different parts of Argyll and Bute are much larger. These differences are primarily the consequences of different structures and trends, and the differences between areas are likely to remain broadly the same whichever model is used.

### **Oban demographics**

Oban town (defined as the eleven DataZones shown in Figure 11) had a 2006 population of 4169 females and 3909 males<sup>14</sup>.

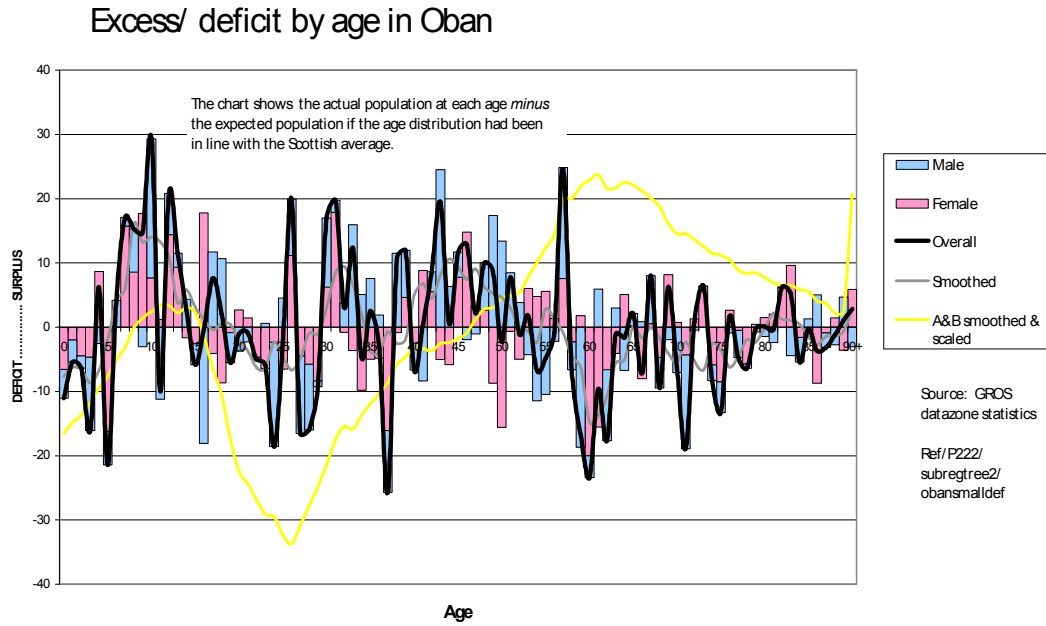
**Figure 11 Map of Oban**



Oban has a proportionately younger population than Argyll and Bute, particularly amongst females. As Figure 12 shows Oban's population structure is considerably different from Argyll and Bute's, particularly in the 16-30 age group which has a smaller deficit compared to the national averages than elsewhere in Argyll and Bute. In addition the proportion of the population aged over 60 is much more inline with Scottish averages, meanwhile the under representation of the 20 to 40 year old population which is a feature of much of the rest of Argyll and Bute is less important in Oban.

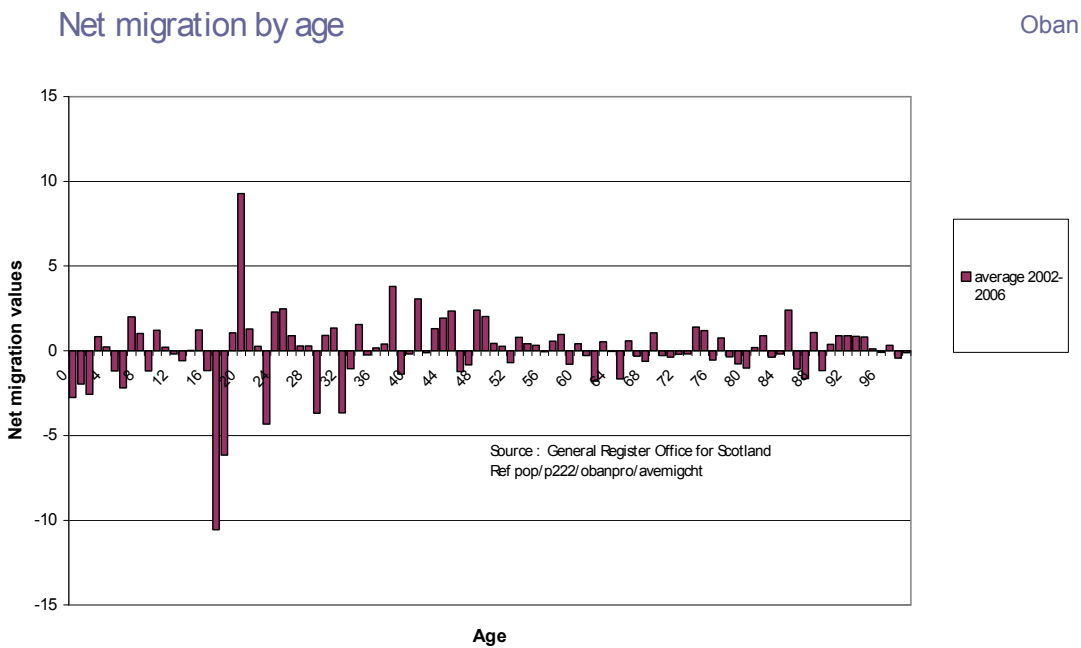
<sup>14</sup> Numbers are quoted precisely here because of their use in later calculation. They should not be considered reliable more closely than the nearest 50.

**Figure 12 Excess/deficit by age**



This pattern has been created by shifts in birth and death rates and by the ages of people moving to and from Oban. The recent age pattern of net migration to and from Oban is shown in Figure 13.

**Figure 13 Net migration by age**



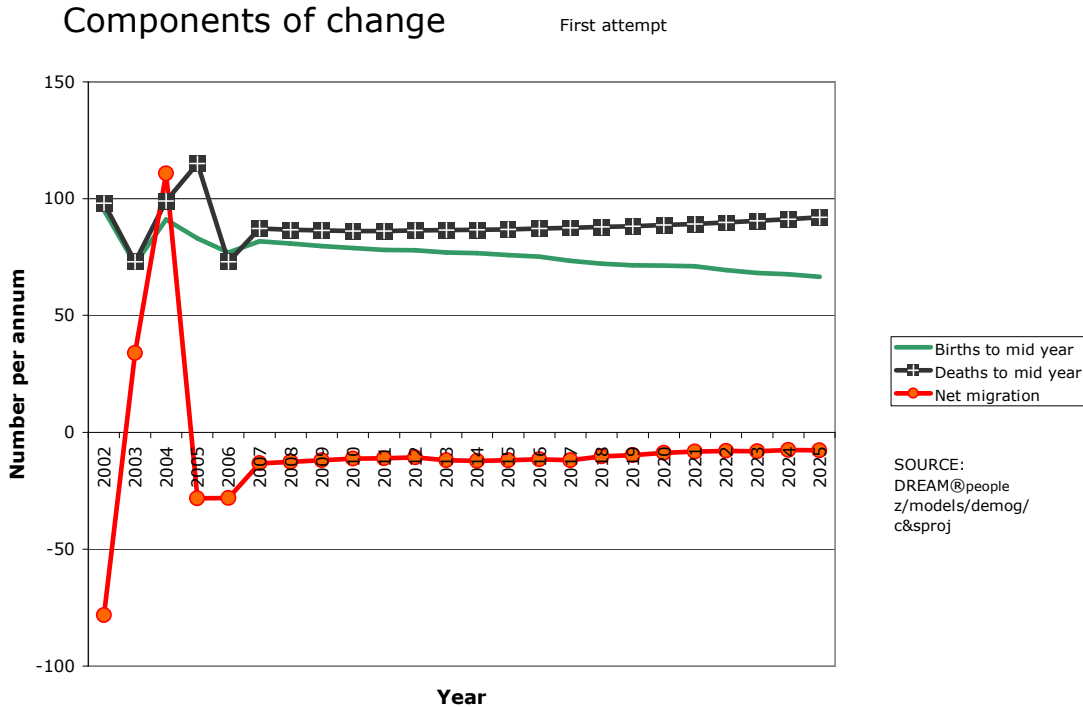
Overall net migration figures are small in Oban. The most significant out-migration in Oban is seen in the 16-18 age group which results in an average loss of 18 people annually. In general few of Oban's young population leave the area which may be attributed to the relative abundance of jobs locally in the tourist industry compared with other towns within Argyll and Bute. There is also a fairly substantial inward migration in Oban, particularly in the 19-48 age group which results in a gain of around 20 people per annum.

The number of births and deaths are both around 75 per year. Consequently the population of Oban is relatively stable.

**Projections**

The main components of population change are projected in Figure 14.

**Figure 14 Components of change**



It can be seen that no controversial shifts are included for either birth rates or death rates. In general however the death rate will increase slightly while the birth rate is expected to decrease slightly.

Translating this into the effect on individual age groups indicates that there will be declines of around 40 per cent in both the student age and school age groups. By contrast the retired population is set to increase by more than 40 per cent by 2050.



**Figure 15 Trends in age groups**

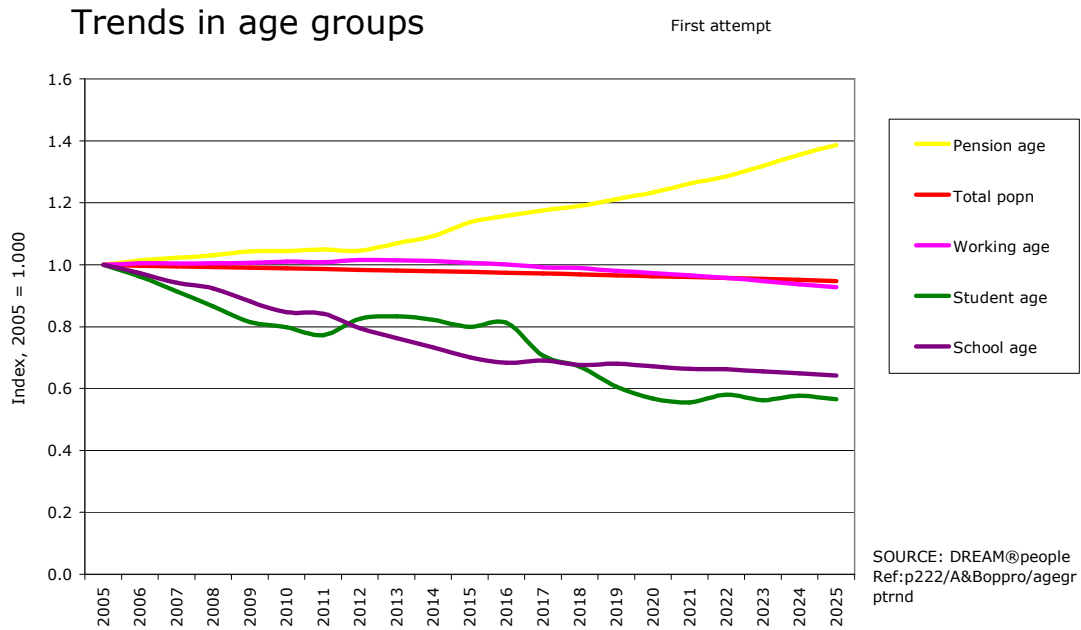
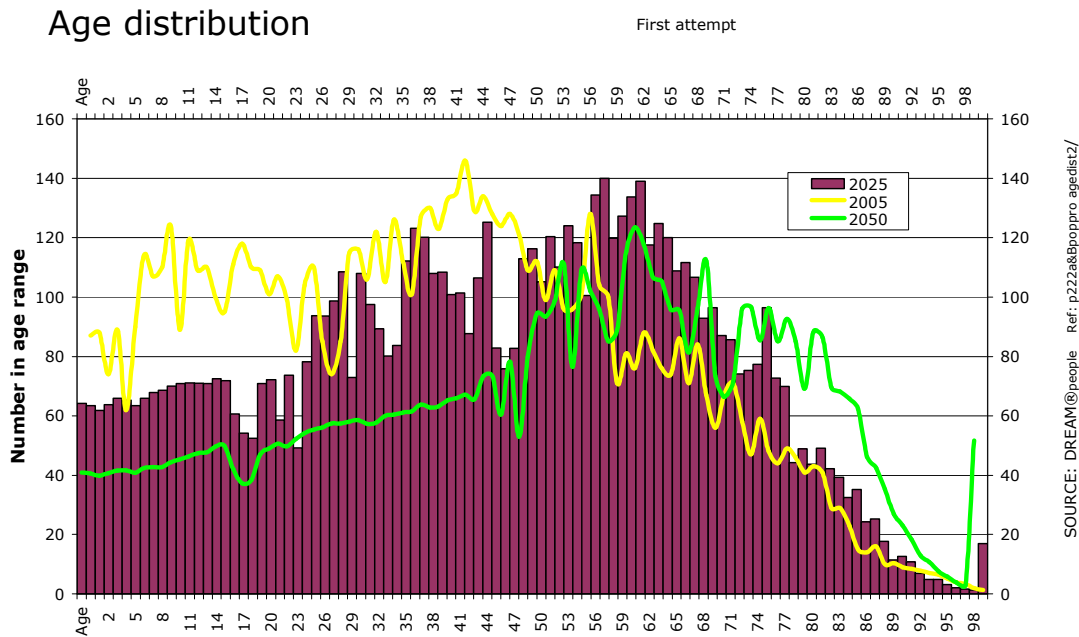


Figure 16 projects how these trends translate into the age distribution of Oban’s population between now and 2050. This chart illustrates a marked move towards an older population with fewer younger and working age people. Between 2005 and 2025 the numbers, particularly in all age groups under 50, will fall while all those above 50 will rise. This is shown by the difference between the yellow line and the purple bars. Further into the future (2050), this trend is set to continue with a declining population of young and working age people but an increase in the retired population.

**Figure 16 Age distribution**

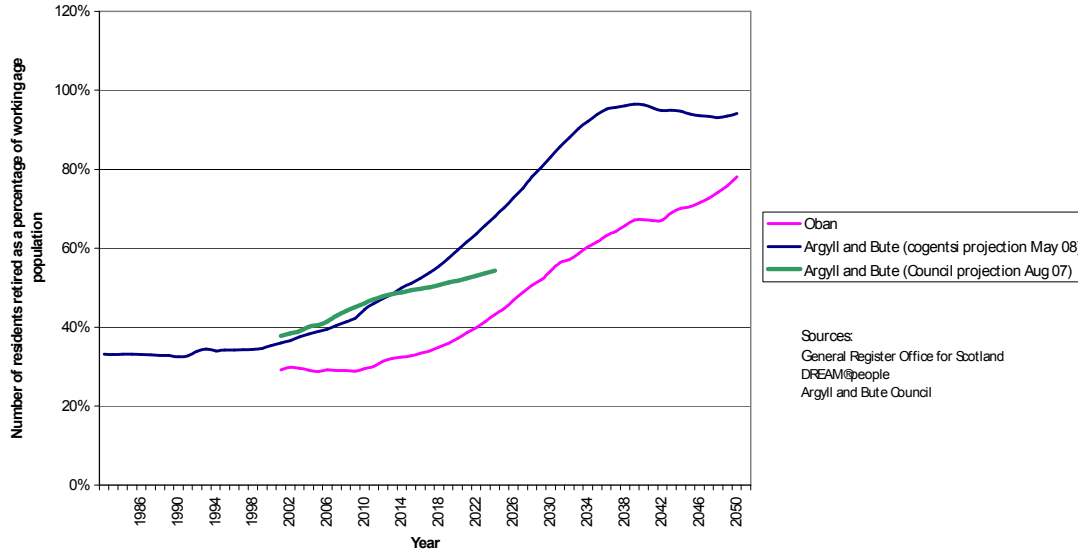


The ratio of people past retirement age (taking current conventions) to those aged between 18 and retirement is sometimes referred to as a ‘dependency’ ratio. Oban’s ratio is currently below the Argyll and Bute average of 40 per cent and close to 30 per

cent. The projected figures, in Figure 17 illustrate that this ratio is expected to increase to 80 per cent in Oban by 2050 whilst this is a substantial rise in the Oban dependency ratio rates are expected to stay considerably below the average for Argyll and Bute.

**Figure 17 Ratio of people over pension age to those aged 18**

Ratio of people over pension age to those aged 18-pension age\*



In summary, the demographic trend in Oban is markedly different from the some of the other CHORD towns as it is attracting people of working age. However, the Argyll and Bute council should adopt suitable policies to ensure that further into the future it does not suffer from an ageing population.

## Working Paper 4 - Project Proforma: Development road

### **Short description, including location details**

At present there is only one route through Oban from North to South. The main services (Schools, Supermarkets, Hospital and ferries) are located at the South of the town. The structure plan proposes an additional 600 dwellings at the North end of the town. Traffic modelling of Oban has indicated that the generated traffic from this will lead to grid lock within the town. The Development Road was to provide an alternative route from North to South thus avoiding gridlock and reducing traffic flows through the centre of Oban

Two routes were examined. One from Pennyfuir to Soroba Road South of the High School and one from Connel to Soroba Road

### **Rationale**

#### **What is the purpose of the project?**

To avoid gridlock in the town centre and allow future development around Oban

#### **What people or businesses will be able to receive benefit from this project?**

All people travelling through Oban

#### **What will be the nature of the benefit?**

The ability to get across Oban without gridlock and in a reasonably predictable time. Without the Development Road it would be necessary to consider restricting development around Oban

#### **Over what time scale?**

Oban is likely to become grid locked within 10 years even without the additional developments

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

All users in and around Oban

#### **Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

STAG indicated a saving in journey times of 1,400,000hrs annually

### **Options**

#### **Are there other ways these benefits could be made available?**

No

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Additional public transport but the level of visitors and people from the surrounding area all use transport based on the car

#### **What will happen if nothing at all is done?**

Oban will gridlock if development is allowed to continue

### **Resources**

**What specific fixed assets will be used? (and who owns them?)**

Land will have to be acquired

**What new assets must be purchased or otherwise brought into use?**

The road must be constructed

**What human resources will be used?**

30 people for a year for the construction. Design costs, planning etc are estimated to cost nearly £1,000,000

**What ongoing resources will be used?**

Construction materials and funds

**What capital funds are required from the Council and others?**

£15,000,000

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Revenue implications are cost of loan support charges then ongoing maintenance of the road

**Additional comments/notes on continuing viability/sustainability.**

None

**What commitments have already been made (by the Council or other parties) and to whom?**

None

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

Without the development road there is a clear lack of connection between its structure plan aspirations and the provision of the necessary infrastructure

### **Timing**

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

Design and land acquisition 3 years. Construction 1 year. Overlay every 20 years. Benefits from road opening and increasing as developments increase

**Are there any external constraints on either commencement or completion of the project?**

Timescales are dependent on availability of external funding

### **Strategic fit and externalities**

**How does the project impact on the Council's statutory obligations?**

None

**What are the relevant parts of the local plan and how does the project fit?**

Project is required to allow developments proposed in local plan

**What are the relevant parts of the structure plan and how does the project fit?**

Project is required to allow developments proposed in structure plan

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Essential

**How does the project align with the Government's stated objectives of **Wealthier and fairer**/ **Smarter**/ **Healthier**/ **Safer and stronger**/ **Greener**?**

STAG has assessed this

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

It aligns with the objectives of developers

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project).?**

Oban Town Centre Development – without the development road traffic will prevent any significant improvements to Oban

**Could the Council have partners in this project and what commitment could be expected of them?**

A planning levy on new development should be considered to fund the road

***Management and monitoring***

**What formal appraisal steps will be required, by whom and when?**

STAG appraisal

**What procedures are required to manage the project?**

Prince 2

**Who should bear what responsibilities and how should they be answerable?**

Project Board. Answerable to the Council

**What are the main risks to the project?**

Availability of funding – cost increases – unforeseen design issues eg ground conditions. Obtaining planning

**How should they be reduced?**

Planning issues by early consultation with statutory consultees – unforeseen by full ground investigation – funding issues by a realistic allowance for inflation etc (Treasury currently adds 40% to final estimates prior to construction)

**How should the Council monitor the progress of the project?**

What warning can it receive if the project is going off-track and how will it take corrective steps? Project Board will establish monitoring of the design and construction period and initiate any required corrective actions

**When will the Council be able to withdraw from the project and leave it to its own devices?**

The project will be deemed complete one year after substantial completion of the construction. Thereafter the Council will have to maintain the road

**When will the project terminate?**

After issue of the maintenance certificate and settlement of claims

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Monitoring of traffic flows/growth on an annual basis

## Working Paper 5 - Project Proforma: Dunbeg corridor development

### 1.6 Rationale

What is the purpose of the project?

Development of a new 800 mixed tenure housing settlement which builds upon existing Dunbeg community. There will also be a major community facility which will benefit not only the immediate area but also the wider Oban and Lorne area. There is also an allocation for a business site within the area.

This site is to be masterplanned and will include major new road junctions to the A85.

Further to this HIE are planning a new science park, which will hope to build on the success of the incubator units of the adjacent SAMS. This is only one of two HIE transformational projects in the Argyll and Bute area

Argyll College have plans to expand their facilities in the town.

What people or businesses will be able to receive benefit from this project?

All those within in the Dunbeg, Oban and Lorne area, struggling to get accommodation. Similarly those outside the area who are looking to move in. Those who will use the community facilities.

The business within the SAMS site who are out growing the incubator units will benefit from the Science Park. Those who are hopefully attracted by the cluster will also hopefully benefit. Plus the area from highly qualified, well paid professionals who are attracted to live and work in the area.

What will be the nature of the benefit

Social and economic

Over what time scale?

15-20 years from housing / community

Science Park – phase 1 within 2 years. Phase 2 potentially 5-10 years

How many are expected to take up the opportunity/ be affected/, and to what extent?

Up to 800 new houses

There is one business very keen to move into the business park within the next year

Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)

### 1.7 Options

Are there other ways these benefits could be made available?

Without the Dunbeg development road, it is very unlikely that the scale of housing and community facilities could be achieved.

There is no other location in Argyll for a marine life sciences centre

Are there other uses for the specific resources (eg particular buildings) that might be considered

Currently it is all fields

What will happen if nothing at all is done?

The difficulty some people will have in the property market will continue. Oban won't be able to grow to its potential.

A great opportunity in a highly specialised and growing market will potentially be missed as if this isn't built the businesses could go elsewhere. A key market in the Scottish Government Economic Strategy

## 1.8 Resources

What specific fixed assets will be used? (and who owns them?)

The land is currently owned by an agent / developer

What new assets must be purchased or otherwise brought into use?

West Highland Rural Solutions on behalf of West Highland Housing Association need to purchase the land for housing etc, similarly HIE need the site for the science park

What human resources will be used?

Officer time to help bring partners together. Plus planning officers for development management considerations

What ongoing resources will be used?

What capital funds are required from the Council and others?

None

What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).

To service the new properties for bins, roads etc. Also, the scale of new housing will have implications for schools, social work etc

Additional comments/notes on continuing viability/sustainability.

Having West Highland Rural Solutions act as the lead on the development is a positive development for the area. It is hoped that they will act in a manner which brings wider community / social benefit that may not have occurred if a private developer was involved.



What commitments have already been made (by the Council or other parties) and to whom?

Council is committed to supporting the masterplan and has agreed to give up some land, although there are some issues with regards to ownership

Is the Council's corporate (not individual) political capital likely to be involved and how?

Yes, it is supportive for the scale of development through the local plan and is keen to see such prodigious job opportunities be brought to the area

### *1.9 Timing*

Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.

Not available at present

Are there any external constraints on either commencement or completion of the project?

Obtaining land ownership and getting partnership working together on infrastructure. Scottish Water has confirmed that they can service the site.

### *1.10 Strategic fit and externalities*

How does the project impact on the Council's statutory obligations?

What are the relevant parts of the local plan and how does the project fit?

What are the relevant parts of the structure plan and how does the project fit?

How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?

How does the project align with the Government's stated objectives of **Wealthier and fairer** / **Smarter** / **Healthier** / **Safer and stronger** / **Greener**

How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?

How does this project interact with other projects (please indicate if those projects are also part of the CHORD project).?

Could the Council have partners in this project and what commitment could be expected of them?

The partners are leading on the project

### *1.11 Management and monitoring*

What formal appraisal steps will be required, by whom and when?

What procedures are required to manage the project?

Who should bear what responsibilities and how should they be answerable?

What are the main risks to the project?

WHRs being unable to complete their land deal and HIE not developing on time and planning has a significant role to play in this. Also the different partners not working together.

How should they be reduced?

Close partnership working.

How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?

Through the planning process. Does it tie with local plan / masterplan

When will the Council be able to withdraw from the project and leave it to its own devices?

End of the construction period,

When will the project terminate?

See above.

How and by what criteria should the project be evaluated? What are the right times for evaluation?

Has a successful new settlement been created? Does it link in well with existing Dunbeg? Is the whole area developed in a timely manner? Has the science park been a success and moved on to phase 2 to create a cluster?

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## Working Paper 6 – Project Proforma: Areas for action

### **Short description, including location details**

This project seeks to reconfigure the harbour area of Oban to provide a facility which better meets the needs of all users. Four Areas for Action are identified by Argyll & Bute Council covering this area. They are:

AFA 5/1 - Oban South Pier and Railway

AFA 5/2 - George St and North pier

AFA 5/3 - Esplanade

AFA 5/4 - Oban Bay

The specific proposals for this project include the moving of the lifeboat station from its current location at the South Pier, the development of enhanced fishing berthing facilities at the South Pier area, including infill of the lifeboat station area and the STAG appraisal for the transport hub which would include a movement of the Oban Railway Station to a building adjoining the Calmac ferry terminal with a covered walkway between the two facilities.

### **Rationale**

#### **What is the purpose of the project?**

The purpose of the project is to provide a more effective operation of the harbour and surrounding area through segregated use by various users. This would include the concentration of leisure craft in the Oban harbour area as part of a Oban harbour marina, the use of the railway pier by Calmac would continue as it currently is, fishing facilities would be concentrated in the South pier area beside the existing ice house facilities but would include removal of the fishing berthing on the harbour pier which would become difficult under proposed marina development.

#### **What people or businesses will be able to receive benefit from this project?**

Main beneficiaries will be as follows:

- 1) Leisure craft would have dedicated facilities
- 2) Fishermen who would have facilities which are expanded but concentrated in a particular part of the harbour as well as opportunity for shore side development appropriate to the fishing industry.
- 3) Calmac – they would benefit from having safer berthing away from existing fishing boats and leisure craft.
- 4) Lifeboat station which would have a new purpose built facility.

#### **What will be the nature of the benefit?**

#### **Over what time scale?**

#### **How many are expected to take up the opportunity/ be affected/, and to what extent?**

Leisure craft - the proposal from Oban Bay Marine sets out usage figures for a marina facility.

Fishermen - currently number around 15 boats and an estimated 200 people who are employed in the fishing industry in Oban

Transport interchange - users are estimated to number 700,000.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

### **Options**

**Are there other ways these benefits could be made available?**

Individual users of the harbour could be accommodated in various ways, however the risk without a comprehensive strategy is that individual users benefit to the detriment of other users.

**Are there other uses for the specific resources (eg particular buildings) that might be considered?**

The facilities are currently used and any redevelopment may free up some facilities for development, eg retailing or accommodating particular sectors such as leisure craft or the fishing industry

**What will happen if nothing at all is done?**

Current users are concerned about the incompatibility of the various uses. There are safety issues over leisure craft crossing in front of ferries within the harbour and the fisherman are currently unhappy with their facilities, claiming little room at the railway pier and inadequate facilities at the south pier. These fishermen could therefore choose to use another harbour risking direct employment in the fishing industry and ancillary staff onshore.

### **Resources**

**What specific fixed assets will be used? (and who owns them?)**

There are a number of owners of facilities. Calmac own the railway pier and parts of the south pier.

**What new assets must be purchased or otherwise brought into use?**

It is likely only limited new assets would need to be purchased. One particular aspect is the need to relocate the lifeboat station into new facilities from their existing base and there would also need to be a new transport interchange built to replace the current railway station.

**What human resources will be used?**

**What ongoing resources will be used?**

**What capital funds are required from the Council and others?**

The fishermen's proposals for south pier have an estimated cost of £1.4 million.

The relocation of the lifeboat station is estimated to cost in the region of £1 million, including full fitting out of the facility.

The marina development is detailed in a separate project.

The transport interchange is as yet un-costed, but would form part of the STAG appraisal.

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

There will be ongoing maintenance of various facilities, with revenue being generated from the users of the facilities.

**Additional comments/notes on continuing viability/sustainability.**

**What commitments have already been made (by the Council or other parties) and to whom?**

To date no specific commitments have been made. The proposals for the south pier appear to have the backing of the fishing industry. The proposals for the marina development are being developed in consultation with the local authority. The transport interchange is an important project to enable Oban to continue to be seen as the Gateway to the Isles and is supported by Calmac.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

### *Timing*

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

This project would be delivered over a number of years and would have to be carefully timetabled to ensure users had ongoing access to the facilities they require. For example, it would need to be the case that Calmac could continue to operate ferry services throughout the period, that fishermen have a facility to berth and store their fish and other equipment and that the lifeboat would be able to continue.

**Are there any external constraints on either commencement or completion of the project?**

**How does the project impact on the Council's statutory obligations?**

It doesn't?

**What are the relevant parts of the local plan and how does the project fit?**

**What are the relevant parts of the structure plan and how does the project fit?**

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

Environment: Under council strategic objectives, environmental priorities include the protection of the area. As part of this plan, it would be envisaged that work would be done to ensure environmental protection of the asset which is Oban harbour.

Economic: The council's priority is to create an attractive, well connected and modern economy. This project would help to address all three aspects. The well connected aspects would be delivered through the ongoing successful operation of the ferry services and includes the development of leisure opportunities within the town as well as continuing Oban's position as a major tourism access point for the West Highlands. The project also provides the opportunity to develop other industries linked to tourism and also maintain the existing fishing industry.

**How does the project align with the Government's stated objectives of Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

Wealthier and fairer – this project would support the development of the economy of Oban by making use of its natural assets.

Smarter –

Healthier –

Safer and stronger – this project would help to ensure continued safe operation by the various users within the harbour facility.

Greener – this project would help to support water based tourism which is seen to have a lower carbon footprint than aeroplane based holidays.

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

Fishermen are very keen to obtain an adequate and quality facility for berthing and maintenance etc.

Calmac are keen to see Oban as a key hub within their network.

Oban Bay Marine, the organisation proposing a marina in the Oban harbour area, are keen to see development and segregation of various users of the harbour.

**How does this project interact with other projects (please indicate if those projects are also part of the CHORD project?)**

It is closely linked to the Oban bay marina project and is seen as a pre-requisite for that project to have the backing of the various harbour users.

**Could the Council have partners in this project and what commitment could be expected of them?**

It is envisaged that the transport interchange could be funded by Strathclyde Partnership for Transport. There may be opportunities to access funding through HIE. The fishermen indicate that they pay, on an ongoing basis, harbour dues to maintain facilities and it may be possible for the RNLI to access funds for the upgrading of their facility.

Management and monitoring

**What formal appraisal steps will be required, by whom and when?**

This project is likely to form part of the Masterplanning process for Oban waterfront and town centre and this process will allow for all the necessary monitoring to take place.

**What procedures are required to manage the project?**

**Who should bear what responsibilities and how should they be answerable?**

**What are the main risks to the project?**

The main risks are that the various players are unable to agree the necessary elements to allow the project to move forward. For example, fishermen feeling that the proposals for them at south pier would be inadequate to meet their needs, RNLI being unable to find an alternative suitable location for their lifeboat facilities or Calmac raising concerns over any additional traffic within the harbour area.

**How should they be reduced?**

It would be important for any proposals being developed that all interested parties were able to agree a Masterplan which would meet their needs and in the necessary timescale.

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

The council should be a key player within the development itself of the Harbour User Committee.

**When will the Council be able to withdraw from the project and leave it to its own devices?**

If a Oban harbour management vehicle was set up, then the council would be able to pass over responsibility for the day-to-day management of the harbour to that body, however it is likely that the council would continue to have considerable ownership within the area of land and buildings.

**When will the project terminate?**

The project would be completed when each of the individual users had been relocated into their new facilities.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Criteria for project evaluation could include:

- All the users who were previously in the harbour facility: are they all happily accommodated within new facilities in the harbour?
- Fishermen: has there been an increase in fishing catches and/or number of fishing boats using the facility?
- Transport Hub: has there been an increase in the number of passengers linking between ferry and public transport?
- Oban Bay Marina Development: evaluated under a separate programme but could include whether the development actually happens and can be maintained on an ongoing basis.

## Working Paper 7 – Project Proforma: Oban harbour marina development

### Summary

Arising from increasing concerns in the recent downturn of tourist numbers and, aware of increasing concerns throughout the community regarding the lack of facilities available, members from local interest and user groups around Oban Bay and the Sound of Kerrera formed a steering group. Opportunities available to community-based initiatives were subsequently explored and Oban Bay Marine was formed.

Greatly improved facilities for the marine industry are necessary because both local and visiting owners cite the lack of available facilities as the largest constraint to growth and development. Most visiting yachts bypass Oban altogether.

The directors of Oban Bay Marine are proposing to install a pontoon facility to provide berthing in the heart of Oban Bay for visiting and local marine users, which will be financially self-sustaining and provide a catalyst for the reversal of the downturn in the economy of Oban.

The pontoons will provide alongside berthing for visiting pleasure boats, and will also allow visiting yachts and power boats to stop off overnight in Oban, to change crew, to stock up with supplies and to make repairs, in addition to experiencing the wealth of visitor attractions, shops and restaurants in the town of Oban and beyond.

The proposed pontoon structure will be modular and can, at anytime, be relocated to a different location in Oban Bay or removed altogether. There is minimal shore-side infrastructure associated with the development.

### Oban Bay Marine

#### The Company

Oban Bay Marine (OBM) is a not-for-profit distribution social enterprise company, incorporated June 2007, formed with the aim of improving facilities for boat owners and users in and around Oban on the West Coast of Scotland.

OBM is managed by a board of 8 directors representing stakeholders, boat users and representatives of the local business community.

Full membership is open to any individual or corporate body. Membership as of March 2008 stands at 121 members. Membership application forms are available on the website [www.obanbaymarine.org.uk](http://www.obanbaymarine.org.uk)

A project manager – Morag Brown – has been employed.

Morag has 6 years experience working with Tobermory Harbour Association and has successfully delivered projects to the combined value of £1.5 million, the most recent being the £1.3 million Tobermory harbour development project, comprising harbour building and pontoon extension. Prior to this Morag worked for 6 years in the construction industry and has a BSc in Geography, specialising in Marine Science.

#### OBM Objectives



OBM is committed to community enterprise and an ongoing programme to provide facilities for all.

The stated objectives of the company can be summarised as follows:

“to promote and develop improvements within Oban Bay, which will provide facilities for local and visiting pleasure and commercial vessels up to 24 metres.”

### The Location

IronsideFarrar Oban Action Plan commissioned by Argyll and Bute Council and published May 2006 states that:

Oban forms the gateway to the Western Isles, is a major growth centre within Argyll and Bute and has a key role to play in generating new economic activity in the Western Highlands and Islands.

Oban as a port and harbour was founded in 1713 developing slowly with the Customs House in 1765 and a Post Office in 1767. Infrastructure has always constrained its growth with road access limiting its potential as a harbour and fishing station until 1812 when the road to Lochgilphead was completed. In 1821 a metalled road connected Oban to the wider Scottish road network. Oban Bay, never a sheltered harbour, offered a protected bay and a good quality anchorage in a strategic location.

Ownership of berths and landing facilities in Oban Bay is shared between a number of bodies including

- Argyll and Bute Council North Pier; Oban times Slip and Port Beag
- Caledonian MacBrayne Railway Pier and South Pier
- Northern Lighthouse Board NLB Pier
- RNLI Afloat berth
- Network Rail Hinterland at Railway Pier

The North Pier, Railway Pier, South Pier and NLB Pier have individual pier limits within which the Pier Owner has jurisdiction over the movement of vessels. There has been much criticism of harbour management and co-ordination of access to piers.

### The Project

The project is to provide pontoon berthing in the heart of Oban Bay for visiting and local marine users, which will be financially self-sustaining and provide a catalyst for the reversal of the recent downturn in the economy of Oban.

It is proposed that a 60 – 80 berth pontoon system will provide alongside berthing and a step ashore facilities for visiting and local boats.

These proposed facilities:

- would act as a catalyst for the regeneration of the local economy
- enable existing operators to grow their businesses

- would offer facilities to encourage new business
- would be attractive to visitors
- would be of great benefit to local boat users
- and give Argyll and Bute Council a unique opportunity to capitalise on Oban's exceptional marine location in the heart of the West Coast with its longstanding maritime heritage.

### Impacts

#### Economic Impacts

The related shore spend from visiting yachts and other marine leisure developments, wildlife watching boat trips etc, is well proven and documented.

Tobermory, Isle of Mull, is very well known on the west coast for its achievements and community development. Their pontoon system has 40 berths and over 6,000 visiting boats and 15 cruise liners visited Tobermory last year. The associated shore spend from this has been calculated at over £1 million.

Mackenzie Wilson consultants have produced two recent reports estimating a shore spend of between £125 and £150 per boat per night.

A 60 berth pontoon system could comfortably attract approximately 8,000 visiting boats to Oban with an associated spend of £1.2 million dissipating throughout the whole community. The service provision is high in Oban and it is assumed that the spend level will reflect this.

From observing other communities, with already existing facilities, it can also be assumed that other marine leisure industries will grow creating sustainable employment for instance; wildlife watching tours, dive charter opportunities. In addition there will be support for the shore based marine service providers, sail makers, marine engineers, chandlers etc.

It can also be assumed that there will be an associated growth in non marine tourism due to the facility, many visitors will choose a town with a dynamic harbour over one without. These visitors may choose to extend their stay to take a day trip on a boat seal watching, for instance.

#### Social Impacts

The proposed facility will give the harbour a focal point. Both locals and visitors will be able to access the pontoons. The local population will significantly enhance their ability to access the water and conversely the visitors will significantly enhance their ability to access the town.

The plans include an area for local dinghies and small boats. The proposal put forward is to provide a facility that disadvantages no-one, "facilities for all". Existing harbour users will benefit from enhanced facilities and sheltered berthing will be provided from the floating breakwater.

The retaining of the existing berths on the railway pier for the fishing fleet is seen as an integral part of the plan, as is the maintaining of the traditional “drying out” area adjacent to the North Pier where access will continue to be available.

The beach area will also be maintained and cleaned providing an enhanced amenity area for both local and visiting families.

It is envisaged that the pontoon facility will become the focus of much of the activity in the harbour and create a catalyst for the ongoing development of the community of Oban and its relationship with the sea.

### Environmental Impact

The proposed pontoons are of a modular construction, being held in location by chain and anchor mooring system. To provide shelter floating breakwaters, concrete attenuators, are to be installed along the exposed outer edge. These large concrete units act to calm waves approaching the berthing area. The attenuators are held in place by a heavy duty chain and anchor mooring system.

The structure will be accessed from one or more access gangways from the adjacent piers.

The impact on the marine environment will be small. No structure is permanent other than the access points from the shore. The pontoons and concrete attenuators can be re-located at any future point, should an enhanced development be considered for Oban Bay.

Careful consideration has been shown in the proposed layout of the pontoon berths with regard to their visual impact. At low water the pontoons will have very little impact to the views of the Bay from George Street, the majority of the boats will not be seen over the existing sea wall. At high water the boats will be more visible however, the layout has taken account of this and views will be maintained between the berthing boats. In many communities pontoon facilities are seen to significantly enhance the visual impact of the harbour and attract a great many visitors and locals to view the boats and watch the associated sailing activity.

The noise level sometimes associated in larger marinas from the clanking of masts and rigging is not perceived to be a problem in this instance. The boat density is not great enough and the vehicle traffic along George Street will mask any other sounds.

Modern boats have holding tanks for waste water and it will be a berthing requirement that these tanks are not discharged at the pontoon. Toilet and shower facilities are also provided by Argyll and Bute Council on the North Pier.

### Project Description

#### Methodology, Costs, Timescale and Plans

##### Methodology

The proposal for a 60-80 berth pontoon facility at Oban Bay requires three distinct items of work. These are: -

- Dredging of foreshore to provide sufficient depth in the proposed berthing area.

- Installation of concrete floating attenuators along the exposed outer edge. These large concrete units act to calm waves approaching the berthing area, and can also be used in reasonable weather for berthing alongside by fishing vessels, cruise boats etc.

The attenuators are held in place by a heavy-duty chain and anchor mooring system.

- Installation of the pontoons themselves in the dredged area. The pontoons will be held in place by chain and anchor mooring system, and will be provided with one or more access gangways from the adjacent pier(s).

Before finalising the layout and making a realistic estimate of cost for the project, two items of preliminary investigation are essential.

- Wave Study

Floating attenuators are very effective in providing sheltered water where the wave climate is within certain parameters. Preliminary examination of the surrounding area has led to optimism that the climate at Oban Bay will be appropriate. However, it is essential that a higher degree of certainty is confirmed, and, to this end, a desktop study of the wave climate was commissioned.

The report has been received and confirms that attenuators are effective at reducing the wave climate in this location. The design of the pontoon and specification of the attenuators have been altered to take account of the study findings.

- Seabed Investigation

The dredge quantity is approximately 20,000 cubic metres. Initial trial pits dug on the beach at low water have given rise to some optimism that the material to be dredged does not consist of rock, rather sand and grit. Information from Calmac, who have recently dredged an adjacent area, whilst carrying out the installation of the second Linkspan, supports this.

If this proves to be so and all the material is soft, it is likely that a small-scale plough dredger will be capable of completing the work at relatively modest cost, and with minimal environmental impact.

More surveys are being programmed to determine the nature of the seabed.

Once the layout of the scheme is agreed, it will be necessary to secure consents, as follows: -

- Planning consent – to ensure local residents and Council Consultees have a chance to assess the impact of the scheme visually, and on amenity, parking, road congestion etc.
- Marine Lab licence – to ensure marine environmental matters are properly considered – consultees include SNH, SEPA, Crown Estate, fishing interests etc.
- Transport Division consent (Section 34 of Coast Protection Act) – to ensure navigation matters are properly considered – Consultees include Northern Lighthouse Board, local Harbour Authorities, Cal-Mac, local Yachting Associations, and Coastguard etc.
- Crown Estate consents and lease, as sea bed owners.
- Dredge dumping licence – to ensure dredge uprisings are properly disposed of to a designated site – this licence will be necessary if the dredge cannot be handled by displacement (i.e. by plough dredger).

### Preliminary Estimate of Cost

Site Investigation (wave study, seabed survey)	£ 13,000
Obtaining Consents	£ 10,000
Engineering Fees	£ 85,000
Dredging	£ 120,000
Armouring Dredged Slopes	£ 100,000
Shore Works	£ 40,000
Outfall Diversion	£ 100,000
Pontoon Spine Units	£ 225,000
Moorings to pontoons	£ 100,000
Finger Piers	£ 90,000
Deck Furniture (bollard, ladders etc)	£ 10,000
Attenuators	£ 275,000
Moorings to Attenuators	£ 250,000
Bridges	£ 65,000
Services	£ 45,000
Fuel Supply and Outlet	£ 30,000
Contract Management	£ 15,000
Site Supervision	£ 40,000
 Estimated Total Project Cost	 £1,613,000

See **Appendix 2** for income and operating cost projections

### Timescale

The development is seen to be well supported by the community and as such would like to be seen to deliver for the community as soon as achievably possible.

As a result the following milestones have been set : -

2008

February – April	Survey work undertaken
April – May	Consolidation of surveys, drawing and costings produced
June	Planning process underway and other consents sought
October	Funding secured
November	Pontoon order placed
Spring 2009	Pontoon installed

Public sector funding is seen as essential to this project for the capital infrastructure and as such the availability of funding will have the biggest impact on the project delivery.

### Indicative Plans

Survey work is ongoing to determine a location for the proposed facility. However, the directors of OBM do have a preferred location. The project engineers Wallace Stone produced a plan three years ago showing a pontoon development located between the North Pier and Railway Pier. It is these plans that OBM wish to adapt and it is in this location that it is hoped a facility can be located. It is thought that the survey work will support this location. The pontoons will connect to the shore by an access bridge connected to the existing stone steps on the railway pier. This pier is owned by Caledonian Maritime Assets Ltd, they have been approached and are in agreement with the proposals.

The drawing and photo montage below gives an indication of the proposed layout.

### Strategic fit and externalities

This project complies with and is incorporated within the Corporate, Structure and Local plans of Argyll and Bute Council.

### Corporate Plan

The Corporate Plan refers to, on page 17, waterfront and town centre regeneration. "All the waterfronts and town centres 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.

### Structure Plan

The Structure Plan refers to Prop S1 2 – Oban Investment and Expansion Potential A)4 "an action programme to fulfil the potential of Oban Bay and the town centre, harbour and water areas for marine berthing, moorings and for commercial development allied to the various harbour, ferry and fishing interests."

Section 8 Objective TOUR 1 – Tourism refers to the latent potential throughout the whole of Argyll and Bute for consolidation and expansion of water related tourist activity. Oban is shown as an area with water related tourist development potential. OBM's proposals are to release that potential and deliver a much needed, sustainable project.

### Local Plan

The 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..."

This project has specifically been designed to provide a facility not only for visiting boats but also local commercial users up to 24m in length. The facility will not obstruct existing berthing spaces on either the railway pier or north pier and the design has accommodated the access to the traditional drying out area adjacent to the north pier used by commercial boat users for boat maintenance. The pontoon will also offer sheltered berthing to the smaller fishing vessels and provide berthing for local small boat owners.

Areas for Action AFA 5/1, 5/2, 5/3, 5/4 highlight Oban waterfront as strategic: town centre/ waterfront/ harbour development and management.

### Government's Economic Strategy

The project also aligns itself with the Government's strategic objectives within the economic strategy of wealthier and fairer / smarter / healthier / safer and stronger / greener

#### Wealthier and Fairer

The proposals primary purpose aligns with the Government Economic Strategy objective of a wealthier and fairer Scotland. The primary objective of the project is to enhance and increase the tourism product in Oban and the surrounding area, and increase the economic activity in the key tourism sector. This contributes to the strategic priority of cohesion: regional equity, by allowing the area to contribute to and benefit from the economic growth of Scotland.

#### Healthier

Through its links with sailing the project will also contribute towards the objective of a healthier Scotland by ensuring improved and safer infrastructure for water-based sports and learning. The vast majority of such activity uses natural elements such as wind and sea in a way which does not deplete the resource and therefore fits with the objective of a greener Scotland.

These make the proposal an excellent example of a model of sustainable, environmentally aware, economic growth.

### Risk Management

#### Principal Risks

The management of risk is a central issue in the planning and management of this project, particularly as Oban Bay Marine is a relatively new social enterprise with no existing asset base. The directors have assessed the risk profile of the project as it will impact on the business and conclude that foreseeable risk can be controlled within acceptable limits.

The following table describes identified risks and indicates the likely impact on the business and the mitigating action that would be taken.

In this analysis, high impact risk represents a serious threat to the financial stability of the organisation. Medium risk can be sustained utilising OBM resources for the time necessary to initiate a recovery plan. Low impact risk can be managed by the application of timely measures.

The Project Manager will use the risk analysis to focus particular attention on those aspects of the project that pose threat to the OBM business. The material risks are

those associated with the implementation phase of the project and in particular, contractor performance. Care will be taken in the formulation of contractual terms to maximise the protection afforded to OBM. Where adequate protection cannot be secured by this means, consideration will be given to taking insurance cover. In addition the Project Manager will utilise the expertise of the engineers and draw support from the directors.



	<b>Type of Risk</b>	<b>Impact on OBM</b>	<b>OBM Response</b>
<u>Strategic</u>	borrowing cannot be secured	low	directors do not sanction project
	supplementary grant funding cannot be secured	low	directors do not sanction project
	revenue does not support borrowing repayments	medium	review charging strategy, explore alternative revenue
	visitor numbers fall below budgeted level	medium	enhance profile through advertising
<u>Programme</u>	OBM cannot obtain the necessary consents to sanction project	low	delay project start, review design criteria
	OBM cannot deliver the project within the agreed timescale	medium	examine alternatives to meet schedule
	The engineer fails to meet brief provided	medium	delay project start, review competence
	OBM cannot deliver the entire project	high	examine available alternatives
<u>Project</u>	Survey results lead to increased cost due to increased specification	medium	project finances re-evaluated
	Dredging area increases	medium	project finances re-evaluated
	breakwater specification is altered	medium	project finances re-evaluated
	tendered prices exceed project estimates	medium	delay project start, review tender list
	project progress falls short of criteria required for bank support	medium	consider recovery plan
	Contractor(s) becomes bankrupt	high	develop options for replacing contractor

Contractor(s) cause delays to the project	high	initiate a project recovery plan
Contractor(s) do not comply with health & safety legislation	high	apply contractual conditions
Contractor(s) encounter unforeseen site conditions	medium	Initiate design options review
Cost of development exceeds budgeted costs	high	initiate a project review with funding bodies

Operational project completion is delayed and severely compromises first year of operation medium initiate a review of possible options

## SWOT Analysis

### Strengths

Oban the destination  
 Part of expanding chain of west coast marine facilities  
 Rapidly expanding market

### Opportunities

Opens up a new destination for sailors  
 Taps into already existing infrastructure  
 Achieve sustainability

### Weaknesses

Already established competition  
 Site requires protection  
 Restricted market

### Threats

Economic downturn affecting the market  
 Existing commercial traffic within harbour  
 Weather affecting sea conditions

## Consultation

### Community Consultation

On the 18<sup>th</sup> January 2008 an extremely well attended community consultation meeting took place in the Argyllshire Gathering Halls. Over 300 members of the public were presented with the project proposals. The audience was given the chance to put forward their aspirations for Oban Bay and this information was consolidated by Jim Mather MSP, who also chaired the meeting.

Following on from this the public were given the opportunity to discuss the proposals through the web-site [www.obanbaymarine.org.uk](http://www.obanbaymarine.org.uk).

The results of all consultation carried out to date are available on the web-site.

The project is receiving significant press coverage both locally, in newspapers and on radio, and in the national sailing magazines.

Many websites are carrying updates on the project and links to the OBM website, which is well maintained and constantly updated.

All consultation is extremely positive and can thus far be divided into 3 parts

1. the initial questionnaire circulated with the invitation to attend the community consultation meeting.
2. comments from the floor from the 300 plus who attended the meeting itself, noted by Jim Mather MSP, currently available to view and download from the OBM website.
3. responses by e-mail sent through the OBM website following the meeting.

Public feedback has been extremely positive with 77% of those who responded in support of the project and no negative comments received.

See appendix 1 for the full report from the community consultation.

### Stakeholder Consultation

The directors and Project Manager have had numerous meetings with key stakeholders. Meetings to give a project overview and present indicative plans have been held with Argyll and Bute Council, Calmac Ferries Ltd, Caledonian Maritime Assets Ltd, The Crown Estate and Oban Port Users.

All feedback has been extremely positive with key considerations being incorporated in the proposed design as a result.

Considerations regarding ferry movements have been included as have berthing requirements for the North Pier.

Shore access has been carefully considered with a result that the principal connecting walkway be accessed by the steps at the Railway Pier, seen as the transport hub of Oban, adjacent to railway, buses, taxi rank and ferry terminal.

Calmac and Argyll and Bute Council have supplied the results of survey work carried out around both the railway and north piers, which has been most welcomingly received.

### Statutory Consultation

Wallace Stone Engineers have undertaken much of the statutory consultation work to date.

Discussions regarding the project design, methodology of installation and dredging proposals have been held with Scottish Natural Heritage, the Marine Laboratory in Aberdeen, Scottish Government Ports and Harbour Division and The Crown Estate.

The Marine Lab have advised that no dredging licence is required for this dredge.

SNH have also confirmed that they have no concerns regarding the proposed dredge.

### Project Funding

This facility once installed will be economically viable. Borrowing can be serviced from income after running costs, maintenance, staffing and insurance are taken into account – see appendix 2 for full operating income and costs.

Projected revenue

year 1 75% occupancy figures

Sailing season	boat nights
April	10
May	20
June	30
July	31
August	31
September	25
October	15

Projected income year 1

162 nights x 58 berths = 9396 x 75% = 7047 boats

7047 boats @ £21 = **£147,987**

Projected operating costs:

Pontoon maintenance	£10,000
Annual Inspection	£ 1,000
Utilities	£ 6,000
Staffing costs	£30,000
Insurance	£10,000

Ancillary items	£ 5,000
Overheads	£ 6,000
	-----
	<b>£68,000</b>

The requirement for both the breakwater and the necessity to dredge means that the capital costs are relatively high. Oban Bay Marine is not yet trading as a social enterprise and has no asset base at present to offer as security. As a result OBM are looking towards the public sector for a percentage of grant funding for the capital infrastructure. Indicative calculations, based on the revenue from similar facilities, indicate that a funding package in the region of 40% capital costs (£640,000) would be required – see **Appendix 3** for borrowing calculations. No funding will be required for ongoing operating costs.

All funding streams are being actively pursued to enable this project to go ahead.

In January 2008 the business community of Oban showed its support for the project and collectively pledged £80,000 to employ the project manager and assist with engineering costs to realise this project.

HIE Argyll and the Islands have offered funding towards the initial survey work / site investigations. An application for match funding was made to the Oban Common Good Fund, for which a decision has not yet been received.

All funding opportunities are being actively sought and explored.

**Appendix 1**...facilities for all...

1.12

**COMMUNITY CONSULTATION - February 2008**

The Board of OBM are delighted to note from preliminary results of the responses to the community consultation meeting held in Oban on 18th January 2008, that overall levels of support continue to be high - bolstered by further insight of the aspirations of the community at large for even more ambitious plans for Oban Bay, and tempered with not unexpected notes of caution on planning details.

Consultation thus far can be divided into 3 parts

1. the initial questionnaire circulated with the invitation to attend the community consultation meeting
2. comments from the floor from the 300 plus who attended the meeting itself, noted by Jim Mather MSP and projected onto a screen, and currently available to view and download from the Oban Bay Marine website
3. responses by email sent through the Oban Bay Marine website following the meeting

These results have been collated into the following short interim report. The Final Draft of this report will form an important part of the information gathering exercise towards the detailed planning process, including funding applications.

**COMMUNITY CONSULTATION - February 2008**

page 2

**initial questionnaire circulated before meeting 18th January 2008**

We asked 3 questions from which the following results are drawn.

SUMMARY

**What are your aspirations for the Oban Bay and Sound of Kerrera area?**

- 88% - ask for better facilities for local and visiting boats in Oban Bay
- 53% - feel project will bring economic benefit to Oban / regenerate the town
- 37% - say Oban is superb location with access to quality cruising, sailing, training, diving etc waters

**What do you consider to be the main obstacles in achieving these?**

- 57% - cite lack of Council will and local vision; apathy; and no understanding of the needs of sailing community
- 52% - point to poor management of existing piers, lack of a Harbour Authority, commercial congestion and Calmac
- 48% - list lack of present basic infrastructure - launching, step ashore or ancillary services
- 33% - advise caution on planning details, to consider -

location/shelter/wind/weather/costs/funding

**Do you have any ideas for overcoming these obstacles?**

57% - say seek community approval to back this project, and keep the pressure on

30% - say provide better launching and recovery; marine ancillary services; and better parking

**COMMUNITY CONSULTATION - February 2008**

**email responses received following community consultation meeting 18th January 2008**

No framework for response was outlined at the meeting, and comments received touched on a much wider range of topics than the previous short questionnaire, most likely encouraged by Jim Mather's list of bullet points brought up at the meeting.

The following analysis of the responses is subdivided to show results drawn from those stating they are - or in some cases have been - marine business/leisure users, and those others who declare non-marine interest including local businesses.

**SUMMARY**

<i>all</i>		<i>marine</i>	<i>nonmarine</i>
<b>%</b>		<b>%</b>	<b>%</b>
<b>support for project</b>			
77%	stated overall support for project; no negative comments received	63%	78%
4%	would like to help / join committee / etc	5%	
<b>aspirations</b>			
32%	welcome this as long overdue facility / talking for 25 years	32%	33%
29%	want to re-establish / develop Oban as premier sailing / watersports tourism centre	37%	11%
11%	bid to promote Oban as 'location' / sailing capital/ 'identity' like Fort William	16%	
7%	want to retain/promote Oban's position as 'Gateway to the Isles'	5%	11%

**be more ambitious**

57%	believe wider plans to include breakwaters to address perceived shelter issues are needed	63%	44%
46%	say project is not ambitious enough	53%	33%
39%	say develop staged plans for whole harbour, 2 - 5 - 10 year plans	43%	33%
32%	build out to the 'Scrat'	37%	22%
25%	would like to see infilling of some bay areas	26%	22%
18%	would like to attract the benefit from cruise liners tourism	16%	22%
7%	want contact with national celebrations - Homecoming 2009; Commonwealth Games etc	5%	11%

**economy**

39%	say this will support local existing businesses/and existing leisure users	53%	11%
25%	say this project must allow for further expansion	37%	
25%	recognise the need to work with local services/facility/attractions providers	26%	22%
21%	say this will develop new marine business/will encourage/motivate new leisure visitors	26%	11%
21%	feel we should establish closer involvement with Council / Government	26%	11%
14%	mention the need to attract funding for larger project	16%	11%
7%	say yachting brings spending power	11%	

**planning issues**

50%	advise caution in choosing a location	58%	33%
29%	emphasize care in planning for exposure to storms, wind, weather, tide	42%	
21%	advise careful planning for robustness of pontoon and/or other structures	32%	
21%	urge us to draw on past experience of local mariners/ fishermen/ commercial users/	32%	



18%	draw attention to space required for bigger boats/manoeuvring/safety in inner harbour area	26%	
14%	would like more information about proposed survey work	11%	22%
14%	say use best/new/efficient environmental technology for this project / talk to SAMS	21%	
11%	advise caution in comparing Oban to Tobermory citing physical differences	16%	
7%	would like a completed plan/design to comment on	11%	
7%	urge us to engage with community/ consultation / stakeholder representation	11%	
7%	ask us to learn from local experience - Atlantis etc	5%	11%
<b>Oban as a port</b>			
21%	state the need to set up harbour authority or trust / define Oban's port status	26%	11%
21%	point to the need to improve road and rail infrastructure	26%	11%
11%	point out the need for a safe launching slip in Oban	11%	11%
7%	mention the building of a causeway to Kerrera	5%	11%
4%	think Oban could develop as commercial / cargo / oil / multipurpose harbour		
4%	see a projected increase in sea borne traffic	5%	
<b>fishermen's issues</b>			
18%	draw attention to berthing issues / congestion / being 'pushed out' / feel threatened	26%	
14%	say this project must co-exist with fishing boats	16%	11%
11%	state the importance of fishing to economy in Oban	16%	
11%	<i>support from non fishermen - fishermen need something positive in Oban</i>	11%	11%
<b>management issues</b>			
39%	need for shore facilities, fuel, showers, services, taxis, parking/park and ride	47%	22%

36%	stating support for pontoon etc at Sailing Club / Dungallan	37%	33%
18%	feel the need to preserve Oban's natural beauty	26%	
11%	say waste/ pollution / noise/ clinking masts must not detract from Oban's beauty	16%	
11%	state this should be a short term project; re-locate pontoons following building of breakwater	16%	
7%	state the pontoons should be for summer use/winter removal	11%	
7%	feel usage should be short stay / 3 nights / day berthing		
7%	ask about maintenance costs and down time	5%	11%
7%	want to see better promotion of plans / more stakeholder consultation	11%	
4%	mention security for the pontoons	5%	
4%	would like to discuss the use of the pontoons for local ferry services	5%	

**Appendix 2**

## Oban Projections

**provision for:**

58 dedicated berths

16 small boat berths

12 rafted berths

charge estimated @ £2.25 / metre / 24 hours vat inclusive

average boat estimated @ 11metres

average boat income £24.75/day = £21 (net of vat)

charging rate based upon comparisons from all Clyde, Ayrshire coast and Argyll marinas. (figures available on request.)

**projected revenue:****year 1** 75% occupancy figures

Sailing season	boat nights
April	10
May	20
June	30
July	31
August	31
September	25
October	15

## Projected income year 1

162 nights x 58 berths = 9396 x 75% = 7047 boats

7047 boats @ £21 = **£147,987****year 2** 85% occupancy figures

Sailing season	boat nights
April	10
May	20
June	30

July	31	
August		31
September	25	
October	15	

Projected income year 2

162 nights x 58 berths = 9396 x 85% = 7987 boats

7987 boats @ £21 = **£167,727**

**year 3** 95% occupancy figures

Sailing season	boat nights	
April	10	
May	20	
June	30	
July	31	
August		31
September	25	
October	15	

Projected income year 3

162 nights x 58 berths = 9396 x 95% = 8926 boats

8926 boats @ £21 = **£187,446**

supplementary income available from:

**12 rafted berths:**

Caution should be used when using rafted berths with income projections. Yacht owners do not like rafting. It is recommended that any income generated through rafting is kept as a contingency.

**Small boat berths:**

Again income generated from these berths is not included in the projections. These berths are for the community of Oban to access and re-establish their links with the sea. Although in keeping with similar facilities in other communities revenue is returned on these berths.

**Commercial boat operators:**

Operators using the facility on a regular basis to embark/disembark passengers should be charged to use the facility. It is assumed that a dedicated berth is set aside for this. No charter boat should be allowed to berth there overnight, but the skipper can remain on board to move off as required. To operate this berth successfully it has to be assumed that the charter boat fleet in Oban can cooperate and self manage the berth, otherwise it can cause management problems. Commercial boat

operators can be charged approx £300 per annum to operate from pontoon on a daily basis dependent on vessel size. An increase in charter boat operators providing a wide range of trips, wildlife watching, dive charters etc is very good for the economy of Oban and will hopefully help increase tourist numbers.

**Cruise liners:**

A lucrative source of income and a growing market. This form of holidaying is on the increase and the UK is one of the fastest growing markets, it is a relatively environmentally friendly form of tourism and one that reduces the pressure on existing infrastructure. Average cruise liner has 700 passengers aboard and will pay about £500 to use the pontoon to disembark and embark passengers from their liberty boats. Other factors may influence cruise liners visiting Oban such as anchoring availability. It will take a few years for this revenue stream to be established as cruise itineraries are put together approx 2 years in advance. Once established Oban could comfortably look to 10 – 15 vessels per year, however, this income will probably come on stream year 3 or 4.

**Fuel:**

Fuel is an extremely useful service to provide, especially regarding the difficulties of accessing fuel in Oban. This should be given careful consideration as the provision of fuel is tricky and capital costs are high. It is possible that fuel facility be installed in year 2 or 3.

**Advertising:**

It has been suggested that advertising be incorporated on the pontoon and an income stream can definitely be generated from here in year 1.

**Electricity and Water:**

In nearly every marina or pontoon facility on the west coasts electricity and water are provided in the berthing cost. Where this is not the case the berthing price is significantly lower. For example Tarbert charge for electricity by token and charge £1.98/metre to raft alongside. They are also the only pontoon facility known showing a decline in visitor numbers, 8% in 2007, they also raft their vessels on the pontoon.

Marinas also provide showers and toilets which are included in their berthing prices.

**Budget operating costs:**

Pontoons require little on-going maintenance and a 20 year lifespan can be assumed. However, it is common practise not to depreciate the asset over its lifespan but to allow for a programme of ongoing maintenance and replacement thus ensuring the pontoon is always fit for use. All pontoon components are modular and are therefore easily replaced as are mooring chains and shackles.

The pontoon will also need to be inspected annually for insurance purposes. All moorings and chains will need an annual inspection certificate.

Electricity and water need to be included for.

Insurance costs are based on discussion with insurance broker and based on the asset value and turnover. The figure also includes for public and employers liability.

Staffing costs are seasonal with only a few hours required weekly in winter to 6 hours per day in summer. This will result in 1.5 staff to manage the facility. Creative solutions can be found to reduce this cost such as combining the pontoon manager's role with the pier master employed on the North Pier. This would involve discussions with A&BC and should therefore not be included from year 1.

Ancillary costs this includes everything from replacing electricity bollards, to paint, signage, pressure washing, health and safety equipment, VHF radios. This is very much a budget/contingency figure.

Marketing – through experience it has been found that the best form of marketing pontoon facilities is word of mouth. The project will also feature in all sailing magazines and is a significant enough project to expect coverage in the national papers. This should generate enough visitor numbers without having to spend heavily on a marketing campaign.

OBM overheads include accounting and legal fees, business rates and admin costs

Pontoon maintenance	£10,000
Annual Inspection	£ 1,000
Utilities	£ 6,000
Staffing costs	£30,000
Insurance	£10,000
Ancillary items	£ 5,000
Overheads	£ 6,000
	-----
	<b>£68,000</b>

**Appendix 3**

Borrowing over 25 years at 6.25% has been assumed. Options indicating several intervention rates have been modelled through. The project does not require core funding.

Total project costs	£ 1,600,000.00
public funding sourced (% intervention)	
option 1 0%	£ -
option 2 25%	£ 400,000.00
option 3 40%	£ 640,000.00
option 4 50%	£ 800,000.00
option 5 60%	£ 960,000.00
option 6 75%	£ 1,200,000.00
<b>Borrowing</b>	
option 1	£ 1,600,000.00
monthly repayments 25yrs @ 6.25%	£ 10,679.00
annual repayments	£ 128,148.00
option 2	£ 1,200,000.00
monthly repayments 25yrs @ 6.25%	£ 8,010.00
annual repayments	£ 96,120.00

option 3	£ 960,000.00
monthly repayments 25yrs @ 6.25%	£ 6,407.00
annual repayments	£ 76,884.00
option 4	£ 800,000.00
monthly repayments 25yrs @ 6.25%	£ 5,340.00
annual repayments	£ 64,080.00
option 5	£ 640,000.00
monthly repayments 25yrs @ 6.25%	£ 4,272.00
annual repayments	£ 51,264.00
option 6	£ 400,000.00
monthly repayments 25yrs @ 6.25%	£ 2,670.00
annual repayments	£ 32,040.00
<b>turnover</b>	<b>£ 148,000.00</b>
<b>costs</b>	<b>£ 68,000.00</b>



<b>projected profit to service borrowing</b>	<b>£ 80,000.00</b>
----------------------------------------------	------------------------

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## Working Paper 8: Conformity of Oban CHORD proposals with Argyll & Bute planning policies

All of the projects in the CHORD Outline Business Cases have been looked at by the Head of Planning at Argyll and Bute Council, Angus Gilmour who has confirmed that there are no strategic development plan or land use issues which would represent a fundamental constraint on the delivery of the list of projects associated with each of the Outline Business Cases. Many of the projects will have to be the subject of individual planning applications which will have to be subject to the "due planning process" and will have to address all material planning considerations.

The one exception is the Oban Development Road which has been objected to in the course of the Local Plan process. The reporter's view on these objections and the Council's position subsequent to that report being made available in June 2008 will clarify whether the Oban Development Road will be contained in the new Local Plan.

It is therefore assumed that all of the projects with the caveat on the Oban development road have "in principle" support subject to the detailed planning process.

### *Argyll and Bute Structure Plan 2002*

The Argyll and Bute Structure Plan 2002 identifies as one of its seven strategic issues;

"planning for the expansion of Oban along its trunk road corridor beyond its containing landform"

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.

The Structure Plan contains the Proposal PROP SI 2 Oban Investment and Expansion Potential which supports the expansion of the town along the trunk road, development opportunities at Dunstaffnage, a development road fulfilling relief road functions, and an action programme for Oban Bay and town centre.

All of the projects in the Oban OBC are therefore compliant with the Structure Plan.

### *Argyll and Bute Modified Finalised Draft Local Plan June 2006*

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.

There are 4 Areas For Action (AFAs) 5/1, 5/2, effecting the waterfront and town centre in Oban. These are contained in the projects within the Outline Business Case for Oban.

### *Argyll and Bute Council Corporate Plan 2007-2011 and Beyond*

The Corporate Plan sets out five strategic objectives of Environment, Social Change, Economy and Organisational Development. 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.

Under the strategic objective of the Economy, the Strategic Delivery Topic of Transport – improving access to the area, its states;

Investigation and selection of preferred options following STAG appraisal for key priorities from the Argyll and Bute Transport Strategy, in particular:

- A85 Oban Development Road and associated demand management measures.
- A816 Lochgilphead-Oban Road
- Interchange facilities for ferries and public transport at the Dunoon and Oban transport hubs

The principle of town centre and waterfront projects in Oban is therefore supported by the Council's Corporate Plan with specific support for the Oban Development Road and the transport interchange facilities.

### *An Economic Strategy for Argyll and the Islands*

The Economic Strategy for Argyll and the Islands, published by the Local Economic Forum in 2005 identifies five objectives: growing businesses; making global connections; developing skills; strengthening communities; and making best use of the environment.

Each objective has a number of priorities. Under the 'making global connections' strategic aim a specific priority is 'encouraging more people ... to live and work in Argyll and the Islands'.

The strategy makes a number of upbeat references to Oban, including the value of the airport to meeting the objective of action theme 1, 'critical infrastructure – transport'. Meanwhile, action theme 2, 'the economic coast' profiles the European Centre for Marine Biotechnology at Dunstaffnage and notes that 'particularly important will be the planning dimension and the development of housing, education and leisure facilities, along with the creation of the Oban airport' in support of the development. This provides support to two of Oban's projects - the Dunstaffnage road development and the Oban development road. In addition, the two projects relating to developments in the harbour area are in line with other aspects of 'the economic coast' action theme relating to recognition of the economic opportunities to be gained from the region's coasts and lochs.

*Oban Action Plan 2006 – Ironside Farrar*

This document was prepared to implement the proposals for Oban contained in the emerging Argyll and Bute Local Plan by setting out a development programme and making recommendations on the approach to funding and delivery. The projects selected by the Project Board for Oban are largely in line with the recommendations of this strategy. The priority projects recommended by the Action Plan include;

- Securing the essential roads access infrastructure to facilitate site development
- Developing the feasibility and STAG Appraisal for the Oban Development Road
- Progress Development Masterplans for strategic housing land with landowners
- Develop an integrated masterplan for North Pier
- Promote better integration of public transport services
- Facilitate investment in private sector marina and related developments
- Development of the appeal and attractiveness of the town centre to both residents and visitors

Developing opportunities around Oban Bay

## Working Paper 9 - Conformity of Oban CHORD proposals with Scottish Planning and Economic Strategies

The first National Planning Framework (NPF) was published in April 2004. It sets out a strategy for Scotland's development to 2025, providing a national context for development plans and planning decisions and helped to inform the wider programmes of government, public agencies and local authorities.

The second National Planning Framework (NPF2)<sup>15</sup> develops the first and describes Scotland as it is in 2008, identifies key issues and drivers of change, sets out a vision to 2030, and identifies priorities and opportunities for different parts of the country in spatial perspectives. It contains both thematic and spatial perspectives and focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development.

It should be borne in mind that national strategies by their very nature invariably contain something for everyone. NPF1, for example, contains some advice on economic development which is relevant to all of the CHORD projects.

*As far as spatial planning is concerned, there are two main issues:*

- *ensuring that priorities for economic development are chosen in a way which takes account of the location of communities where the need for regeneration and renewal is most pressing; and*
- *once long-term commitments to economic development have been made, timely investment is needed to ensure that hard to reach groups in disadvantaged areas are put in a position to benefit from the jobs and opportunities that will be created.*

NPF1, p.90

<sup>16</sup> References to the wider Argyll and Bute area are relatively few and often presented in the context of either the wider Highland area or the River Clyde corridor. Oban, however, receives a specific mention in the NPFs as an important regional hub and service centre and there are several aspects of the NPF and NPF2 that the Chord projects can draw on.

### **Regeneration**

The NPFs are generally positive about the economic conditions and growth potential of the Argyll and Bute area as a whole<sup>17</sup>. Both NPFs emphasise that sustainable growth should benefit all parts of Scotland<sup>18</sup> and focus heavily on the role of community led regeneration. There are several references to social capital and community enterprise and

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<sup>15</sup> <http://www.scotland.gov.uk/Resource/Doc/208174/0055210.pdf>

<sup>16</sup> NPF2 para 62

<sup>17</sup> NPF1 paras 10 & 40, NPF2 para 18

<sup>18</sup> NPF2 paras 148, 150 & 158

empowerment.<sup>19</sup> Connectivity and environmental quality are two of the NPFs other watchwords, and attention is drawn to the need to co-ordinate infrastructure improvements with other economic investments.<sup>20</sup>

When the first NPF was written, area regeneration was delivered through 32 Social Inclusion Partnerships, one of them covering Argyll and Bute. NPF2 instead presents Urban Regeneration Companies (URCs) as the effective agents of change, although none are yet identified in the A&B area<sup>21</sup>. NPF2 also points out that the Highlands and Islands are to receive EU Convergence funding whereas the Lowland and Upland parts of Scotland are covered by EU Competitiveness and Employment funding. Oban, along with Campbeltown, Rothesay and Dunoon falls under the former and also lies within the Northern Periphery co-operation zone making projects eligible for funding to support cross-border co-operation with the Republic of Ireland.<sup>22</sup>

### **Transport & infrastructure**

Both NPF1 and NPF2 place great emphasis on improving connectivity, recognising that improvements in transport infrastructure are needed to support economic activity<sup>23</sup> and make commitments to improving road, rail and sea links across the country and beyond.<sup>24</sup> NPF2's *Map:15 Strategic Transport Corridors* identifies a strategic route to "Oban, Fort William and the Western Isles" a notable addition given that NPF1 only identified a route from Stirling to Oban.

The physical barrier of sea crossings is recognised as a challenge and both NPFs note the vital importance of ferry services both for sustaining communities, particularly remote communities, and in the promotion of tourism. NPF 1 is generally positive to ferry improvements, although NPF2 goes further still stating that there is likely to be scope for further ferry and hovercraft services for firth crossings and on coastal routes.<sup>25</sup>

Both NPFs state that "Ports make a vital contribution to the economy"<sup>26</sup>. A commitment to freight, and not least sea freight, is made apparent in Government incentives such as the Freight Facilities Grant and Waterborne Freight Grants.<sup>27</sup> and the importance of the port of Oban is also acknowledged.

### **Quality environments, tourism and heritage regeneration**

The NPFs make frequent reference to the role that environmental quality, built heritage and cultural life can play in providing a focus for

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<sup>19</sup> NPF1 para 177, NPF2 para 147

<sup>20</sup> NPF1 para 88 & 177, NPF2 paras 105 & 158

<sup>21</sup> NPF1 para 70, NPF2 para 148

<sup>22</sup> NPF2 Map 12, NPF2 para 112

<sup>23</sup> NPF1 para 100, NPF2 para 115

<sup>24</sup> NPF1 para 101, NPF2 para 192

<sup>25</sup> NPF1 para 175, NPF2 para 121

<sup>26</sup> NPF1 para 49, NPF2 para 62

<sup>27</sup> NPF2 para 223

regeneration, as resources that can support economic and social development, and in helping to create strong, positive community identities<sup>28</sup> The NPFs also acknowledge the contribution that tourism and leisure activities make to the economy, noting tourism's symbiotic relationship to the conservation and promotion of the historic environment as well as freshwater and marine environments.<sup>29</sup>

Both NPFs consequently call for the sustainable management of environmental resources<sup>30</sup>.

### ***Coastal areas and energy***

The role of coastal areas is further expanded on in relation to renewable energy. The strategy map in NPF2 draws attention to the untapped potential for marine energy development on the West Coast. References are made to the key role of wind and marine power technology and locations for turbine fabrication are also mentioned.<sup>31</sup> The need for accompanying grid connections is highlighted and Argyll and Bute is identified as an area where the transmission system needs to be strengthened.<sup>32</sup>

The potential impact of sea level rises on communities and business in coastal areas is also highlighted and caution urged in the siting of new development.<sup>33</sup>

### ***Synergies with Chord projects***

A number of Oban's Chord projects dovetail particular well with NPF1&2s focus on infrastructure improvements, something at the very core of NPF2.

Whilst all of the Chord projects have the potential to convey benefits on their particular communities, a national dimension is difficult to find in every instance. 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. This is consistent with the town's role as a regional hub and service centre and the benefits would also be enjoyed by other coastline and island communities.

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<sup>28</sup> NPF1 paras 67 & 93, NPF2 paras 18, 79, 160 & 248

<sup>29</sup> NPF1 paras 40, 109 & 164, NPF2 para 21

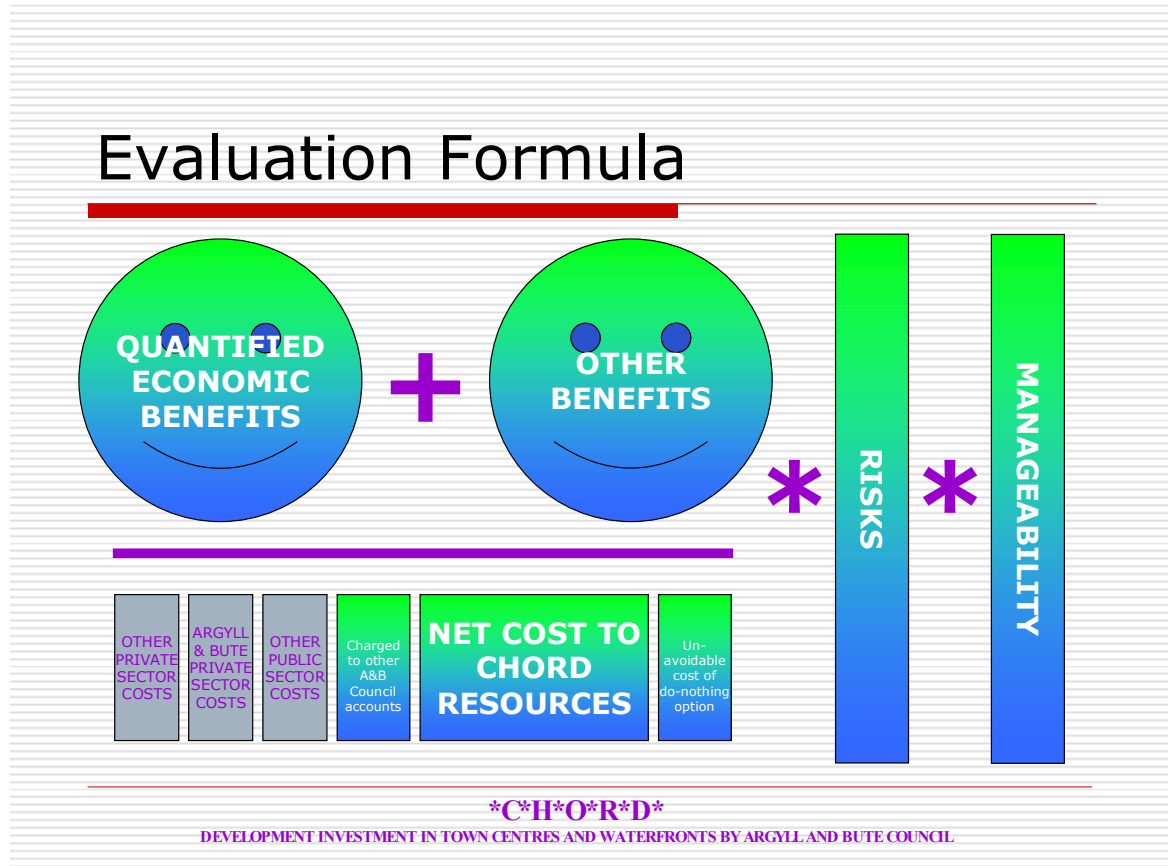
<sup>30</sup> NPF1 paras 11, 56 & 106, NPF2 paras 79 & 146

<sup>31</sup> NPF1 para 173, NPF2 paras 162 & 187

<sup>32</sup> NPF1 para 139

<sup>33</sup> NPF2 para 87, NPF2 para 242

Working Paper 10 - Economic appraisals including discounted costs and benefits

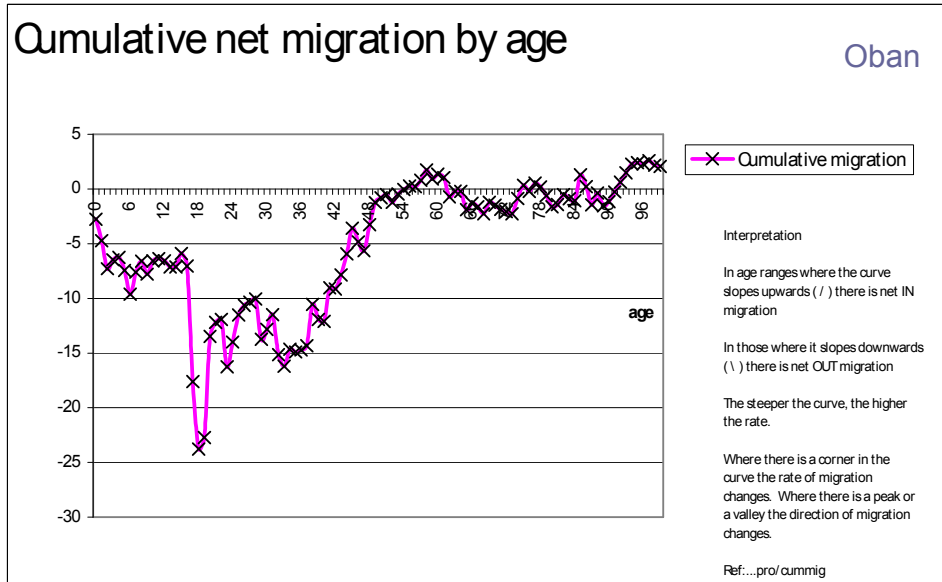


Current projections are for little population change in Oban, and there is at least prima facie evidence that this evidences a town with potential to grow, but unable to do so because it is subject to constraints. The migration pattern, as has been noted, shows a highly unusual influx of people in their early twenties, indicating a fundamental attractiveness and vitality for people near the start of their working and family life. At the other end of the age spectrum Oban does not, despite its popularity as a holiday destination amongst older people, attract them as in-migrants (in net terms), and this again is evidence that the town has come up against limits of capacity.



All of the CHORD settlements will experience increasing dependency ratios as their older population rises and their working population shrinks. Therefore the benefit to the wider community of facilitating housing provision under CHORD rests on it being used to accommodate essential workers.

We have prepared a ready reckoner takes the net migration profile for a settlement and works out how many years of working life, an 'average net in migrant' will have. A conservative view is then taken of the GVA that the inhabitants of a new dwelling will generate.



DCF	3.5%	
1	18000	25200
2	18000	25200
3	18000	25200
4	18000	25200
5	18000	25200
6	18000	25200
7	18000	25200
8	18000	25200
9	18000	25200
10	18000	25200
11	18000	25200
12	18000	25200
13	18000	25200
14	18000	25200
15	18000	25200
16	18000	25200
17	18000	25200
18	18000	25200
19	18000	25200
20	18000	25200
21	18000	25200
22	18000	25200
23	0	0
24	0	0
25	0	0
26	0	0
27	0	0
28	0	0
29	0	0
30	0	0

Significant net adult in-migration to Oban starts at age 21 when people have 41 years of working life left and finishes at age 58 when they have 4 left

This means the average working age migrant has 23 years left

Discounted earnings over this period (based on 18000 per year is 273000  
Discounted GVA is 382000

With Oban's migration patterns, the value to the community of providing a home for an essential worker is £382 000, more than anywhere else in Argyll and Bute. Of course the developments are not 100 per cent critical for every worker they house, but one view would be that if the constraints are truly binding then all capacity benefits of development should be attributed to CHORD. In outline calculations we attributed 40 per cent 'additionality' and still obtained benefit:CHORD cost ratios of the order of 10.

This figure is approximately doubled in the case of the marina, essentially because of the expected private participation and of the substantial overspill to town businesses.

Pending further delineation through the masterplan a lower, but still respectable ratio of 4:1 is obtained for the harbour AFAs.

# Working Paper 11 - Financial and commercial appraisals include discounted cash flows

## Table 7 Pontoon Development 60 berth

Oban  
Pontoon Development (60 berth)

Income Growth Factor 2012 on           3%  
Running Cost Growth Factor           3%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009 Yr 0	£ 1,613,000	£ -	£ 147,987	£ 68,000	£ -		-£ 1,533,013	-£ 1,533,013	
2010 Yr 1		£ -	£ 167,727	£ 70,040	£ -		£ 97,687	£ 97,687	
2011 Yr 2			£ 187,446	£ 72,141	£ -		£ 115,305	£ 115,305	
2012 Yr 3			£ 193,069	£ 74,305	£ -		£ 118,764	£ 118,764	
2013 Yr 4			£ 198,861	£ 76,535	£ -		£ 122,327	£ 122,327	
2014 Yr 5			£ 204,827	£ 78,831	£ -		£ 125,997	£ 125,997	
2015 Yr 6			£ 210,972	£ 81,196	£ -		£ 129,777	£ 129,777	
2016 Yr 7			£ 217,301	£ 83,631	£ -		£ 133,670	£ 133,670	
2017 Yr 8			£ 223,820	£ 86,140	£ -		£ 137,680	£ 137,680	
2018 Yr 9			£ 230,535	£ 88,725	£ -		£ 141,810	£ 141,810	
2019 Yr 10			£ 237,451	£ 91,386	£ -		£ 146,065	£ 146,065	
2020 Yr 11			£ 244,575	£ 94,128	£ -		£ 150,447	£ 150,447	
2021 Yr 12			£ 251,912	£ 96,952	£ -		£ 154,960	£ 154,960	
2022 Yr 13			£ 259,469	£ 99,860	£ -		£ 159,609	£ 159,609	
2023 Yr 14			£ 267,253	£ 102,856	£ -		£ 164,397	£ 164,397	
2024 Yr 15			£ 275,271	£ 105,942	£ -		£ 169,329	£ 169,329	
2025 Yr 16			£ 283,529	£ 109,120	£ -		£ 174,409	£ 174,409	
2026 Yr 17			£ 292,035	£ 112,394	£ -		£ 179,641	£ 179,641	
2027 Yr 18			£ 300,796	£ 115,765	£ -		£ 185,030	£ 185,030	
2028 Yr 19			£ 309,820	£ 119,238	£ -		£ 190,581	£ 190,581	
2029 Yr 20			£ 319,114	£ 122,816	£ -		£ 196,299	£ 196,299	
<b>TOTAL</b>	<b>£ 1,613,000</b>		<b>£ 5,023,771</b>	<b>£ 1,950,001</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 1,460,769</b>	<b>£ 1,460,769</b>	

IRR

7%

NPV  
(Discount Rate)

3.5%

£ 502,383

**NOTES**

1. Based on Oban Bay Marine Pro forma March 2008.
2. Assumes steady income growth per annum (see above)

3. Year 3 income assumes 95% occupancy.
4. TCE fund the pontoons by taking an equity stake? Assume TCE purchase the pontoon?
5. No interest is shown following Treasury greenbook procedure

# Table 8 Pontoon Development 60 berth

## Oban Pontoon Development (60 berth)

Income Growth Factor 2012 on 3%  
Running Cost Growth Factor 3%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009 Yr 0	£ 2,400,000		£ 147,987	£ 68,000	£ -		-£ 2,320,013	-£ 2,320,013	
2010 Yr 1	£ 1,613,000	£ -	£ 167,727	£ 70,040	£ -		-£ 1,515,313	-£ 1,515,313	
2011 Yr 2			£ 187,446	£ 72,141	£ -		£ 115,305	£ 115,305	
2012 Yr 3			£ 193,069	£ 74,305	£ -		£ 118,764	£ 118,764	
2013 Yr 4			£ 198,861	£ 76,535	£ -		£ 122,327	£ 122,327	
2014 Yr 5			£ 204,827	£ 78,831	£ -		£ 125,997	£ 125,997	
2015 Yr 6			£ 210,972	£ 81,196	£ -		£ 129,777	£ 129,777	
2016 Yr 7			£ 217,301	£ 83,631	£ -		£ 133,670	£ 133,670	
2017 Yr 8			£ 223,820	£ 86,140	£ -		£ 137,680	£ 137,680	
2018 Yr 9			£ 230,535	£ 88,725	£ -		£ 141,810	£ 141,810	
2019 Yr 10			£ 237,451	£ 91,386	£ -		£ 146,065	£ 146,065	
2020 Yr 11			£ 244,575	£ 94,128	£ -		£ 150,447	£ 150,447	
2021 Yr 12			£ 251,912	£ 96,952	£ -		£ 154,960	£ 154,960	
2022 Yr 13			£ 259,469	£ 99,860	£ -		£ 159,609	£ 159,609	
2023 Yr 14			£ 267,253	£ 102,856	£ -		£ 164,397	£ 164,397	
2024 Yr 15			£ 275,271	£ 105,942	£ -		£ 169,329	£ 169,329	
2025 Yr 16			£ 283,529	£ 109,120	£ -		£ 174,409	£ 174,409	
2026 Yr 17			£ 292,035	£ 112,394	£ -		£ 179,641	£ 179,641	
2027 Yr 18			£ 300,796	£ 115,765	£ -		£ 185,030	£ 185,030	
2028 Yr 19			£ 309,820	£ 119,238	£ -		£ 190,581	£ 190,581	
2029 Yr 20			£ 319,114	£ 122,816	£ -		£ 196,299	£ 196,299	
<b>TOTAL</b>	<b>£ 4,013,000</b>		<b>£ 5,023,771</b>	<b>£ 1,950,001</b>	<b>£ -</b>	<b>£ -</b>	<b>-£ 939,231</b>	<b>-£ 939,231</b>	

IRR

-2%

NPV  
(Discount Rate)

3.5%

-£ 1,763,756

### NOTES

1. Based on Oban Bay Marine Pro forma March 2008.
2. Assumes steady income growth per annum (see above)
3. Year 3 income assumes 95% occupancy.
4. TCE fund the pontoons by taking an equity stake? Assume TCE purchase the pontoon?
5. No interest is shown following Treasury greenbook procedure

# Table 9 Pontoon Development 60 berth Commercial

Oban

Pontoon Development (60 berth) Commercial

Income Growth Factor 2012 on 3%

Running Cost Growth Factor 3%

Period	Initial Capital Expenditure	Less Grant Funding	Gross Income	Running Costs	Interest Charges/Rent	Exit Value/ Capital Receipts	Net Cash Flow (IRR Calculation)	Net Cash Flow (NPV Calculation)	Comments
2009 Yr 0	£ 1,613,000		£ 147,987	£ 68,000	£ 77,000		£ 1,610,013	£ 1,610,013	
2010 Yr 1			£ 167,727	£ 70,040	£ 77,000		£ 20,687	£ 20,687	
2011 Yr 2			£ 187,446	£ 72,141	£ 77,000		£ 38,305	£ 38,305	
2012 Yr 3			£ 193,069	£ 74,305	£ 77,000		£ 41,764	£ 41,764	
2013 Yr 4			£ 198,861	£ 76,535	£ 77,000		£ 45,327	£ 45,327	
2014 Yr 5			£ 204,827	£ 78,831	£ 77,000		£ 48,997	£ 48,997	
2015 Yr 6			£ 210,972	£ 81,196	£ 77,000		£ 52,777	£ 52,777	
2016 Yr 7			£ 217,301	£ 83,631	£ 77,000		£ 56,670	£ 56,670	
2017 Yr 8			£ 223,820	£ 86,140	£ 77,000		£ 60,680	£ 60,680	
2018 Yr 9			£ 230,535	£ 88,725	£ 77,000		£ 64,810	£ 64,810	
2019 Yr 10			£ 237,451	£ 91,386	£ 77,000		£ 69,065	£ 69,065	
2020 Yr 11			£ 244,575	£ 94,128	£ 77,000		£ 73,447	£ 73,447	
2021 Yr 12			£ 251,912	£ 96,952	£ 77,000		£ 77,960	£ 77,960	
2022 Yr 13			£ 259,469	£ 99,860	£ 77,000		£ 82,609	£ 82,609	
2023 Yr 14			£ 267,253	£ 102,856	£ 77,000		£ 87,397	£ 87,397	
2024 Yr 15			£ 275,271	£ 105,942	£ 77,000		£ 92,329	£ 92,329	
2025 Yr 16			£ 283,529	£ 109,120	£ 77,000		£ 97,409	£ 97,409	
2026 Yr 17			£ 292,035	£ 112,394	£ 77,000		£ 102,641	£ 102,641	
2027 Yr 18			£ 300,796	£ 115,765	£ 77,000		£ 108,030	£ 108,030	
2028 Yr 19			£ 309,820	£ 119,238	£ 77,000		£ 113,581	£ 113,581	
2029 Yr 20			£ 319,114	£ 122,816	£ 77,000		£ 119,299	£ 119,299	
<b>TOTAL</b>	<b>£ 1,613,000</b>		<b>£ 5,023,771</b>	<b>£ 1,950,001</b>	<b>£ 1,617,000</b>	<b>£ -</b>	<b>£ 156,231</b>	<b>£ 156,231</b>	

IRR

-1%

NPV  
(Discount Rate)

6.25%

£ 842,333

NOTES

1. Based on Oban Bay Marine Pro forma March 2008.
2. Assumes steady income growth per annum (see above)
3. Year 3 income assumes 95% occupancy.
4. TCE fund the pontoons by taking an equity stake
5. No interest is shown following Treasury greenbook procedure
6. Assumes in put from Council source of £640,000 and interest is payable on the balance at 7% per ar
7. Assumes interest rates remain static for the period modelled.

## Working Paper 12 - Benefits register

Many of the benefits will be realised in terms of continued population growth and a more diversified and stronger economy, together with increased retail turnover, margins and value added, and a better competitive basis for Oban and Island businesses.

There is at present no mechanism for measuring either the baseline or progress, and we would strongly recommend that one is established, perhaps as a 'town monitor'. A separate proposal will be put to the Council

### *1.13 Postscript: Oban dynamism*

A number of projects demonstrate the dynamism of the Oban economy, and while not drawing directly on CHORD monies they involve many of the same economic actors and demonstrate the synergy in both directions with CHORD projects.

#### **1.13.1 Oban marina (Kerrera)**

Project 7 is the continued private sector expansion of Oban Marina. Based on the island of Kerrera is a coastal marina, a ten minute ferry journey from Oban town centre. Its primary business is marina-based with 44% of turnover created from berthing and hard standing fees. Repair and maintenance work on boats accounts for a further 32% with the remainder coming from bar, chandlery, diesel and shower facilities

Customers are a mixture of both international and UK tourist sailing the West Coast of Scotland and local people using Oban Marina as a base for sailing further afield. Both types of customer make use of the repair and maintenance facilities on offer.

In 2006/7 the UK's leisure boating industry enjoyed an annual increase in turnover of 6.5% from the previous year with Scotland accounting for the largest growth at 11%.

In 2007/8 Oban Marina invested £250,000 in the purchase of a 50 ton Wise Hoist and specialist storage cradles from the USA and also a new Blythe Catamaran ferry

The next 4 years will see an investment of £1.4m, growing the marina element of the business from currently 96 slips to 205, providing a slipway and car parking on the mainland for their guests, creating more work sheds to improve facilities for repair and undercover storage and building a new clubhouse, chandlery and office building

The marina expansion will have a direct impact on the number of visitors to Oban and the surrounding areas, spending money in the local restaurants, supermarkets, shops and bars. The improved workshop will create a steady stream of repair work for local businesses such as marine services, electricians and sailmakers who have the potential to base their entire operation from Oban Marina. This in turn will help to underpin the economics of the

### **1.13.2 Project 6 Corran Halls**

A project to replace the Corran Halls will be brought forward in due course.

### **1.13.3 Project 8 Sea Plane**

A float plane service to Glasgow is now established, and is consolidating Oban's role as local centre for the islands. Currently landing is via Kerrera, but the hope is to extend the service and provide more direct access.

### **1.13.4 Project 9 Cruise Ships**

Oban Bay marina will provide a much more direct and convenient way for Cruise passengers to be tendered off.

### **1.13.5 Project 10 'Raising the Bar' of all facilities and standards within the town of Oban'**

A public/private sector quality improvement initiative.

### **1.13.6 Additional evidence**

#### ***Transport benefits***

The Highlands & Islands Transport Partnership (HITRANS) : recently the approved Scottish Government Regional Transport Strategy includes within their key projects, the upgrade of the A82 trunk road, (and as a priority, Tarbet – Fort William section), the main artery to the West Highlands and Islands. The economic impact to the West Highlands and Islands. A consultants (Tribal HCH) economic appraisal identifies additional impact (2010 – 2039) as high as £474 m (discounted) and increased employment of 550

Oban and surrounding area will benefit greatly from this improvement and the need for the Oban Development Road\* will intensify

\*Scottish Government Inquiry reporter Hugh Begg recently stated – ‘The Argyll & Bute Local Plan has recognised the need both for the expansion of Oban and for a development road to enable such expansion to take place without merely increasing the level of congestion in and around the town’.

### ***Project 2 – Dunbeg corridor development***

Planning permission is being sought for the establishment of a 6.5 acre marine science park next to the Scottish Association for Marine Science (SAMS) laboratory at Dunstaffnage near Oban

The intention is to develop premises for the expansion of existing marine science businesses and to attract new ones into the area

Phase one development including site servicing, infrastructure provision and high quality advance building to meet the needs of high growth businesses is expected to be complete during 2009/10. Future phases will see a completed development housing 12 businesses and some 250 employees by 2018.

There are also plans to develop a wider campus at Dunstaffnage, incorporating SAMS, Argyll College and businesses to support skills, innovation and enterprise development. SAMS provides the research capacity essential to UHI Millennium Institute achieving full university status.

SAMS also accommodates the European Centre for Marine Biotechnology including the provision of business incubator space, housing a number of small but high profile life science companies. Both Aquapharm and GlycoMar have grown rapidly over the past few years and have created 25 new High-value jobs in Oban.

The laboratory participates in worldwide policy-making through research and data collected from the Arctic to the Tropics, contributing to the global understanding of our marine environments and climate change.

Current research projects include investigating the potential for marine biofuels and a new way to monitor changes in upper ocean temperatures of the North Atlantic between Scotland and Iceland.

## Working Paper 13 - Draft risk register and risk potential assessment

Both the Development Road and the harbour AFA proposals are composed of several interactive elements, with a need for excellent public consultation, so both have management risks and there are risks during the construction period. However all the projects are of a nature that the Council has encountered before, in Oban or elsewhere, and risks are not deemed unisexual or excessive.



## Working Paper 14 - Draft nominations for commissioner/stakeholder support

The project board itself combines a variety of important interests, and important public and quasi-public agencies such as HIE and the UHI project are involved. Oban's role as a transport hub is crucial and brings the wider responsibilities of the Scottish Government into relief, both through Transport Scotland and otherwise. As well as being represented on the Project Board the Oban business community is supportive of the development road and has specifically formed a body to promote the marina development.

The strategic importance of Oban for the islands would support specific involvement of island representatives, formal and informal, in these developments.

## Working Paper 15 - Arrangements for post-project evaluation and implementation review

Our monitoring proposals under the benefits register should be included in this. We recommend also a review on completion of the works, and again 6 months, one year and three years afterwards.

## Working Paper 16: DREAM® Detailed Regional Economic Accounting Model and DREAM®people demographic projections

The GVA estimates and demographic projections relied on in the report are from two sources:

- ⊗ DREAM®snapshot is used to provide detailed information on output, GVA, earnings, employment and most other economic variables
- ⊗ DREAM®people is used for demographic projections

The aim of the DREAM® family of products is to provide for regional and local economies the economic information usually analysed only at national level. DREAM® snapshot is the nucleus of the system and for most users provides by far the most detailed picture they have ever have seen of the local economy, fully consistent with all valid summary views that are available. DREAM® is constructed following the European standard ESA95 and the UN convention SNA93. It is fully consistent with the UK national accounts and official regional data from ONS and the Scottish Government, and each DREAM® model is consistent and comparable with the model for every other region and locality.

The basic DREAM®model is not like other economic models, which normally are used for forecasting,

### *DREAM®snapshot*

In principle, DREAM® takes in all the nationally-published economic data on Argyll and Bute, harmonises it and removes inconsistencies and obvious errors, and adds in considerably more detail.

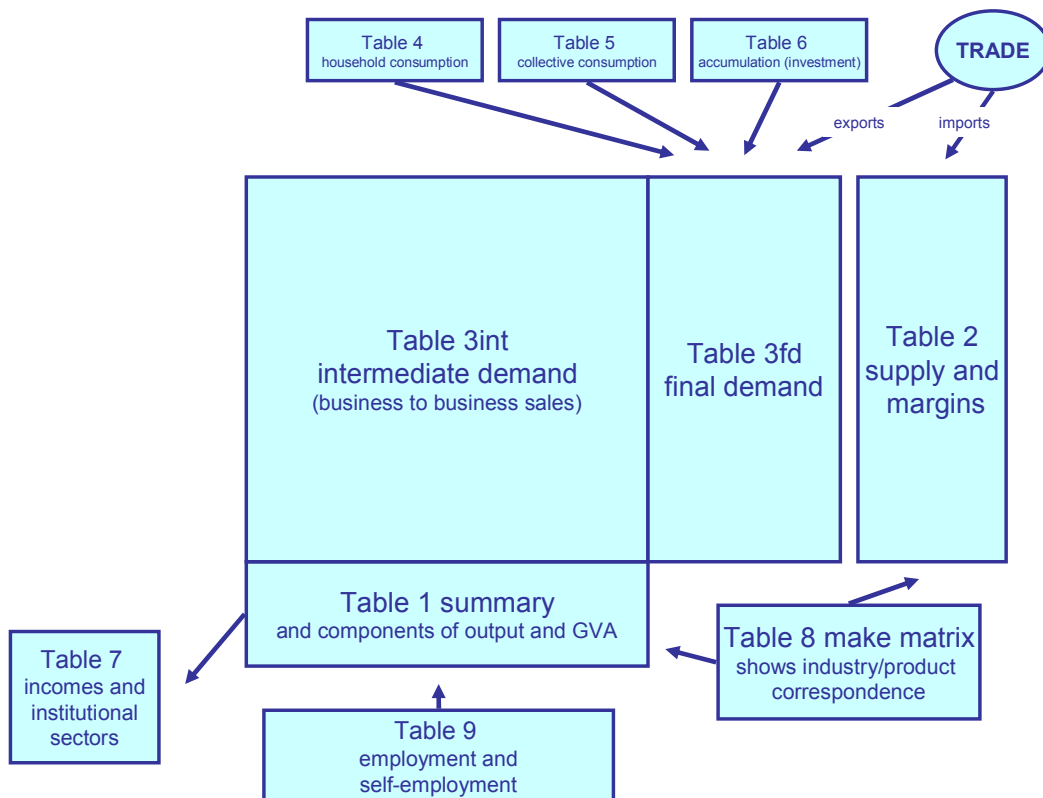
Except for employee totals, the nationally published data is limited: regional accounts data on GVA for the areas which best approximate Argyll and Bute consists of only a 3-way sectoral split (agriculture including forestry and fishing/ production/ other). A 16-sector breakdown of costs and revenues is published by the Scottish Government in Scottish Business Statistics, but unfortunately this does not cover the whole economy and is not consistent with the national accounts. DREAM® makes the necessary adjustments to achieve consistency and combines these with national data at a fine industry level. The resulting model is a detailed picture of the regional economy based on 123 products/ industries specified to cover the entire economy and including:

- ⊗ Sourcing by geography of each product used locally
- ⊗ Markets – by industry and by geography – for each local product
- ⊗ Accounts for each industry, including cash flows, profit and loss and annual investment.
- ⊗ Linkages within and between local industries
- ⊗ Flows of income within the community

- ⊗ Employment by industry, gender, hours and occupation, including self-employment
- ⊗ Spending by local people and businesses, product-by-product
- ⊗ Economic performance measures against national averages and other areas
- ⊗ Market shares, productivity, competitiveness, balance of trade

Primary data is held in a set of 9 tables which reflect the layout of the Supply and Use tables in the UK national accounts:

**Figure 18 Tables in DREAM@Argyll and Bute**



The construction of the main variables is as follows:

### Production

For statistical purposes Europe is divided into a hierarchy of territories. NUTS0 is usually an EU member country, and NUTS1 a major region or constituent country (eg Scotland, Wales, Bavaria), with NUTS2, 3 and 4 being finer and finer subdivisions.

Argyll and Bute consists of three NUTS4 areas: the mainland part of the former AIE area, the island parts, and Helensburgh and Lomond. These are parts of two NUTS 3 areas:

- ⊗ UKM43 Lochaber, Skye and Lochalsh and Argyll and the Islands
- ⊗ UKM31 East and West Dunbartonshire, Helensburgh and Lomond

In the DREAM® model Gross Value Added to NUTS3 for the whole UK level is estimated for 123 industries by an iterative process constraining

initial estimates to Regional Accounts as published for NUTS1, NUTS2 and NUTS3 levels, to the Annual Business Inquiry (employment) at the 4-digit SIC level, to the Annual Business Inquiry (financial) at region by division level and the National Accounts (Supply and Use tables). Additional data is brought to bear in Scotland, Northern Ireland<sup>34</sup> and the Republic of Ireland so that there are more than a dozen sources. The diagram on the following page sets out the iterative process.

For the towns in Argyll and Bute we have then taken the 123-industry breakdown of each NUTS3 GVA, and disaggregated it geographically in line with employment. Special calculations are made for agriculture (employment data is patchy) and for housing (employment not an appropriate basis to split rents and imputed rents).

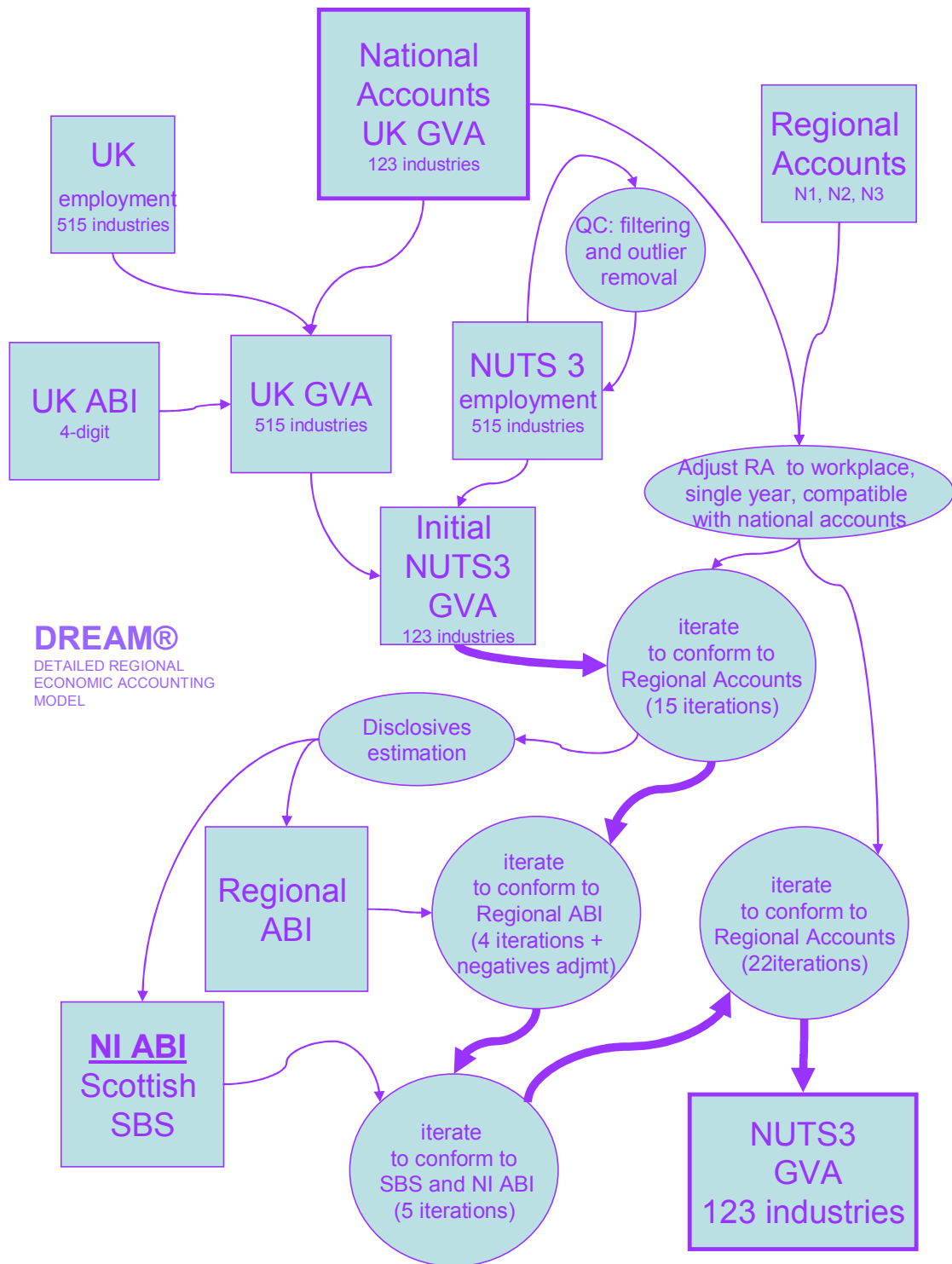
A similar procedure is followed for Compensation of Employees, also making use of local data from the Annual Survey of Earnings and Hours. This has been used to estimate commuting income.

The final estimates are constrained to the national accounts, SUTS, even though the Regional Accounts may not exactly match due to data timing issues, and ABI frequently is significantly different. The differences between ABI and National and Regional Accounts arise because the ABI is only one early source for national accounting data, does not have complete coverage, and the later balancing and adjustment stages take into consideration many other sources. This is especially important in the hospitality industries where national accounts estimates of GVA are about £7bn higher than ABI estimates. Type 2 multipliers (see below) are particularly affected because much of the additional GVA is allocated to compensation of the employed and self-employed.

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<sup>34</sup> For Northern Ireland the Census of Employment replaces ABI1, interpolated between census years by the Northern Ireland Labour Force Survey. The Northern Ireland Annual Business Inquiry, the Manufacturing Sales and Exports Survey and the Business Insurance Survey are used. For Scotland use is made of the Scottish Input Output Tables and Scottish Annual Business Statistics down to Local Authority level. Irish estimates are based on the Republic's input output tables and national accounts, and re disaggregated only to NUTS2. Trade statistics are constrained to HMR&C national estimates through the national accounts constraints but HMR&C regional figures are used as a diagnostic tool only.

**Figure 19 Iteration procedure for detailed GVA estimates**



About a dozen industrial submodels are also used, in certain industries, normally to identify physical products and disaggregate activities. The industries particularly relevant to Argyll and Bute include

- ⊗ Agriculture by farm type
- ⊗ Forestry by country, activity, maturity and timber type

- ⊗ Fishing between caught (by species) and farmed
- ⊗ Energy: multi industry multifuel sub model including generating mix, disaggregation of oil and gas extraction, refining products etc
- ⊗ Food and drink: additional disaggregation of production and consumption
- ⊗ Timber, pulp, paper etc by product and process
- ⊗ Chemicals: some products identifies and some IO sectors disaggregated to 4-digit SIC
- ⊗ Construction: by activity/market
- ⊗ Hospitality to 4-digit SIC
- ⊗ Education by level

Depending on the client base and the stability or otherwise of the industry, not every industrial submodel is used every year at every geographical level.

### Absorption

Households' consumption is estimated to NUTS1 level by disaggregating the national SUTS table (Table 4) using the Expenditure and Food Survey. Below NUTS1 disaggregation is modelled based on household disposable income.

NPISH consumption (Non-Profit Institutions Serving Households) is estimated using demographic and occupational structure, weighting according to the population in appropriate age groups, student numbers from the Census of Population, and employment in higher and further education and membership organisations.

Collective consumption is estimated on a 'who benefits' basis using the Public Expenditure Statistical Analysis (PESA) estimates published by the Treasury.

Regional estimates of fixed capital formation have not been available in the Regional Accounts since 2000. After that date NUTS1 figures are based on ABI2 data and housing statistics, with geographical disaggregation to NUTS3 based on turnover and profits.

Stock changes are allocated based on weights averaging production and absorption.

### Trade

DREAM®trade is a complete model of the internal and external trade of Great Britain and Ireland for the 123 goods and services of the United Kingdom IO classification. It is based on production and absorption as outlined above, together with a DREAM® input output model of the Republic of Ireland, in which production and absorption are informally disaggregated to the Republic's eight NUTS2 areas.

The data sources are national accounts SUTS, Northern Ireland Manufacturers' Sales and Export Survey, HMRC regional trade estimates, the Scottish Input Output tables, which in turn are based on an

unpublished origin and destination survey by the Scottish Executive, the SCDI survey of Scottish Manufactured Exports, the Scottish Global Connections Survey, Republic of Ireland Trade Statistics, and United Nations Comtrade Commodity Trade Statistics.

Initial estimates are prepared using the production/absorption estimates as origin-destination values in a 'gravity' model. In such a model the trade between two areas is proportional to the total flows from the origin, the total flows to the destination, and inversely related to the distance between them. The importance of distance is summarised in a 'friction' coefficient.

Origin and destination for each product and territory combination are based on production and absorption above.

The friction coefficient of the gravity model for each product is primarily based on the only official internal trade statistics for Great Britain, the Scottish Executive origins and destinations survey which reports trade between Scotland and the other constituent countries. Where this is problematic (for example if a Scottish trade flow as reported by the Scottish Executive is greater than a UK flow estimated by ONS) some coefficients are imposed based on experience elsewhere, notably the Canadian interprovincial input output tables which are the most detailed intra-national trade statistics in the world.

The distance parameter of the trade model is based on road distances between NUTS3 areas (NUTS4 in Scotland, NUTS2 in the Republic of Ireland). Adjustments based on crossing time and frequency are made for ferry routes. In the case of crossings to Northern Ireland the distance equivalent is an empirical estimate based on the NIMSAES. A 'national border' effect is estimated for the Republic of Ireland.

The trade estimates are then constrained successively to the various sources. The first constraints applied are based on the international trade data and the final constraints applied are the production/absorption estimates again, to ensure consistency with the national accounts. The intermediate data sources are sometimes in conflict (eg Irish exports to the UK differ from UK imports from Ireland) so adhoc adjustment is sometimes needed.

### *DREAM®people*

Every year or two the General Register Office for Scotland produces a set of population projections for Scotland and for each Council area within it. However, as GROS itself emphasises, the population can evolve according to a number of possible scenarios, and the central projections are but one scenario, based on simple assumptions.

DREAM®people is a simple model designed to release those responsible for regional and local planning and policy from the confines of a single centrally-approved projection. It allows them to protect themselves from sudden and apparently arbitrary changes in forecast numbers and to explore the robustness of policy alternatives to different assumptions about the economy, society and the environment.



Making a demographic projection involves making assumptions about how people will behave and how they will make major life-forming decisions. In most places DREAM®people does this in a similar way to the GROS models. In some places it is simpler than the GROS model, and in other cases it is more subtle: most importantly it can be controlled by the user.

<b>Feature</b>	<b>GROS</b>	<b>DREAM®people</b>
Scope	Separate for each gender, ages 0-89 plus '90 and over'. Projects ahead one-year at a time from a fixed base of 2004 and terminates 2027.	All people, ages 0-99 plus '100 and over'. Projects ahead one-year at a time from latest available mid-year estimate and continues without limit.
Births	Scotland level assumption adjusted to reflect regional differentials in fertility rates based on female population	Scotland level assumption adjusted to reflect regional differentials in fertility rate based on total population
Deaths	Scotland-level assumption based on trends in mortality rates (up to age 89), adjusted by age-specific mortality ratio for the locality	Scotland-level assumption based on trends in mortality rates (up to age 99), adjusted by age-specific mortality ratio for the locality
Migration total	Single net number from 2007 to 2027 for each council area – 400 for D&G	Sum of five identified flows as indicated below
Migration by age	Total as above is divided up to reflect the recent age composition of net flows.	<ol style="list-style-type: none"> <li>1. Bellwether migration of 21-33 olds at rates based on labour market</li> <li>2. Prime working migration of 34-49 year olds at rates based on labour market and housing</li> <li>3. 50-67 'end career' migration at rates based on housing markets</li> <li>4. 0-15 child migration based on prime migration and local family size</li> <li>5. Student age migration at rates based on age participation index.</li> </ol>

DREAM®people as a whole has been used for Argyll and Bute and a special version based on datazones for the towns.

Note: although cogentsi has used its DREAM® models on a grace-and-favour basis for the CHORD project, neither the results nor the models form part of any contract between cogentsi and Argyll and Bute Council. Raw data may be Crown copyright where indicated but all information and

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-

## Working Paper 18 – Consultees

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# The Oban Dossier

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## Notes pages

These notes are intended to expand informally upon the panels presented in the Dossier itself. They should be compatible with the Dossier.

23 July 2008

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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## Panel 1: The Oban Dossier

As the largest town in North Argyll, Oban plays a leading role not only in the activity of mainland Argyll, but also in the islands served by its ferries. Transport routes converge on the harbour and on the town centre tightly clustered around it. The town has a more balanced economy and demography than others in the region, and as well as a transport node, a centre for private sector services, and a tourism destination in its own right, it houses some of the most knowledge-intensive activities in Argyll and Bute.

It thus offers prospects of growth which will benefit the whole region. Much of this growth will be self-generating – indeed, one of the projects originally included in the Oban CHORD dossier was found, after examination, to be capable of going ahead with only temporary funding from the Council – ie with no need to call on CHORD resources

However Oban is constrained, and as the constraints bind tighter and tighter their costs will increase. Public funds are needed to open up opportunities for development and relieve congestion through the 'Development Road' project on the eastern perimeter of the town centre, and to reorganise the harbour complex so that it works efficiently. In addition some public funding is appropriate for a yacht haven making use of part of the harbour area.

## Panel 2: The background

Waterfronts and town centres in settlements across Argyll & Bute need investment to rejuvenate them as the main centres of economic activity within the region. Argyll & Bute Council's Corporate Plan identifies waterfront and town centre regeneration as a strategic priority.

However, the work programme and required investment is huge and hence the Council wish to prioritise its limited regeneration resources in terms of officer time and capital spending on its five largest waterfront towns, namely Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.

Each of these towns had an Initial Business Case produced for them, and at a meeting of the council on the 26<sup>th</sup> September 2007 it was agreed to move each of these forward to an Outline Business Case (OBC) in order to equitably determine a priority for undertaking the work. On 20<sup>th</sup> December 2007, Argyll & Bute Council's Executive agreed to appoint external consultants to help with the preparation of the OBCs using a common format.

Initially £3 mn of Council funding was identified to be spent on priority areas of action. However, as part of the budget setting process additional funding was identified, taking the funding to a total of £10 mn to be distributed as part of this process.

This report is one of five OBCs produced and seeks to put the case for priority funding for Oban.

The information in the report includes an economic and social review of the economy of Oban and a summary of each of the projects being proposed as part of the investment in the town centre and waterfront area. This summary information is supplemented with more detailed information contained within a pro-forma, each of which are attached as an appendix to the report. The report also examines the interactions between the individual projects and also briefly considers projects or other activities which are ongoing within the town, but do not form part of the specific projects identified for funding.

For each town's proposals, a strategic fit with key strategies is identified, the economic case for undertaking the work is considered and the commercial case in terms of how the project could be put together is dealt with. The financial case considers how the council's finances will be affected, in terms of both revenue and capital funding and finally the management case considers how the individual projects could actually be delivered.

The next phase of this work will be to score each of the town's proposals on an agreed scoring matrix using these OBC reports as the basis for consideration.

### Panel 3-6: The town of Oban

The crucial economic issues in Oban are

- 1) Managing the growth of the town
- 2) Maintaining its status as 'the gateway to the Isles'
- 3) Diversifying the economy away from a dependency on tourism

Oban is a bustling town which is a major transit point for the islands of north Argyll. The Cal Mac ferry service attracts 700 000 passengers to the town each year, 600 000 of whom are travelling to the Isle of Mull.

The town has developed on the banks of Oban Bay and suffers from restrictions in development. These restrictions occur both on land, where housing and other development is restricted by infrastructure limitations and on the water, where the various users of the harbour need to be accommodated in a relatively small area.

The town is currently experiencing congestion in the town centre, particularly during the summer and at peak ferry times. Although a problem, it is a nice problem to have in many respects, in comparison with many other rural market towns which are becoming quiet.

Although the town has some manufacturing associated with the fishing industry, it is essentially a service town. Anecdotal evidence from traders suggests that the town has suffered a series of poor tourism seasons, a problem for a town which relies so heavily on the industry.

The town is distant from other major centres of population, and hence needs to rely on local employment opportunities for its economic survival.

Oban is the main gateway to a number of offshore Islands, not least Mull. Following difficult years for many of the Islands, responses from local people suggest that many of the more accessible islands are enjoying somewhat of a revival. Oban is well placed to capitalise on this.

### Panel 7: Project 1 – Development road

This proposal is to build a ring road allowing traffic to access the south of Oban town centre, and particularly the harbour, without going through the town centre proper. It would allow easier access to Tesco's and to the Calmac ferry terminal, and prevent the need for heavy freight traffic to go past the shops in the main street.

### Panel 8: Project 2 – Dunbeg corridor development

Dunbeg is an estate to be developed with 800 additional houses, 50 per cent of which are anticipated to be affordable, to the north of Oban in the Dunstaffnage direction. The land has been acquired from the landlord and this expenditure is to facilitate its services and access. The housing would be particularly appropriate for workers at the Dunstaffnage marine research centre.

### Panel 9: Project 3 – Areas for action

This proposal, for which Masterplans proposals are currently being considered is for a general re-design of the harbour area which would involve filling in a small gap in the sea wall, relocating the lifeboat station onto that so that the existing berthing for the lifeboat station can be used for fish, and removing fish from the operating area of the main harbour. This would simplify the operations of the Calmac ferries and thus Oban's role as the main embarkation point on the watery road to the Isles. In addition the rail/ferry interchange would be adjusted to ease direct transfer for passengers.

There is some difficulty measuring the economic impact of these proposals, because the measurement of marine aspects of the Oban economy is difficult.

The importance of self employment makes it difficult to allocate fishing GVA across localities. Annual GVA from fishing at Oban is estimated at only £1.2 mn.

GVA from harbour operations (activities in support of water transport) is reported as about £4 mn. This figure probably includes the Lighthouse operations.

Calmac is by far the most visibly active, but adds little or nothing to local GVA. The company reports its offshore staff as employed in Guernsey and its onshore staff in Gourrock, and this has had a very disruptive effect on the regional accounts.

However, value added from the marine operations of Calmac, even if properly accounted for, would be low: the company has costs of approximately £50 mn per annum, which is covered £20 mn by revenues and £30 mn by subsidies. About 13 per cent of its passenger footfall and 20 per cent of its subsidies are attributed to Oban.

### Panel 10: Project 4 – Oban harbour marina development

This proposal, which already has a commercial advocate in the form of a local committee, is to develop the inshore centre of Oban harbour as a short stay yacht marina. There would be a pontoon for short-stay boats and a floating breakwater to protect it. The benefits would be to seafront businesses and to the aspect from the harbour wall, with the advantage to Calmac, the ferry operators, that there would be less anchoring to buoys in the area where their ferries are operating. The proposal as it stands would cut across the interests of fishermen, but these would have been catered for by Project 3 above.



### Panel 13: The strategic case

Oban is a key communication node for the islands and West of Scotland, 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 improve 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 presents a possibility to enhance Argyll and Bute's tourism offering significantly, through the development of a yacht haven and in other ways.

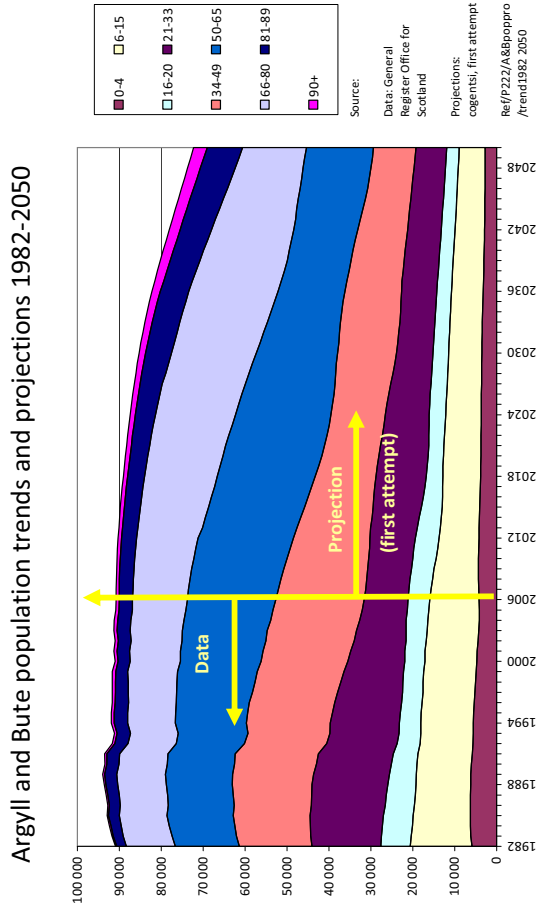
### Panel 14-16: The economic case

Primarily the benefits for the Development Road, and for the Dunbeg project if it required funding, are built around the economic benefits from extra housing, to be provided for an *essential* increase in Oban’s working population.

The main impact of additional housing is to allow the population to grow and, by increasing the supply and thus helping to keep down prices, to reduce costs and capital values for residents and in-migrants. Sometimes new housing replaces, directly or indirectly, housing which falls below the standards people nowadays expect and so provides a real economic benefit to its residents and makes for a fairer as well as a wealthier society..

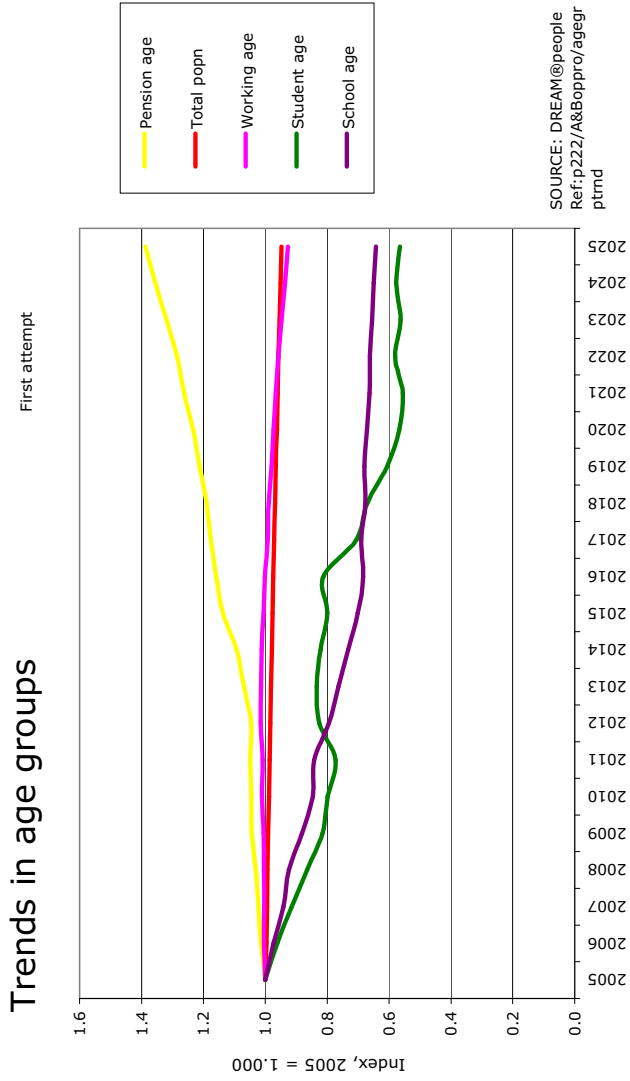
Our general view of A&B population is that it is set to decline, and that the age distribution is likely to go really bad in the longer term. The driving trends are people at or nearing retirement moving in, and young people moving out for further or higher education, or to find work, or simply from itchy feet. In the middle the employment prospects and housing costs influence an area’s ability to attract people at the start of their careers and those of prime working age. Most of Argyll and Bute finds this difficult.

**Figure 1 A&B population trends**



However, CHARTS LIKE THESE VARY SIGNIFICANTLY FOR THE DIFFERENT REGIONS OF ARGYLL AND BUTE, and Oban is significantly different, so the reader is referred to Panel 5 and Working Papers 1 and 3.

**Figure 2 Oban trends by population group**



The projected steep decline in Oban’s working population is important because, *unlike other CHORD towns*, Oban does not simply provide for its own needs and its immediate hinterland.

The Development Road will also provide access to industrial and commercial premises, for which Additional benefits could be adduced.

The economic case for the marina is that, for patient money (ie at Treasury discount rates) it is more than self-financing (on Cogent’s calculations the real IRR is about 6.5 per cent), and that there are large externalities in that visiting yachtsmen will spend an estimated £0.5 mn per year in the town.

## Panel 17: The commercial case

### **Project 1: Construction of the Development Road**

The Council have identified within their emerging Local Plan a corridor of protection to facilitate the construction of a Development Road (Development Road Action Areas (DRA)). It is intended that this road will open up land for further housing development to the east of Oban to help meet future needs and will ease congestion in the town of Oban. It is also understood that a Draft STAG<sup>1</sup> report has been completed and that this shows that the road once constructed will have significant benefits for the town.

It is understood that the Council have not carried out a detailed costing exercise, but that preliminary estimates<sup>2</sup> and the draft STAG report suggest a budget cost of £15.0million. It is understood that there is currently no funding available, European or otherwise, but that if the Council were to provide some funding to pump prime the project funding would probably be made available from Transport Scotland and Hitrans. In addition to this it is thought that some private sector funding could be made available from developments released as a result of the road.

It is understood that the road will release some 38.66 hectares (95.53 acres) for residential development, which at a density of 15units per hectare will equate to 580 houses<sup>3</sup> of which, as matters stand, a minimum of 58 will be affordable. It is felt that the density proposed is low, but it is understood that at this stage no site testing has been carried out. It is also noted that the topography is potentially challenging in parts and no dialogue has been had with the affected landowners. There is a view that the ground conditions and topography may result in a reduction in the developable area and the number of units released.

Scottish Water<sup>4</sup> have indicated that there should be adequate provision of water supply and capacity at the sewerage treatment plant, but that they may have capacity issues in the supply network. However, they do not expect this to be a constraint on the project, though it is noted that as the site is higher than most of the existing infrastructure in the town there may be a need for additional infrastructure, such as pumping station.

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<sup>1</sup> Oban Transportation Issues: STAG Appraisal Draft December 2007

<sup>2</sup> Project pro-forma

<sup>3</sup> Email from Adrian Jackson-Stark 29 April 2008

<sup>4</sup> Reference discussion with Kevin O'Hare April 2008

It is felt that an option open to the Council to augment the funding available for the road would be through development contributions from residential releases that will benefit from the road. Following a review of planning policies it is clear that there is no formal stipulation, either in the current or emerging local plan, as to the level of contribution to the cost of construction of the road that developers will be required to make from associated development or indeed other development within the Oban area.

However, it is felt unlikely that the development will be able to fund the whole cost of the road as the total cost equates to approximately £387,000/ha of land released. While there have been few land sales of this type of development recently it is considered that this level of contribution is unsustainable and as such the land would be unlikely to be released to the market.

It is understood that an estimate was made as to the amount of contribution that could be expected from a development site in the Oban Action Plan<sup>5</sup>, which estimate suggested that a sum of £11 500 per residential unit might be achievable. As stated in the Action Plan this level of contribution is very much dependent on the economics of each site, and is particularly susceptible to the market at the time. It is considered that the Council should look at establishing supplementary planning policy to secure funding from development which would contribute to the cost of the road.

In view of the current turmoil in the financial markets and the housing markets, and having regard to the need to fund other local services<sup>6</sup> out of any development, it is felt that rate of contribution identified in the Action Plan may not be deliverable. It is recommended that the Council review the likely requirements for funding associated with the development and carry out an analysis of the likely development returns from the site and estimate a figure that can reasonably be charged by way of contribution to the road as part of the development of a detailed business case.

The question of whether the affordable housing element of any development should be similarly burdened should also be considered in more detail.

It is also for consideration that the cost of the road should be spread more widely as it appears it will benefit the wider Oban area. Consideration should be given as to whether the Dunbeg corridor development should be asked to contribute, though if the high levels of affordable housing proposed at Dunbeg are maintained through the planning process, then it may be felt that that development should not be burdened with this additional contribution. However, if the levels of proposed affordable

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<sup>5</sup> Oban Action Plan page 65

<sup>6</sup> Discussion with G Harper (ABC) 9 May confirm that no detailed analysis of other service requirements has been made at the time of writing.

is sustained then it would seem that the affordable housing proposed in relation to the PDAs associated with the road corridor could be reduced/removed potentially providing a greater contribution to the cost of the road.

It is possible that with the level of expansion of the town that will result from the Dunbeg development and the Development Road that other valuable uses of the land released for development may come forward, for example a further supermarket site. This has not been factored into the modelling included in this report.

Attached in Working Paper 1.1 is a cash flow forecast for the road based on the information provided to date<sup>7</sup>. It has been assumed in this forecast that some £3.0million can be recovered through funding from the residential development proposed. This is based on assumption that the level of development proposed will be able to fund £5,200 per unit. Further funds may be delivered from other projects but this will require further more detailed work.

The Project Board consider that if the Council can pump prime the development road to the tune of £6.0mn then they would expect the Council to be able to raise the balancing funds necessary to complete the project either directly from Transport Scotland or through the regional transport partnership, Hitrans, and developers of the PDAs.

However, if any funding is to be delivered it is likely that the Council will have to take the lead on the project by committing funds and then pursuing other funding parties. In addition to this it will have to condition planning consents, using legal agreement, to ensure recovery of any monies that might be available from developers.

In conclusion the Project Board are seeking a commitment from the Council through the CHORD project of £6.0mn to the Oban Development Road.

### **Project 2: Dunbeg Road Corridor**

West Highland Housing Association (WHHA) are working with HIE in promoting a mixed use development which will include between 800 and 900 residential units, sports facilities, employment uses, pavilion café, family pub and employment uses associated with the SAMS site. All of which uses are broadly compliant with the local plan. WHHA expect to deliver a high proportion of affordable housing (50 per cent) with their sister company taking on the role of lead developer for the open market units.

The site requires the construction of an internal spine road, the expected route of which links from the A85 south of Dunbeg to the A85/Jane Road junction. Part of this road line which was thought to have been owned by the Council, is in fact subject to third party interests, which interests are known to Argyll and Bute Council's legal team as the "amenity areas"<sup>8</sup>.

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<sup>7</sup> It is assumed that the cost of £15million includes all costs associated with the road project.

<sup>8</sup> See email Donald Kelly to Andrew Robertson 29 April 2008

It is understood following discussions with WHHA that these interests are not fundamental to the development and do not represent a constraint on the development. In addition to which the Council believes that if the matter cannot be resolved by negotiation then the Council will be able to do so by using its compulsory purchase powers. No detailed discussions would appear to have been had with the third parties, but Council estimates are that each interest maybe resolved on payment of £10,000. It is not known how many interests there are.

It is understood that WHHA have underwritten the cost of securing the access rights and any CPO action required, but that in any event they do not consider this issue will impact on the development as the road link is not essential to the project<sup>9</sup>. WHHA have suggested that if this part of the road were not constructed they might have to reduce the scale of the project by 20 to 40 units.

At the time of writing this report WHHA have not carried out any detailed site investigations, but expect to commence master planning work imminently, with submission of an outline planning application following thereafter (August '08) WHHA hope to start infrastructure works on site in approximately July 2009. They expect the whole project to take approximately 10 years, which is outside the scope of the Council's timetable as far the CHORD project is concerned.

WHHA consider, based on their own appraisal work, that this project will stand on its own feet financially with assistance from government from Housing Association Grant, Highlands and Islands Enterprise and the Council's Strategic Land Fund. However at this stage it is not known what level of funding that might require, though WHHA appear content that this will be at "normal" levels for this type of project.

It is considered, based on comments made by West Highland Housing Association, that this project will stand alone financially and should not require any funding from the Chord project.

### ***Project 3: Areas For Action***

The Areas for Action broadly consider the use of the bay itself as a marina and the impact on the other bay users, being the fishermen, the RNLI and Calmac. In addition to which they consider the waterfront at Oban and the improvement of the transport links to and connections within the town. The outcome of the STAG appraisal is not yet known, and so the impact of the proposed transport hub is not clear at the time of writing. However, the Project Board/Council have committed further funds to the completion of a master planning exercise to develop and enhance the waterfront and infrastructure of the town.

Without the above information it is difficult to be precise about the impact of this proposal in commercial terms. However, the improvement and integration of the use of the existing transport services will enhance the ease with which people can use Oban and the islands it serves.

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<sup>9</sup> Telecon with WHHA 1 May 2008

It is considered that the delivery of this project will require close cooperation with the Oban Harbour Users Group, or such other management body that is put in place for the harbour, who can drive the project forward and coordinate the interested parties. It is possible that the Council could drive the project, but it would have to dedicate appropriate and interested resource to the project.

#### **Project 4: Oban harbour Yacht Marina Development**

The proposal is to develop an inshore, transit marina (yacht haven) with capacity for 60 – 80 berths based on a pontoon system. The project currently is reinforced by the presence of a commercial advocate, Oban Bay Marine (OBM). OBM is a not-for-profit social enterprise company, incorporated in June 2007 with the aim of improving the facilities for boat owners in and around Oban<sup>10</sup>.

Notwithstanding the presence of the OBM for the purposes of the CHORD project, this proposal has been looked at entirely as if it was being promoted by Argyll and Bute Council and in isolation of the other proposals for Oban. However, the pro-forma information provided by OBM has been used as the base financial information for the project. It should be noted that while OBM considered that the marina as they proposed it could be installed without affecting other users of the bay, such as fishermen and Calmac did not share this view. However, none of the potentially affected organisations considered that the problems identified were insurmountable and a realignment of users within the harbour, as proposed by the Areas for Action project.

In general the project is anticipated to cost approximately £1, 613,000 to establish and to generate first year revenues of £147,987, based on 75 per cent occupancy. The revenue figures are expected to rise to £187,446 in year 3, based 95 per cent occupancy, though both occupancy rates assume 58 berths are created. While the occupancy rates look positive it should be noted that these rates ignore income generated from rafted boats, of which 12 rafted berths will be created.

The figures identified above have been incorporated into a cash flow using Treasury Green Book principles i.e. ignoring interest and using a discount rate of 3.5 per cent it can be seen that the project generates a positive Net Present Value<sup>11</sup> of approximately £500,000 with an Internal Rate of Return<sup>12</sup> of 7 per cent (see Working Paper 11). This would suggest that the project was capable of standing alone in commercial terms, requiring little or no public support. It should be noted that for this analysis we have assumed a 3 per cent year on year growth in annual income. If this is not assumed then the NPV drops

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<sup>10</sup> As proposed in the Oban Action Plan May 2006.

<sup>11</sup> NPV – Compares the present value of future receipts from a proposed investment with future outgoings and if the value of receipts exceeds the outgoings the investment is deemed worthwhile.

<sup>12</sup> IRR – Rate at which all future receipts and payments are discounted at which they equal each other. This shows the actual rate of return on the capital invested in the scheme. At this rate the NPV will equal zero.



to approximately negative £175,000 and clearly would require public support or outside intervention to make the project commercially attractive.

However, it is considered that the project should be considered from a more commercial perspective (see Working Paper 11) and so further modelling has been done in which it can be seen that without intervention the project produces a negative NPV of approximately £842,000. This assumes that the full cost of the marina proposal were met by third party funding and a commercial return was payable on that funding. It is felt that external funding will be achieved either through the Crown Estate, who are understood to be prepared to invest in such projects, providing a robust business case can be made, or bank funding, but that in order to make the project work some Council pump priming is required.

However, it is felt that in order to progress the project satisfactorily it will be necessary to deal with issues of operation of the Harbour and particularly from the fishermen's and RNLI points of view. In dealing with the fishermen the location of the RNLI will have to be reviewed. Any proposal to take the marina forward in isolation of these two issues will need to be carefully scrutinised to ensure that they are not significantly disadvantaged by the marina proposal. At the time of writing this report it is understood that the cost of moving both these parties would be in the order of £2.4mn. If this cost is added to the base transit marina project then the project delivers a negative NPV of approximately £1.7million (See Working Paper 11).

In summary it is considered that the proposal, including relocating the fishermen and the RNLI, will require some public intervention in order to pump prime the project. It is felt at this stage that this funding will not be recovered but that as and when a planning application is brought forward a robust business model should be reviewed and an assessment made at that time as to whether a return can be generated.

It is felt that the CHORD project should work closely with the Oban Bay Master planning exercise which is due to be commissioned by the Council in the near future.

The project and its management structure will to some extent be determined by whoever submits a planning application for the project and also is able to secure appropriate consents from the Crown Estate. However, in the context of the current proposal it is considered that the project could be delivered by OBM who are established and appear to have the drive necessary to take the project forward. That said the wider Harbour Management should also be taken into account and an appropriate management body put in place.

## Panel 18: The financial case

The Projects being put forward for CHORD can be categorised in 5 ways in terms of their effect on the Council's finances, as shown in Figure 3.

**Figure 3 Categorisation of projects based on effect on council funding**

Categorisation	Description
A – Public sector investment (No Payback)	A straightforward public sector investment that is essential as part of the overall infrastructure/support to the project and where no related payback can be identified. Capital investment in this category will count against the £10m provided in the Council capital plan.
B – Public sector investment (With Payback)	Similar investment in public sector infrastructure as above but where the investment can be related to the release/development of a specific asset or other project and the effect is a full or partial payback of the initial investment. Where a full payback is achieved then this expenditure will not count against the £10m available in the capital plan. Any unfunded element of a partial payback will count against the £10m.
C – Business Opportunity (Requiring Pump Priming)	Some projects will be viable business opportunities on an ongoing basis but will require initial pump priming. Where the Council is to make the initial investment of pump priming then this will count against the £10m available in the capital plan.
D – Business Opportunity (Joint Venture)	Some projects will be viable business opportunities without any requirement for pump priming. However in some cases there may be a benefit from the project being delivered on a joint venture or partnership basis. Any investment by the Council should be off set by a return or payback in later years and as a result does not need to count against the £10m available in the capital plan. The nature of the joint venture or partnership will need to be assessed in the OBC eg develop and lease, develop and operate partnership.
E – Business Opportunity (Standalone)	Some projects will be viable business opportunities without any requirement for pump priming or partnership. There will be no role for the Council in the financing of these. These will not count against the £10m available in the capital plan.

At one end of the spectrum this involves projects which are fully funded by the Council with no direct pay back and at the other end, projects which are entirely business opportunities requiring no Council financial intervention. There is a range of other scenarios in between these two financial situations.

Sources of grant funding have been identified wherever possible. Many of the projects require greater definition of elements and outcomes in order for the grant opportunities to be explored in greater detail. In addition, many grant sources are

currently in a state of transition and many programmes are not developed to a stage whereby the eligibility of the projects can be assessed in more detail. However the most likely sources have been identified below with input from the Councils Funding Officer and European Manager.

In Oban the projects fall into the categories as set out below.

1) Construction of the Development Road

This project is expected to cost in the region of £15 million. It is expected to be largely funded from public funds (Categories A and B) with some element of developer contributions related to planning approvals for development in and around Oban. The public funding will be largely reliant on the Council with potential funding from Hitrans if Transport Scotland agree to provide funding to the regional transport agencies for projects of this nature. There are no other significant sources of funding for this project. However it is regarded as critical to the future development of Oban and is expected to release significant areas of land for development.

2) Dunbeg Corridor Development

This project is expected to be largely self funding through the various developers and the involvement of Highlands and Islands Enterprise. It sits largely within category E as a viable business opportunity.

3) Areas for Action (moving the lifeboat Station/enhanced fish berthing facilities at South Pier/STAP for transport hub)

These projects are expected to be largely category A involving public sector investment with no direct payback. Grants will be required to facilitate the Marina project (see below), the relocation of the fishermen to the pier currently occupied by the Lifeboat and the relocation of the lifeboat to a suitable location. The inter nodal transport hub has not as yet had its STAG appraisal therefore the financial requirements and commercial elements are still to be determined. There may be a source of funding through ERDF for small-scale local port development support relating to intermodal transport and to transport for access for example ferries.

The more detailed requirements of the Areas for Action are to be determined through the Oban Bay and Town Centre Masterplan.

The European Fisheries Fund 2007-13 may provide restricted support for port developments directly related to the fishing industry. There may therefore be support for some of the elements of the projects to be drawn from the AFAs in Oban. The funding programme for fisheries support is still to be approved. Intervention rates are usually 50%.

4) Oban Harbour Marina Development

This project is considered to be category C, a business opportunity requiring some pump priming.

This project is expected to cost approximately £1.6 million. A commercial operator Oban Bay Marine (OBM) (a not-for-profit social enterprise company) is currently promoting a marina in this location. Under their calculations, a public sector contribution of 40% (£640,000) is required to provide a level of security against which to source borrowing. It is felt that external funding will be achieved either through the Crown Estate, who are understood to be prepared to invest in such projects, providing a robust business case can be made, or bank funding. (See Commercial case). Other sources of grant funding may include Leader and the Big Lottery under the heading of "growing community assets". This may require some element of ownership of the asset by the community. Oban Bay Marine has also applied to the Oban Common Good fund and no decision has as yet been given. Highlands and Islands Enterprise may be approached for funding.

The SRDP programme will assist community groups with a variety of projects. The initial view of the project officer was that only projects above the high water mark will attract SRDP funding but this could be tested with an application.

### Panel 19: The management case

Establishing these projects will be intensive of management commitment by the Council. The Development Road requires further consultations, and the harbour AFAs need to be selected and managed in an area where there are a number of powerful and sophisticated interests. A new governance system for the harbour may need to be established, but it is possible that this would require the will of Ministers if it is to gather sufficient momentum, and the involvement of Crown Estates could indicate Westminster involvement. Getting the best commercial deal for the Marina will also be a demanding management task.

However by lifting the economic and environmental capacity of Oban the projects will ease future management tasks. In particular what could develop as serious issues of traffic management will reduce, and the long term balance of population will be better, simplifying the issues both of managing school populations at one end and elderly care at the other.

### Panel 20: Risk register

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.

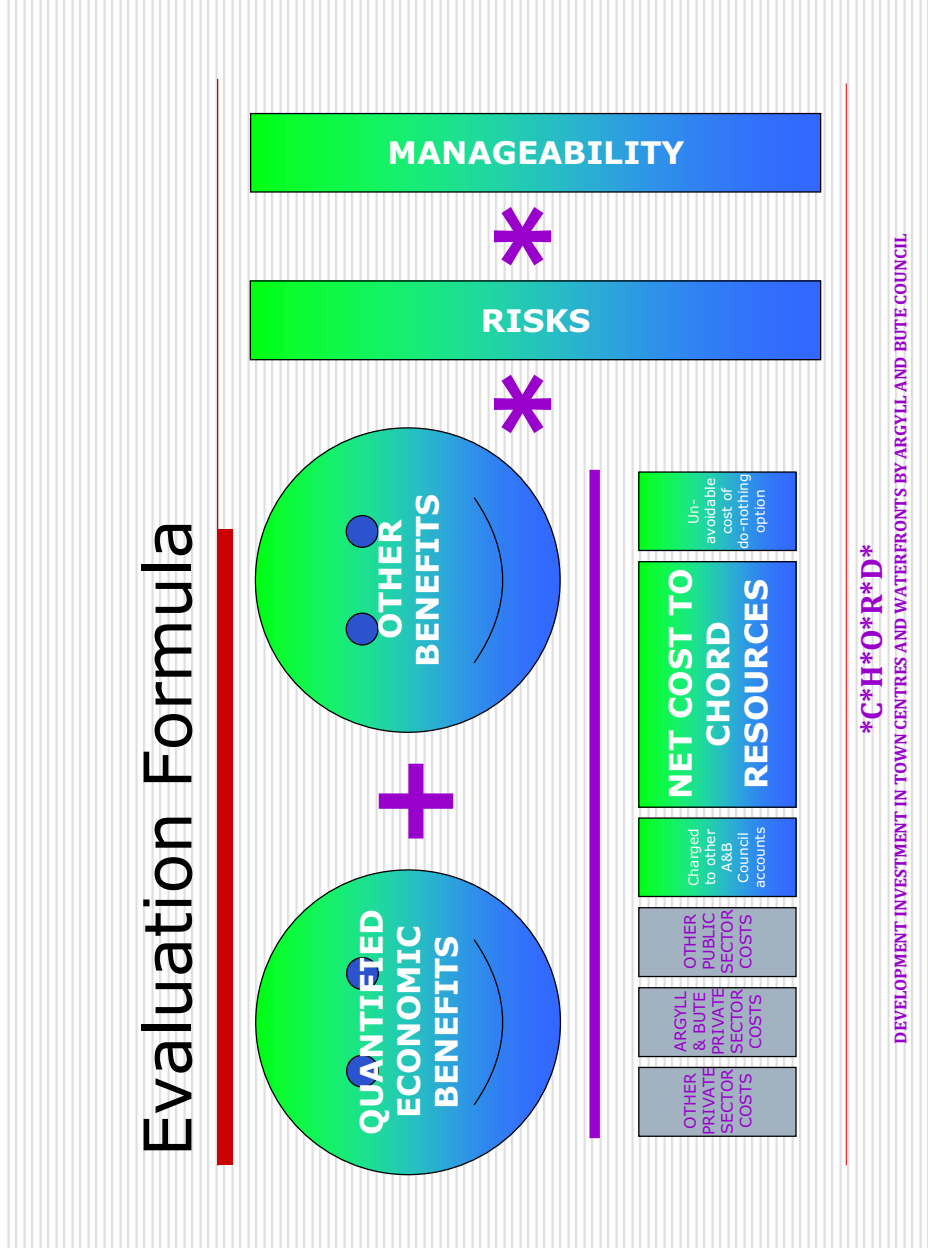
Beyond these we discern no unusual risks.

Panel 21: Benefits register

See panel

Panel 22: A balanced appraisal

Figure 4 CHORD evaluation formula



The diagram above summarises the evaluation formula that is to be applied to the projects in this dossier. More detail is provided in the working papers to this dossier and in the CHORD project working paper 'Assessing business cases'.



## Panel 23: Backup and boilerplate

### *Working Papers*

1. Oban Economic Profile – cogentsi
2. Oban Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM@people demographic analysis and projections for Oban and Argyll and Bute - cogentsi
4. Project Proforma – Development road
5. Project Proforma – Dunbeg corridor development
6. Project Proforma – Areas for action
7. Project Proforma – Oban harbour marina development
8. Oban CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
9. Conformity of Oban CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
10. Economic appraisals including discounted costs and benefits
11. Financial and commercial appraisals including discounted cash flows
12. Benefits register
13. Draft risk register and risk potential assessment
14. Draft and nominations for commissioner/stakeholder support
15. Arrangements for post-project evaluation and implementation review.
16. List of references
17. List of consultees

## Panel 24: Oban – the best choice for Argyll and Bute

See the slide.

This panel serves to emphasise the point that Oban, more than any of the CHORD towns, can be a *driver* for development across a large part of Argyll and Bute – IF it is not constrained from so being. These projects will lift the constraints.



# The Oban Dossier

This dossier sets out an outline business case for Argyll and Bute Council to invest in Oban's town centre and waterfront. The dossier consists of three parts:

- Twenty five panels outlining the business case
- A set of notes on the panels expanding the discussion and providing additional evidence
- A number of working papers (listed on Panel 24) which have contributed to the development of the case

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.

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# The background

- Argyll and Bute Council is planning to invest £10 m in town centre and waterfront development. Oban is one of five candidate towns for these funds.
- Oban has a crucial role in Argyll and Bute, with the largest town economy and acting as a pivotal transport node and service centre not just for Argyll, but for the Hebrides.
- Oban is struggling to maintain its growth because the capacity of, and access to, its town centre is limited
- 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.

# The town of Oban

- Oban is the most northerly of mainland towns in Argyll and Bute and is in a spectacular setting within Oban Bay. It is the service centre for a large rural hinterland, both on the mainland and for the island communities of the Hebrides. Oban as a community distinctively comprises:
  - **A population distribution which is much closer to the Scottish average than elsewhere in Argyll and Bute, with more 15 to 35 year olds and a smaller proportion of the population of retired age.**
  - **Less out migration of young people**
  - **A strong representation of young families**

The Oban economy is strongly skewed towards servicing the needs of both visitors and local residents, with retailing, wholesaling and tourism related activities accounting for 50 per cent of all employment. The public sector is a smaller employer than elsewhere, as is manufacturing. Nevertheless public services are important, with Oban the area centre for Primary and Secondary education, and for social and health care. Leisure services are important and becoming more so. Consequently unemployment follows a much more seasonal pattern.

Oban is an important gateway to much of the West Highlands and Islands. The town has a busy rail connection to Glasgow, as well as the main trunk road connection via the A85 / A82 which is well served by bus connections. There is growing passenger traffic on both rail and bus routes. Programmed improvements to the A82 trunk road will generate 500 jobs and £450m to the economy of the West Highlands & Islands. Oban has one of only two mainland airports in Argyll (now operating scheduled flights to Coll, Colonsay and Tiree) and is the major hub for the lifeline CalMac ferry sailings to Mull, Iona, Colonsay and Oronsay, Barra, South Uist, Coll, Tiree and Lismore. Ferry traffic is anticipated to reach 1 million passengers by 2012 and major investment in a second linkspan and improved passenger terminal facilities has already been made. All of this adds pressure on the need for the Oban Development Road.



Right: A warm welcome to Oban waterfront

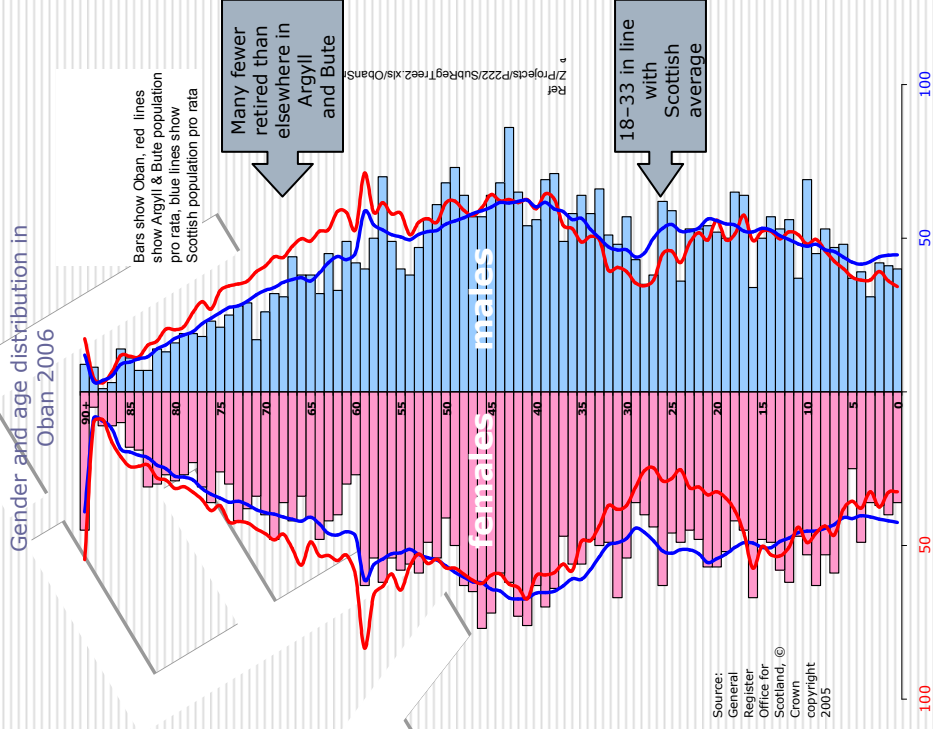
Below: Restaurants and hotels on Oban's North Pier



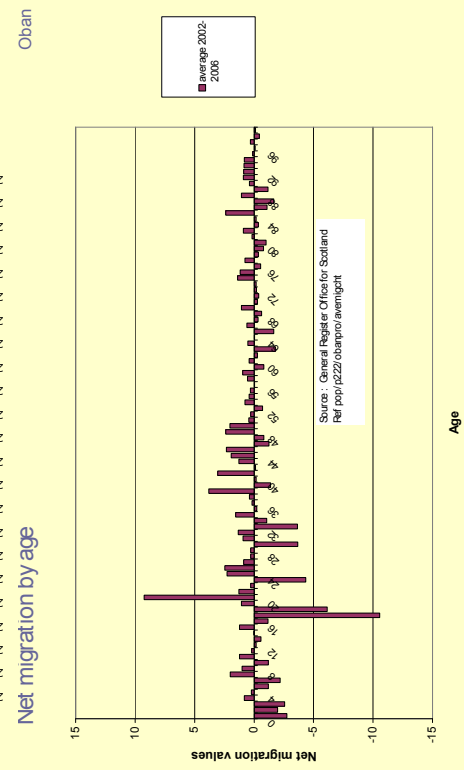
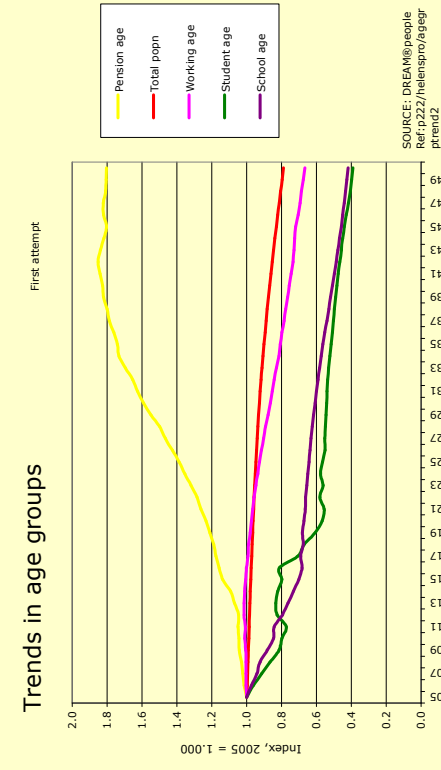
## The crucial economic issues in Oban are

- 1) Managing the growth of the town
- 2) Maintaining its status as 'the gateway to the Isles'
- 3) Supplementing tourism with new economic activity to bring greater diversity and economic security

- **Oban is a vibrant town** which as well as possessing its own thriving life serves as the major transit point for the islands and Argyll.
- The town is having to deal with congestion on its growth. It suffers from congestion which already limits and threatens traders in the town, decreases attractiveness for residents, and inconveniences travellers.
- The priority for the town is to **manage development opportunities**, to allow the town centre and waterfront to operate more efficiently.
- Oban needs to capitalise on its status as the major gateway to the West Highlands and Islands, developing its connections, and to drive improvements in the economy of the islands.
- Oban's economy is heavily reliant on the tourism sector, which has experienced a number of difficult years and hence the town needs to diversify. It has some key assets which allow it to play a strong role on behalf of Argyll and Bute in Scotland's technology and innovation systems

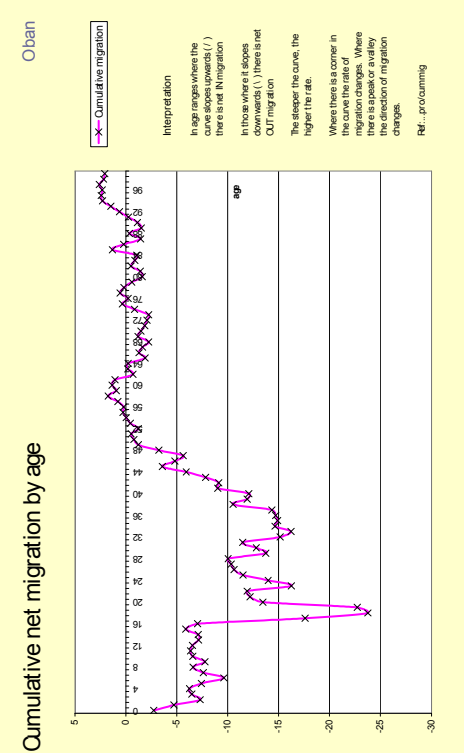


# The people balance



Oban has so far been able to retain its working age population. However, projections suggest that if recent trends are allowed to continue the growth in the population will be restricted to those who are retired with all other groups declining in numbers.

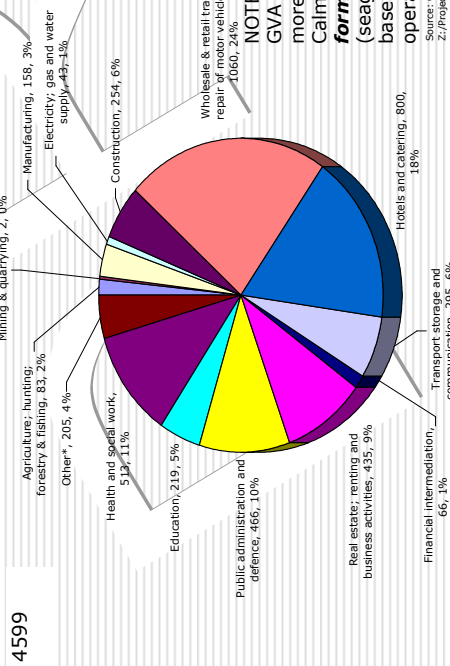
Like other towns, Oban does suffer an exodus of young people to college. However, and unusually, the net outflow is followed by an influx of people in their early twenties. Indeed in net terms the migration to and from Oban is much smaller across all age groups than elsewhere, a sign of a reasonably balanced and fundamentally productive economy.



# The Oban economy is a service economy

- ❑ Oban has the largest town economy in Argyll and Bute
- ❑ In Oban town employment is dominated by retailing and tourism related activities.
- ❑ The town has a low presence of manufacturing compared to regional averages and, except for healthcare, the public sector is not as major an employer in Oban as elsewhere in Argyll and Bute.

Oban employment 2006

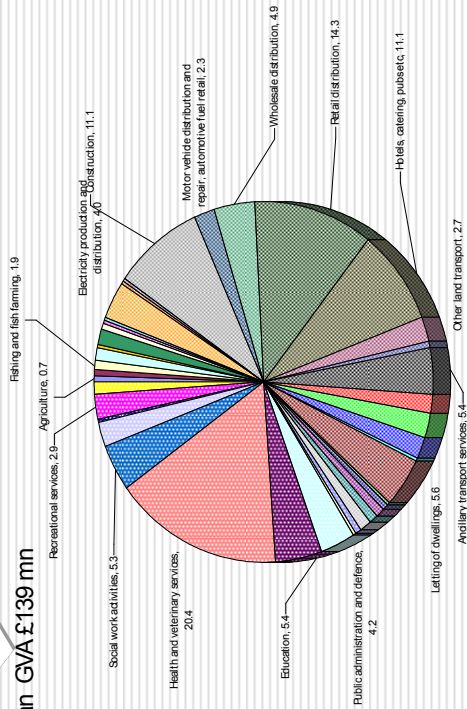


NOTE: Actual transport jobs and GVA generated in Oban will be more than shown because most of Calmac's 1160 employees are **formally** employed in Guernsey (seagoing), and Gourcock (land based). Oban is Calmac's biggest operational base.

Source: ONS and DREAMIE  
2/Projects/CHORD/DATA/NTS  
GRANDES/ArgyllandBute



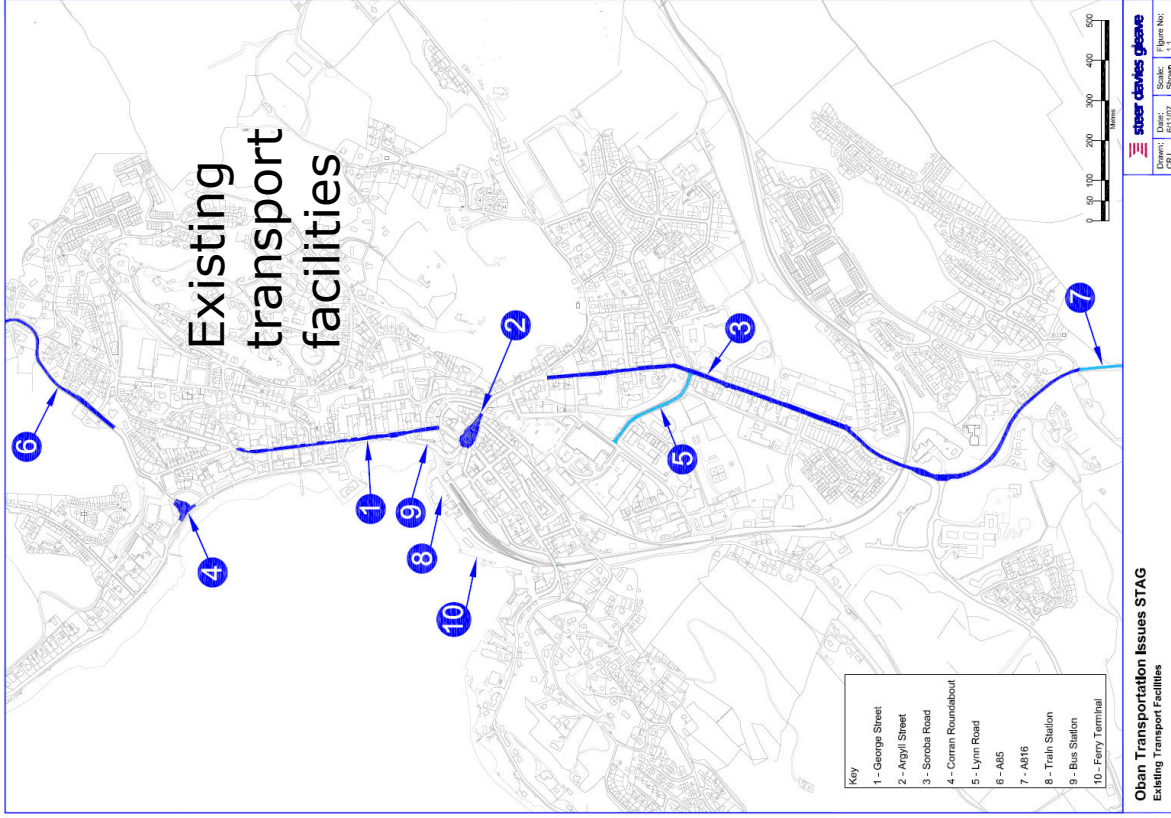
Oban GVA £139 mn



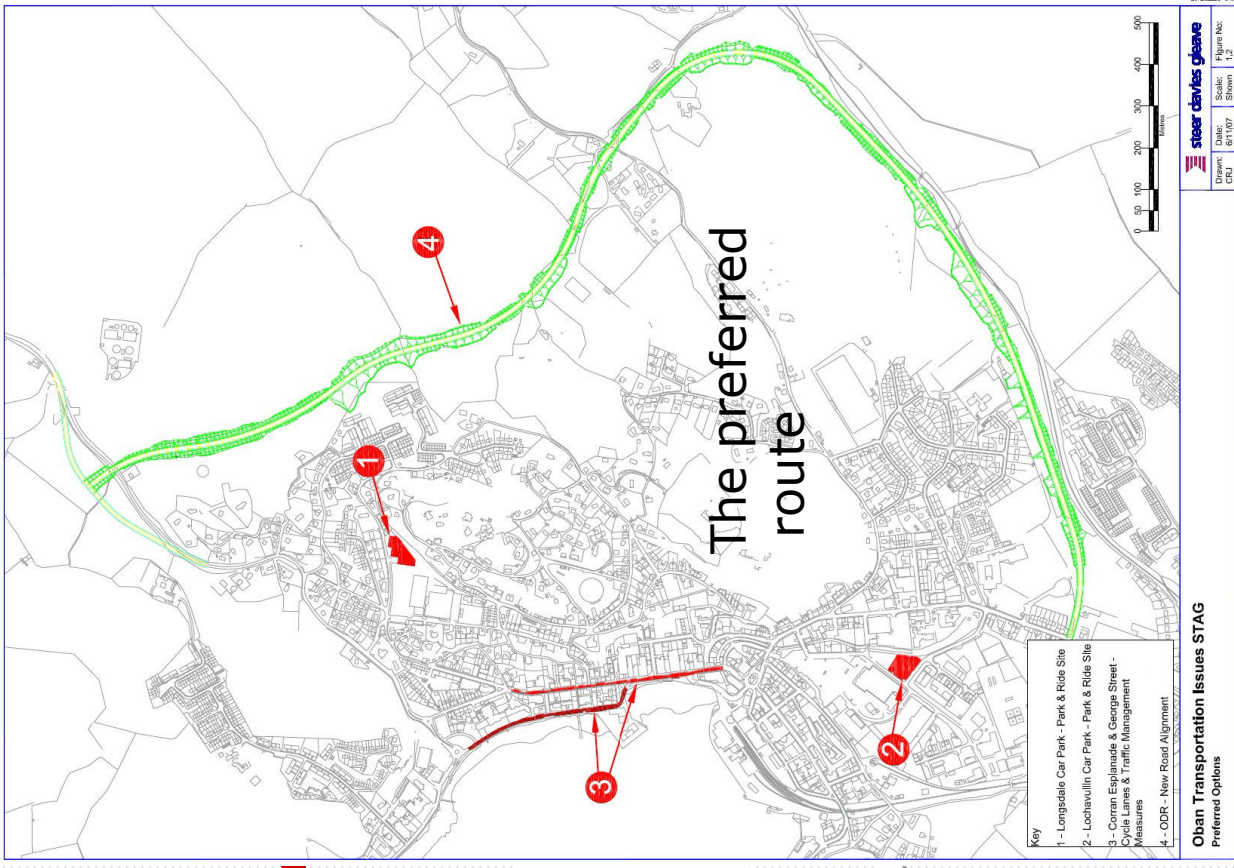


## Project 1 – Development Road

- It is difficult to overemphasise the transformational effect the Development Road project will have on Oban.
- At present there is only one route through Oban from North to South. The main services (Schools, Supermarkets, Hospital and ferries) are located at the South of the town. The structure plan proposes an additional 600 dwellings at the North end of the town, further adding to traffic congestion.
- The Development Road to the east of the town will not only provide access to these essential services but will also provide opportunities for development of land to the east of the town, lifting a constraint on economic capacity, helping to relieve congestion in the town centre and removing inappropriate vehicles.
- It will thus also integrate the southern part of the town in the/improving national road network of the A82/A85



- In addition to its beneficial effect on the town centre and waterfront, the Development Road will facilitate the building of almost 600 houses, together with commercial and industrial developments
- The draft STAG appraisal suggests a budget cost of £15m for the road. Much of the funding for the development road will be drawn from Scottish Government/ Transport Scotland and HiTrans sources but a significant contribution from the Council will be required. The Council **will** also be able to draw on substantial development contributions from developers to meet a major part of the cost.
- The CHORD project is asked to commit £6m to the road.

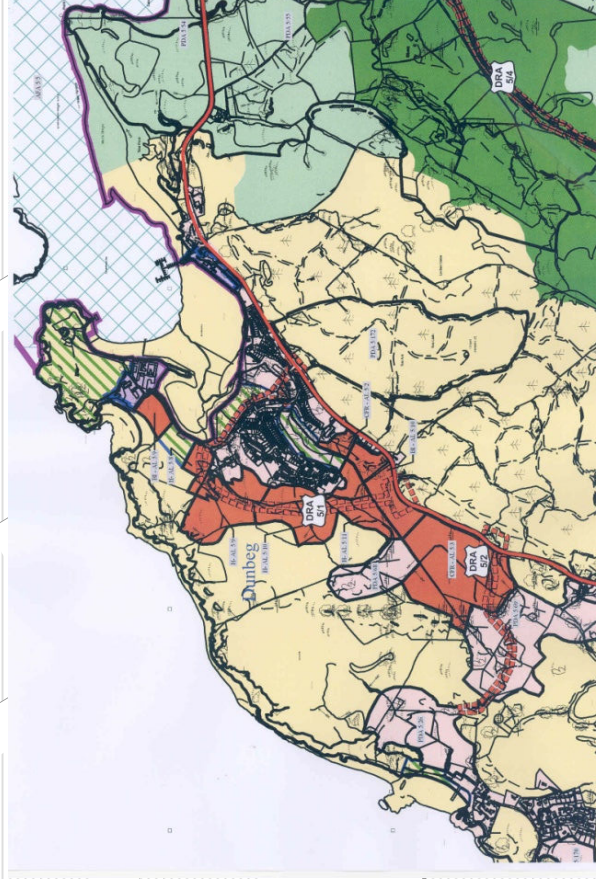


## Project 2 – Dunbeg corridor development

- This project seeks to develop the infrastructure necessary to construct up to a further 800 houses on land to the north of Oban near the research and administrative centre of Scottish Association for Marine Science. (SAMS)



- SAMS is a crucial element in one of the distinctive aspects of the Scottish innovation system. It builds on a longstanding research facility at Dunstaffnage, originally Glasgow University but now UHI, and it is appropriately situated in the local authority area with the longest coastline.



Above: Dunbeg corridor development plans  
 Left: Scottish Association for Marine Science facility at Dunbeg

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- In addition to SAMS and the recently approved Science Park the area houses the Argyll College campus. Leisure facilities are to be enhanced by the Saulmore 18-hole golf course, an additional hotel and further marina investment. This is in addition to the existing 300 berth Dunstaffnage Marina development. A 57 house private housing estate is also proposed for Saulmore.
- The Dunbeg site itself is largely owned by the West Highland Housing Association (WHHA). Issues of access may require the Council to assist in land acquisition in order to further the Council's objectives and community interests.
- In the course of the CHORD project it has transpired that although there will be some short term funding required, the Council's costs will be underwritten by WHHA and there will be **no** long term call on CHORD money from this project.
- The developments will complement the expansion of Oban Airport.
- The development plainly illustrates the dynamics of the town and will put substantial extra pressure on the Town Centre and underscores the need to implement the other CHORD projects. Completion of the other CHORD projects will help to facilitate the Dunbeg project, enabling the expansion and development of the town to continue.

## Project 3 – Areas for Action

This project seeks to reconfigure the harbour area of Oban to provide a facilities which better meet the needs of all users.

The specific proposals for this project include:

- ❑ Moving of the lifeboat station from its current location at the South Pier
- ❑ The enhancement of fishing berthing facilities at the South Pier area to improve landing capacity for the development of the fishing fleet
- ❑ An appraisal for the development of a new transport interchange for trains, buses and ferries, adjacent to and incorporating the existing ferry terminal

The Council has undertaken a masterplan to bring out the benefits of these projects. This is anticipated to cost no more than £3m of CHORD funds. In addition, a STAG appraisal of access options to Lismore is underway.

Right: Site for new transport interchange



Left: View from south pier looking towards railway and north piers



Right: Mixed use of Oban harbour



## Project 4 – Oban Harbour Yacht Haven Development

- This project will provide a pontoon facility within Oban bay to provide berthing in the heart of Oban town centre.
- The pontoons will provide berthing for 60 to 80 vessels and will be designed for short stays. This maximises the benefit to business in the town from supplying 'tourist' yachts people, and means there is a minimum of landward infrastructure associated with the development.
- The plans shown and the calculations in the notes and working papers are compatible with plans developed by Oban Bay Marine, a consortium of local business people.
- CalMac are content that the yacht haven will help to resolve marine traffic conflicts in the bay rather than exacerbate them. With the Areas for Action proposals in place it is expected that other harbour users would lend their support.



Above and below: Oban Bay



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- As well as serving visiting sailors, a yacht haven would provide a town centre focus for charter companies and other local businesses.
- Based on cash flow calculations by the Council's CHORD consultants (*not* the promoters', although they have developed their internal business case) it is likely that some public money will be required to cover a portion of the cost of the project. A franchise or tendering mechanism could be established and £1m from the CHORD fund would be an appropriate allocation.



(c) Oban Bay Marine

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**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

## The strategic case

- Oban is the area of the Argyll and Bute economy that is most in touch with the wider market economy, and it makes a substantial contribution to the region earning its way in the world.
- It is also the main transport node for lifeline services essential to island communities.
- Oban is currently capacity-constrained and its business potential is restricted because the town centre and harbour area suffer from severe congestion. The limited capacity of and awkward access to the town is also a constraint upon new housing development which Oban needs if it is to keep its workforce growing.
- These strongly interlinked projects will both ease the pressure on and increase the capacity of the town and the waterfront. Although the Council contribution is substantial it will be able to lever in funds from the Scottish Government and private developers, yielding very attractive cost-benefit ratios. **\*C\*H\*O\*R\*D\***



# The economic case

- The Development Road and Dunbeg Corridor must be seen as crucial elements in the future growth of the town, which itself is worth many millions of pounds. With Oban's migration patterns, the value to the rest of the community of providing a home for an essential worker is £382 000, more than anywhere else in Argyll and Bute. Of course the developments are not 100 per cent critical for every worker they house, but it is easy to see that on reasonable assumptions Benefit: cost ratios go into double figures.
- Benefit: cost ratios are likely to be more modest but still significant for the 'AFA' developments at the Harbour. Some of these will have the character of a commercial investment where the ratio is typically between 2 and 3 (before multipliers). As the AFAs go to the masterplanning stage a key issue is the ability to lever in investment from elsewhere.



Above: Tourists enjoying Oban.

Right: Boat trips from Oban harbour.

Tourism brings many economic benefits to Oban. The CHORD projects seek to develop this.



- Marine and marina economics are favourable in Oban because occupancy is expected to be high, and because costs are limited through a great deal of the infrastructure being in place.
- The Council's intent will be to arrange a commercial situation, through tendering or otherwise, whereby the yachting leisure facility is constructed with a minimum of public funding.
- From the community's viewpoint (including very legitimately the business community) the benefit lies largely in the additional spending of visiting yachtspeople, over and above their mooring fees. This is likely to be of the order of several £000 per night through the season, perhaps amounting to £0.5m per year in the early years, and growing.
- The yacht haven can help to service the seaplane activity which has recently increased.
- Cruise ships will also benefit from improved passenger transfer capability.
- The fishing proposals (see waterfront AFAs) are integrated with the yacht haven development

## The do-nothing options

- In general the do nothing options would lead to worsening congestion in Oban's transport system and ultimately bring the heart of the town to the point of failure.
- Together the projects proposed will permit the building of 1400 homes, increasing Oban's economic capacity by about a quarter. To do nothing on the Dunbeg Corridor and Development Road projects would significantly reduce the town's capacity and could almost eliminate Oban's ability to contribute to greater prosperity in Scotland in general, and Argyll in particular, over the next decade.
- To do nothing on the AFAs would be a major blow to efficiency and would also prevent public investments which have already been made (such as the Ferry Terminal and second linkspan) achieving their potential return.
- To do nothing on the yacht haven would be to turn Oban's back on a growing green tourism opportunity and to lose a significant contribution to tourist ambience and income **C\*H\*O\*R\*D\***



Realising the potential of Oban's transport investment.

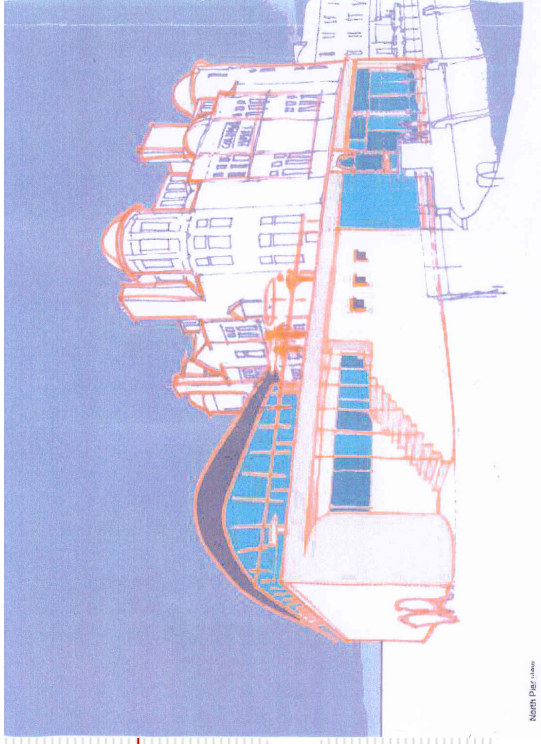
Above: Passengers for Mull ferry.

Below: Bus and taxi ranks on quayside.



## The commercial case

- The commercial case for the road projects hinges on development gain. It also depends on the Council's ability to levy premia for the right to construct housing in particular which will make use of the facilities to be provided.
- A full commercial case for the AFAs must await the resolution of the masterplans currently out to tender but we are confident that significant inputs will be available *provided* the development road project goes ahead.
- Some sort of tendering mechanism for the yacht haven is the best way to discover the best commercial case available, while also maintaining an open and fair approach to the entrepreneurial interests who have been working up the proposal to the point where there is a viable idea



North Place

Above: Artists impression of new Quayside development.

The 'White Building' has been acquired by the McKeever Group who plan to invest £3 mn as part of the upgrade of the neighbouring Columba Hotel, which covers Bedrooms, the bar, conference and function suite and restaurant.

## The financial case

The financial case essentially follows from the commercial case.

The two housing-related developments both require finance from the Council to partially cover development premia which in due course will be recovered from developers. In the case of the Development Road the delay before recovery could be long, and so the project represents a medium-term commitment by the Council of an estimated £6m.

Council investment in the yacht haven should be on an equity or preferred –creditor basis, and an order of magnitude estimate of £1m is not unreasonable. Other equity partners are likely to be forthcoming and have been identified.

The commitment in pursuit of the AFAs is put at £3-4m. Fishing fleet expansion at south pier (Port Beag) will cost around £1.5m and will require partnership working between the Council, CMAL, CalMac, Fisherman’s Association, RNLI, NLS and Network Rail.

## The management case

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□ the Development Road in particular requires significant further process from a planning viewpoint. This needs to be commenced with immediate effect. The development of Oban is being strangled by the poor road access into and out of the town and this must be tackled as a priority for the Council.

## Risk Register

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- The Council will be required to borrow against future development contributions to assist in the financing of the Development Road
- There could be the normal risks of time and construction cost overrun on all projects. Contingencies have been included to cover these.
- Bids to build and operate the yacht haven may not indicate sufficient private input, in which case it could be shelved.

## Benefits Register

- Benefits will be achieved through making Oban a more attractive place to live, visit and invest in and a more productive part of the Scottish economy.
- The major benefits will be realised through
  - developing population growth while maintaining demographic balance
  - increased turnover and employment in the retail, hospitality and transport sectors
  - improved traffic throughput in terms of both numbers and transit times
  - improvements in the scope and scale of education
  - improved connectivity serving visitors, residents and island residents
- Outline quantitative estimates indicate favourable to very favourable Benefit: Cost ratios (see next slide)
- While it has some of the elements, the Council is recommended to set in place a simple integrated system for monitoring these things. Such a system could include annual demographic snapshots, a quarterly tally of retail turnover, monthly traffic and visitor counts, and monitoring of employment vacancies advertised in the local press and via JobCentres.
- The proposals by no means exhaust the ideas for this thriving town. To maintain Oban as the economic engine of Argyll and Bute a succession of developments will come forward – the Corran halls, Sea Plane and Cruise Ships developments, Town Quality Initiative , further SAMS developments ... ..

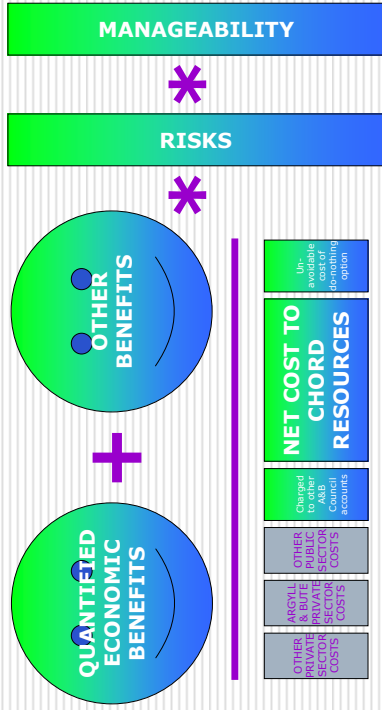


# A balanced appraisal

- The benefit to the Oban economy of being able to house hundreds of key workers is very substantial. In due course the people housed can be expected to generate additional value added as much as one third of the town's present total. The developments will achieve this either through developing and creating new opportunities, or by preventing existing economic activity disappearing for lack of labour.
- If this benefit, which eventually reaches tens of £ mn per year, is attributed **solely** to the development road then it would yield very high Benefit: cost ratios indeed – 10:1 or 20:1 depending on how fast it built up. Even if it is more realistically spread across a number of contributory factors it is still very substantial.
- The benefits to the town of the harbour and marine developments arise mainly from spillover spending by visitors. If the council's contribution is limited to £1m we would expect the benefit cost ratio to exceed 10.
- Provided the land and premises involved in the AFAs are brought efficiently into economically valuable use a Benefit: cost ratio exceeding 2 would be likely.

**\*C\*H\*O\*R\*D\***

## Evaluation Formula



**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

Parts of the AFAs will also bring benefits to the island communities. Although RET will increase the ability of island residents to access those benefits, it will also add to the congestion imperative for this investment!

The Dunbeg corridor development embodies no costs to the CHORD project and so an infinite benefit: cost ratio. However it does highlight the interdependence of the projects, as the significant benefits of SAMS, the College, the WHHA housing and the Saulmore golf course will themselves enhance and be enhanced by the Development Road.

# Backup and Boilerplate

## □ CHORD PROJECT WORKING PAPERS

1. Oban Economic Profile – cogentsi
2. Oban Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM@people demographic analysis and projections for Oban and Argyll and Bute - cogentsi
4. Project Proforma – Development Road
5. Project Proforma – Dunbeg Corridor Development
6. Project Proforma – Areas for Action
7. Project Proforma – Oban Harbour Marina Development
8. Conformity of Oban CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
9. Conformity of Oban CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
10. Economic appraisals including discounted costs and benefits
11. Financial and commercial appraisals including discounted cash flows.
12. Benefits register
13. Draft risk register and risk potential assessment
14. Draft and nominations for commissioner/stakeholder support, arrangements for post-project evaluation and implementation review.
16. References
17. Consultees

## □ BACKGROUND AND PREPARATORY STUDIES

1. Argyll & Bute Structure Plan
2. Argyll & Bute Finalised Draft Local Plan Maps
3. Argyll & Bute Modified Draft Local Plan Written Statement Working with Argyll & Bute's Built Heritage
4. Argyll & Bute Council Corporate Plan 2007-2011 and beyond
5. Initial Business Case – Oban Town Centre and Waterfront
6. Argyll & Bute Data Set
7. An Economic Strategy for Argyll and the Islands
8. Oban Bay Marine- Proposed Multi-User Pontoon Berthing Facility and Yacht Safe Haven for Oban Bay
9. Social, Economic and Environmental Benefits
10. GOAD Centre Report - Oban
11. Public Sector Business Cases Using the Five Case Model: a Toolkit
12. The Outline Business Case – Project and Procurement Support for Local Authorities
13. Appraisal and Evaluation in Central Government – The Green Book
14. A Smart, Successful Highlands and Islands
15. Oban Settlement – Economic Overview
16. Oban Action Plan
17. Oban – A History & Celebration
18. Oban Street Guide
19. Operational Programme – European Territorial Cooperation Objective
20. Scottish Small Towns Report 2007-2013)
21. A Smart Successful Scotland
22. National Planning Framework for Scotland
23. National Planning Framework for Scotland Monitoring Report
24. Interreg IV Operational Programme
25. The Scottish Government Economic Strategy
26. VisitScotland Accommodation Guide
- 27.

## Oban – the best choice for Argyll and Bute

- ❑ Investment in Oban has the opportunity to help move the town towards a goal of being the ‘Capital of the West Highlands and Islands’ and maintain its position as the most vibrant and bustling town in Argyll and Bute.
- ❑ This is not just in Oban’s interest, but necessary for the prosperity of Oban’s hinterland – in effect Lorne, Kintyre and the islands.
- ❑ Oban’s case is centred around grasping the opportunities which are available to the town and clearing the log jams to development rather than seeking to mitigate against decline.
- ❑ Without intervention to address the restrictions on infrastructure of the town, Oban will miss the opportunities open to it and the rest of Argyll and Bute.

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## **Outline Business Case Review – Town Centre and Waterfront Projects**

Argyll & Bute Council

DTZ  
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133 Fountainbridge  
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EH3 9QG

September 2008

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## 1. Introduction

DTZ was commissioned by Argyll & Bute Council to carry out a brief, independent review of the outline business case (OBC) for five town centre and waterfront projects including Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. The business cases are being prepared and will be scored once each of the business cases are approved by each project board.

The Council has made a sum of money of £10m available through its capital program, but it will only be available to one of the five waterfront projects being considered. These all come under the moniker of “CHORD”. Elements across the proposed projects include:

- Campbeltown;
  - Kinloch Road - Area Regeneration;
  - Marina Development;
  - Townscape Heritage Initiative;
- 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; and
- Dunoon;
  - Waterfront - Major Project.

This report provides a brief summary of the likely wider socio-economic impacts of the projects, with potential quantitative benefits outlined where possible. A Net Present Value (NPV) analysis method, which allows the comparison of benefits and return of investment against the cost of each project, has been used.

Each project is distinct and the evidence base has been tailored to the individual characteristics of the project. We have used data, where it was available, and empirical evidence and literature reviews to establish the direction and likely magnitude of impacts. We have also provided examples of cases where similar infrastructure development has led to wider socio-economic benefits.



## 2. Expected Socio-Economic Benefits and Impacts

### 2.1 Summary of Evidence

An impact database funded by the Scottish Government brings together a range of literature that analyses and defines the potential economic, social and environmental impact indicators, focusing on good quality development. The majority of the research focuses on large scale projects in mainly urban areas. However, the literature shows some of the likely benefits relevant to the town centre and waterfront projects.

Investment in smaller and more rural town is likely to lead to wider community benefits as areas are rejuvenated and become more attractive. However, these community improvements are often hard to identify and measure. Larger developments on the other hand often demonstrate outcomes and impacts over a larger population which are therefore easier to observe.

The most important difference between the projects mentioned on the reference cases and our calculations is scale. This has been fully accounted for by looking at parts of the local economies which may be affected by the CHORD projects. Additionally, we have taken into account our own knowledge of market across Argyll & Bute and the documents supporting the business cases.

#### 2.1.1 Vision and Appearance

Visionary development with aspirations beyond commercial investment can create jobs, be important in business location decisions, help recruit and retain staff, and can increase land or property prices in surrounding areas. Furthermore, **restoration of historic buildings/sites is likely to initiate regeneration of a wider area providing employment and opportunities for volunteering**. The restoration can help to promote local community cohesion and revive civic pride through providing facilities for local communities.

For example, the restoration of national heritage sites has been a major contributor to the regeneration of the Jewellery Quarter in Birmingham. It helped to sustain and create jobs in the local community and converted a once derelict area into a thriving centre for the manufacture and retail of jewellery, with 6,000 people employed by 1,500 businesses<sup>1</sup>.

Developments with aesthetic appeal and a high-quality of design, which allow for exterior view, fresh air, sunlight, spaciousness, use of colour and visual art, can increase property and land values. They are also important in business location decisions, and are likely to increase rental income and the marketability of property. Vandell and Lane<sup>2</sup> found evidence of a positive correlation between development design quality and market rents. **The better the quality of design, the higher the marketability of properties within both the building and the area.**

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<sup>1</sup> English Heritage (2005) *Regeneration and the Historic Environment - Heritage as a catalyst for better social and economic regeneration*, English Heritage

<sup>2</sup> Vandell & Lane (1989) in Macmillan, S. (2003) *Designing Better Buildings - Quality and Value In The Built Environment*, Spon Press





### 2.1.2 Context

The context of developments, particularly where they have natural views or are near to green spaces, trees and water features, can increase rental value of commercial and retail property and enhances worker satisfaction and retention, particularly where the context is near to high quality mixed-use public space. It is also likely to increase residential property prices, particularly where the green spaces include parks and playgrounds.

Research by Luttki<sup>3</sup> into residential properties in the towns of Emmen, Appeldoorn and Leiden in the Netherlands, has shown that a garden bordering water can increase the price of a house by 11 per cent, while **a view of water or having a lake nearby can boost the price by 10 per cent, and 7 per cent respectively.**

A view of a park raised house prices by 8 per cent, and having a park nearby by 6 per cent. This contrasts with a view of an apartment block, which can reduce the price by 7 per cent.

Similar study by Peiser and Schwann in Dallas, USA, showed that many residents felt that the public green spaces near their property was a major factor for living in a particular area. **Sixty per cent of the residents believed that the value of their homes was at least 15 per cent higher because of the proximity of green spaces to their properties.**

A study has shown that Canary Wharf's Jubilee Park in London has been instrumental in turning perceptions of the area into a location actively sought out by corporate employers and office workers.<sup>4</sup> The park has been designed to conceal the station and retail mall beneath, and to allow workers from the nearby office buildings to look down into the park.

The park has also become a destination place for local workers, visitors and residents, increasing the park's usage from 2,000 to 20,000. The area also stays open until 1am, allowing people to enjoy the local bars and restaurants. At roughly £55 per square foot, the cost of creating the park can be offset with the increased interest of companies wanting to relocate to Canary Wharf, such as legal practices, Allen & Overy and Clifford Chance.

### 2.1.3 Character

Areas with sense of place, character and identity are likely to be valued more highly by potential house-buyers. Additionally, prestige and image are important factors for occupiers, particularly those with clients visiting their offices.

Occupiers at Castle Wharf (Nottingham), Brindleyplace (Birmingham), and Barbirolli Square (Manchester), rated their developments highly and were proud to invite clients to their offices, and believed that the environment around the building contributed to the image clients had of the company.<sup>5</sup> **In addition to commercial benefits for the developments mentioned, the areas have experienced an expansion of the retail sector and leisure industry.**

<sup>3</sup> Luttki, J (2000) The value of trees, water and open spaces as reflected by house prices in the Netherlands, *Landscape and Urban Planning*, Vol. 48, pp161-167

<sup>4</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*

<sup>5</sup> Bartlett School of Planning commissioned by CABE and DETR (2001) *The Value of Urban Design*, CABE, pp 68



Restoration of heritage sites can rejuvenate an area and make a place unique. Cultural landmark buildings create distinction, which enhances the culture of an area. It also provides a tourist attraction which can create jobs through additional tourism spend and can increase land and residential property prices in the surrounding area.

The towns of St Ives and Walsall both demonstrated economic benefits after landmark cultural buildings were opened in the community.<sup>6</sup> Similarly, within the first two years of opening, the Tate Gallery in St Ives contributed £16 million to the local economy through tourism. In the first few months of the opening of the New Art Gallery in Walsall, the local Boots store reported that their daily sales increased by £4,000.

#### 2.1.4 Quality of Public Realm

Safe, comfortable, accessible public realm attracts residents to an area and encourages greater use, which can lead to greater social cohesion, while lack of public space reduces the opportunity for this. **Financially, quality public realm can raise property prices and increase retail spend.** Restoration of public spaces can stimulate rejuvenation of adjacent sites and attracts new residents to move to an area. Furthermore, public spaces for events can help to increase usage of public space and rejuvenate an area.

**It has also been shown that retailers benefit from the proximity of green spaces, due to the public spaces attracting around 40 per cent more people into the area.<sup>7</sup>** Quality and secure public space, including pedestrianisation and street furniture increases use and associated retail spend. The city centre of Coventry was developed with improved pedestrianisation, a new civic square, clearer signage, better placement of street furniture and introduction of CCTV schemes. **As a result the number of visitors to the town centre increased by 25 per cent on Saturdays.**

## 2.2 Economic Impact and Benefit Benchmarks

### 2.2.1 Dundee Contemporary Arts

Dundee Contemporary Arts (DCA) is the result of a competition by the City of Dundee Council in 1996. The vision for the building was to have all activities – galleries, cinemas, print workshops, shop and research facilities – around a central social space and café. The DCA café and foyer sit at the internal corner of the L-shaped building, and is therefore at the centre of the building.

<sup>6</sup> Worpole, K. (2000) *Design, economy and the architectural imagination*, London: RIBA Future Studies and Jenkinson, P. (2000) *Regeneration: can culture carry the can?* RSA Journal (2000); in CABE (2002) *The Value of Good Design – How buildings and spaces create economic and social value*, CABE, pp 6

<sup>7</sup> DoE and The Association of Town Centre Management (1997) *Managing Urban Spaces in Town Centres – Good Practice Guide*, London, HMSO



Three years after its opening in March 1999 an economic impact of DCA on the local community of Dundee and Tayside was carried out.<sup>8</sup> The study revealed that visitor numbers had exceeded 300,000 in each of its first three financial years. Of these, Tayside residents represented approximately 60% of all exhibition visitors in 2001/02.

The shop had a turnover of £72,000 in 2001/02, of which crafts accounted for almost 40%. Several local craft producers benefit from supplying the shop, which helped to promote their work. Community and education work is a significant part of DCA's activity. The café had a turnover of £120,000 in 2001/02.

DCA can also be attributed to creating 258 jobs in the Tayside area, whether through direct employment or business development. Finally, the distinctiveness of DCA has grown through the architect's vision in making the building part of the city as a whole. The use of windows allowed both light to come into the building and allow visitors to look out onto Dundee.

### 2.2.2 Queen Square, Bristol

Queen Square in Bristol shows how the restoration of a public space can have an economic impact on its surrounding area. Completed in 1727, the Square represented the affluence of the merchants and the city of Bristol. In 1936, city planners decided to build a dual carriageway, known as Redcliffe Way, diagonally from one corner of the square to the other as part of a new inner relief road. By 1990, around one third of the office space was vacant, and the Queen Square was in bad condition.

Today, supported by a regeneration grant by the English Heritage, the square has been restored to its 19th Century former character, as a quiet and restful place. Access to the square, seating and lighting were improved and a comprehensive 10-year maintenance regime introduced. A programme of varied events was developed to promote the square as a major civic space.

As a result the area facing onto the square has become popular with residents and businesses, and property prices are 16% over identical properties located elsewhere in Bristol<sup>9</sup>.

### 2.2.3 Greenwich

The Greenwich Peninsula is located at the northern limit of the London Borough of Greenwich. Until 1997 the Peninsula was regarded by many as an unsuitable environment for sustainable, mixed-use development. The strategic foundations for the development of the Peninsula site were laid much earlier by the decision to route the Jubilee Line Extension (JLE) across the Peninsula and selection for a JLE station site, and the launch of the Greenwich Millennium Project in the early 1990s.

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<sup>8</sup> Westbrook, Steve, (2003) Economic Impact Evaluation of Dundee Contemporary Arts, DCA; and [www.edinburgharchitecture.co.uk](http://www.edinburgharchitecture.co.uk)

<sup>9</sup> FPD Savilles, Michael Evamy, SQW Consultants (2005) *Does Money Grow on Trees?*, pp 26-31



The Peninsula developments in Greenwich appear to have acted as a catalyst for comprehensive regeneration in Greenwich and throughout the Thames Gateway.<sup>10</sup> Residents and businesses are generally positive about the improved public profile given to Greenwich as a result of the developments and due to the potential employment effects over the longer term. Any concerns that are raised by residents and businesses refer to the effects the developments have on traffic congestion, air and noise pollution.

#### 2.2.4 Cardiff Bay

A study by Francis and Thomas into the Cardiff Bay Urban Development Corporation initiatives examines the vacancy chains in Cardiff Bay.<sup>11</sup> The study focuses on businesses and their location movements in Cardiff Bay. The vacancy chain approach provided an insight into the degree of additionality and displacement generated by CBDC activity. Results show that a significant proportion of the total chains represented net additionality to the local economy. New businesses and expansions contributed most to this effect.

Displacement represents a smaller proportion of the vacancy chains, and the vast majority of chains represented displacement through a change of use, which is at worst neutral for the Cardiff economy. The negative displacement occurred through vacancies or demolition, and this result is not surprising given the large amount of relocation and subsequent redevelopment that occurred in Cardiff Bay.

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<sup>10</sup> Greenwich Peninsula Developments: base-line study and interim evaluation  
DETR, London, 2000

<sup>11</sup> 'Evaluating Property-led Initiatives in Urban Regeneration: Tracing Vacancy Chains in Cardiff Bay' in *Local Economy*, Vol. 21, No. 1, pp 49-64, February 2006



## 3. Rothesay Project

### 3.1 Overview

The Rothesay project consists of two development elements:

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

The restoration of the Pavilion will secure the current fabric of the building and improve its physical appearance. Other improvements include improved disabled access, development of a multi-use facility, and provide indoor activities. The Pavilion will be open to private and public use, the wider community and is expected to generate an increased income as a result.

The regeneration initiative and scheme for Rothesay will improve the appearance of the town centre with structural repairs to historic buildings, which is expected to incentivise in-migration and new businesses and increase visitor numbers to the town.

Compared to the other proposed projects the Rothesay project has a relatively lower cost than the majority and the total cost of the project is £6.3 million. With additional funding being available and sought from elsewhere the cost to the Council is £2.4 million, which is substantially lower than any of the other projects.

### 3.2 Baseline

There are 2,053 people employed in the retail, tourism and leisure industry in the Dunoon and Bute travel to work area. Retail provides jobs for 747 employees, accommodation and hospitality employs 1,029 people, and leisure, sports and culture 279 employees.

Multiplying the total number of employees with the median wage in Argyll and Bute suggests that the **total income is around £36.7 million**. As in earlier sections the income is likely to represent 66% of total GVA as per Scottish Input-Output tables published by the Scottish Government. Applying this to the income suggests that the **total GVA is likely to be around £55.7 million**.





The investment in Rothesay could lead to a 5% uplift in economic activity. This suggests the income will increase by around £2.8 million. Some of this increase will be drawn from other areas in the Argyll and Bute Council. Assuming a displacement of 50% suggests that the additional income will be £1.4 million. **Over 25 years the NPV of the Rothesay project is likely to be around £23.0 million**, using a discount rate of 3.5%. This gives a positive NPV of £16.7 million. There needs to be an uplift of 1.4% in order for the investment to have a positive NPV value.

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# The Rothesay Dossier

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## Working papers

These working papers were produced in order to create the Rothesay Dossier. Although they illustrate the method they may not be exactly compatible with the Dossier itself

Fri, 13 June  
2008

**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

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## Working Paper 1 - Rothesay Economic Profile

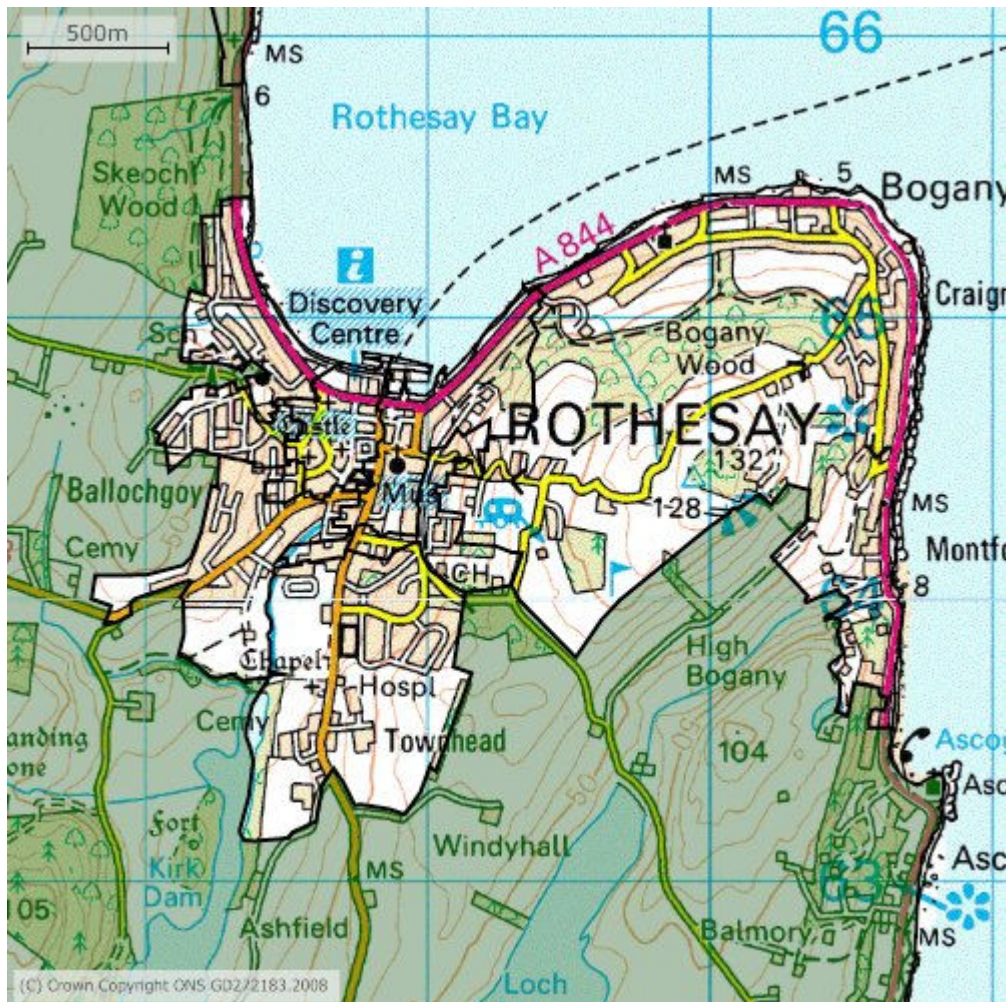
With a population of less than 5 000, Rothesay is the smallest of the CHORD towns. It is the largest town on the island of Bute and is the only island community being considered as part of this study.

Rothesay grew up as a Victorian seaside resort and today tourism is still an important factor for the economy. However the economy has now diversified and there are a number of small scale manufacturers in and around the town. The town is also the main service centre for the rest of Island of Bute and includes small industrial estates and a new secondary and primary school complex.

This section considers a number of economic variables relating to Rothesay including population distribution, employment by sector, business size and unemployment.

Figure 1 is a map of the area considered in this section.

**Figure 1 : Map of Rothesay settlement**



### *Population distribution*

Table 1 shows the population change in Rothesay between 2001 and 2006 and compares it with the respective changes in Argyll and Bute and Scotland as a whole.

**Table 1 : Population change 2001-2006**

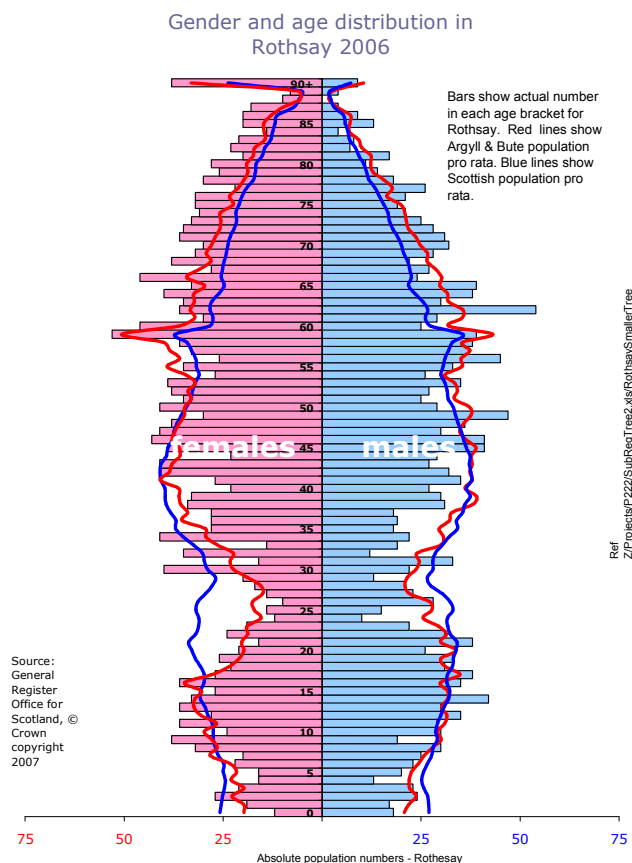
Population change 2001-2006				
Area	2001	2006	Change 2001-2006	% Change 2001-2006
<b>Rothsay</b>	<b>5,108</b>	<b>4,897</b>	<b>-211</b>	<b>-4.1%</b>
<b>Argyll &amp; Bute</b>	<b>91,300</b>	<b>91,390</b>	<b>90</b>	<b>0.1%</b>
<b>Scotland</b>	<b>5,064,200</b>	<b>5,116,900</b>	<b>52,700</b>	<b>1.0%</b>

Source: GROS, Small Area Population Estimates, 2001 to 2006

In 2006, the population of Rothsay was estimated to be just under 4,900. Between 2001 and 2006 the population of Rothsay decreased by 4.1 per cent. This population decline is in contrast to regional and Scottish levels which saw increases of 0.1 per cent and 1.0 per cent respectively. Annual population estimates suggest that the population of Rothsay grew between 2001 and 2002 but fell year-on-year between 2002 and 2006. This trend paints a worrying picture for Rothsay.

Figure 2, below shows the age and gender structure of the Rothsay population and compares it with the populations of Argyll and Bute and Scotland as a whole.

**Figure 2 : Gender and age distribution in Rothsay 2006**



It illustrates that the population of Rothsay is considerably older than the Argyll and Bute and Scottish averages with 24 per cent of its population over 65 compared to 20 per cent and 16 per cent for Argyll and Bute and Scotland respectively. In Rothsay only 25 per cent of the population is aged between 20 and 44; in contrast to Argyll and Bute and Scottish averages where this age bracket accounts for 29 per cent and 34 per cent of the respective populations.

Table 2 illustrates the population change in Rothesay in specific age groups and compares them with the changes at Argyll and Bute and Scottish levels.

**Table 2 : Change in population age structure**

Change in population age structure						
Age Group	Rothesay				Argyll and Bute	Scotland
	2001	2006	Change 2001-06	% Change 2001-06	% Change 2001-06	% Change 2001-2006
0-4	206	190	-16	-7.8	-12.2	-2.8
5-19	955	876	-79	-8.3	-2.5	-3.2
20-44	1422	1220	-202	-14.2	-7.2	-2.1
45-64	1343	1446	103	7.7	7.3	7.8
65-84	1030	1012	-18	-1.7	8.7	3.4
85+	152	153	1	0.7	0.9	7.2
<b>Total</b>	<b>5,108</b>	<b>4,897</b>	<b>-211</b>	<b>-4.1</b>	<b>0.1</b>	<b>1.0</b>

Source: GROS small area population estimates 2001, 2006

It shows a considerable fall in the population of under 20's, with around 8 per cent fewer in 2006 compared to 2001. Between 2001 and 2006 the largest population changes in Rothesay occurred in the 20 to 44 age bracket which saw a decline of 14.2 per cent. Argyll and Bute and Scotland as a whole also saw declines in their populations in this age bracket but to a much lesser extent (7.2 per cent and 2.1 per cent respectively).

The largest population increase in Rothesay was in the 45 to 64 age group which saw an increase of 7.7 per cent, inline with the increases at Argyll and Bute and Scottish levels. However in contrast to the other areas Rothesay also experienced a decline in its retired population, perhaps indicating that people choose to leave the island as they become older and are in need of care.

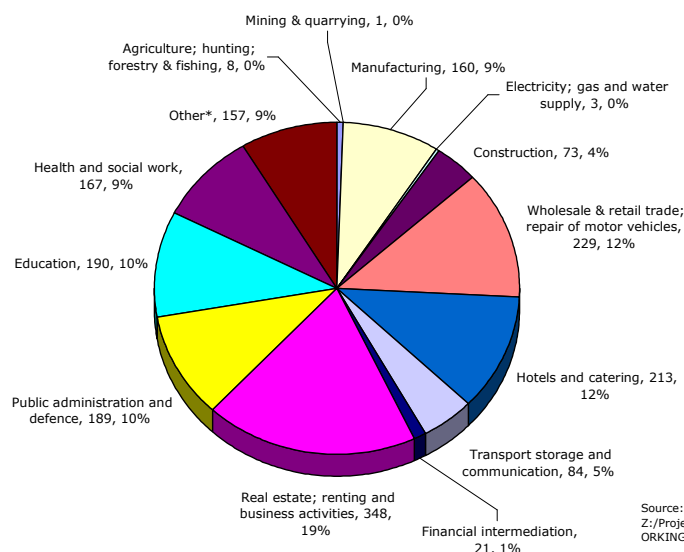
### *Employment by sector*

According to the Annual Business Inquiry, there were 1,843 employees (excluding self employed) in Rothesay in 2006. Figure 3 shows the distribution of employees by broad sector in the town in 2006 and Figure 4 shows the employment distribution of Argyll and Bute as a whole.

**Figure 3 : Rothesay employment 2006**

Rothesay employment 2006

1843



Source: ONS and DREAM®  
Z:/Projects/CHORDDATAUNIT/  
ORKING.xls/RothesaySmaller1

**Figure 4 : Argyll and Bute employment 2006**

Argyll and Bute employment 2006

38330

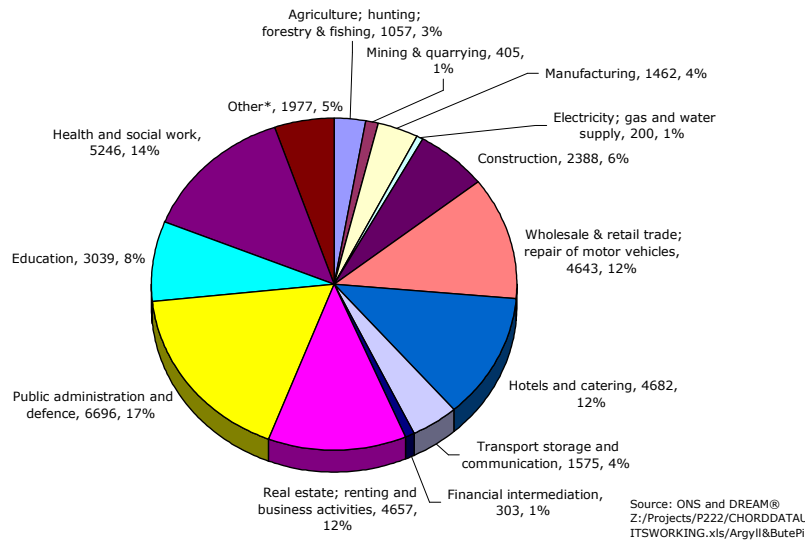


Figure 3 illustrates that no one sector dominates the employment market in Rothesay. This is in contrast to some of the other CHORD towns. The largest employing sector in Rothesay is service activities which account for one in five of all jobs locally compared to Argyll and Bute as a whole where only one in eight of the working population is employed in this sector. Other sectors which are more important in Rothesay compared to Argyll and Bute include manufacturing (9 per cent compared to 4 per cent) and education (10 per cent compared to 8 per cent). Overall, however, the public sector accounts for a much lower proportion of jobs locally compared to the rest of the local authority area. In total public administration, education, health and social work account for 29 per cent of local employment, ten percentage points lower than the average for Argyll and Bute.

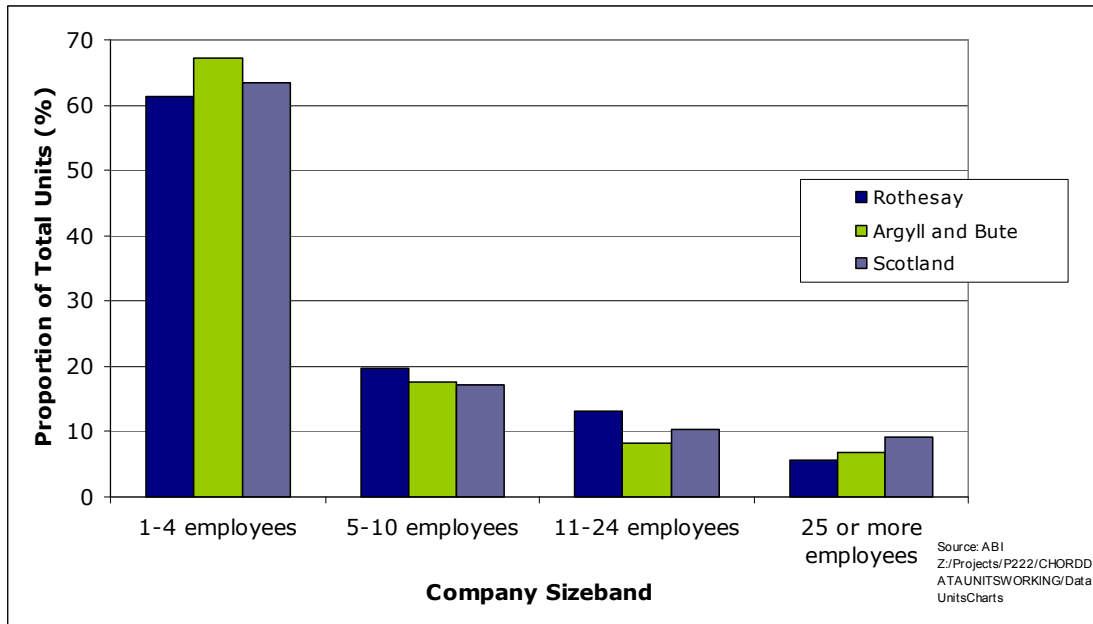
The level of self employment in Rothesay, at 8.7 per cent in the 2001 Census is greater than the Scottish average of 6.6 per cent but less than the Argyll and Bute average of 11.5 per cent.

### ***Business size***

The Annual Business Inquiry provides information on the number of data units located in an area. The number of data units in an area can act as a good indication as to the number of work places operating in an area employing staff. Data units do not correspond directly to the number of work places in an area as self employment is not taken into consideration.

In 2006 there were 200 data units in Rothesay employing staff. Figure 5 shows the break down of data units by business size in Rothesay, Argyll and Bute and Scotland.



**Figure 5 : Distribution of business units by company size 2006**

As is the case elsewhere, most business units have fewer than 5 staff, with around 60 per cent of all units in Rothesay falling into this category. However this proportion is slightly lower than both the Argyll and Bute and Scottish averages. By contrast, the proportion of businesses employing 5 to 24 employees, at more than a third, is higher in Rothesay than the comparison areas. However there are fewer large business units in Rothesay i.e. those employing at least 25 staff.

### *Unemployment*

In March 2008 there were 115 JSA claimants in Rothesay. At this time the unemployment rate in Rothesay was 3.0 per cent which is a higher level than for both Argyll and Bute and Scotland (2.2 per cent and 2.3 per cent respectively).

Figure 6 illustrates the unemployment rates from March 2005 to March 2008 in Rothesay, Argyll and Bute as a whole and Scotland.

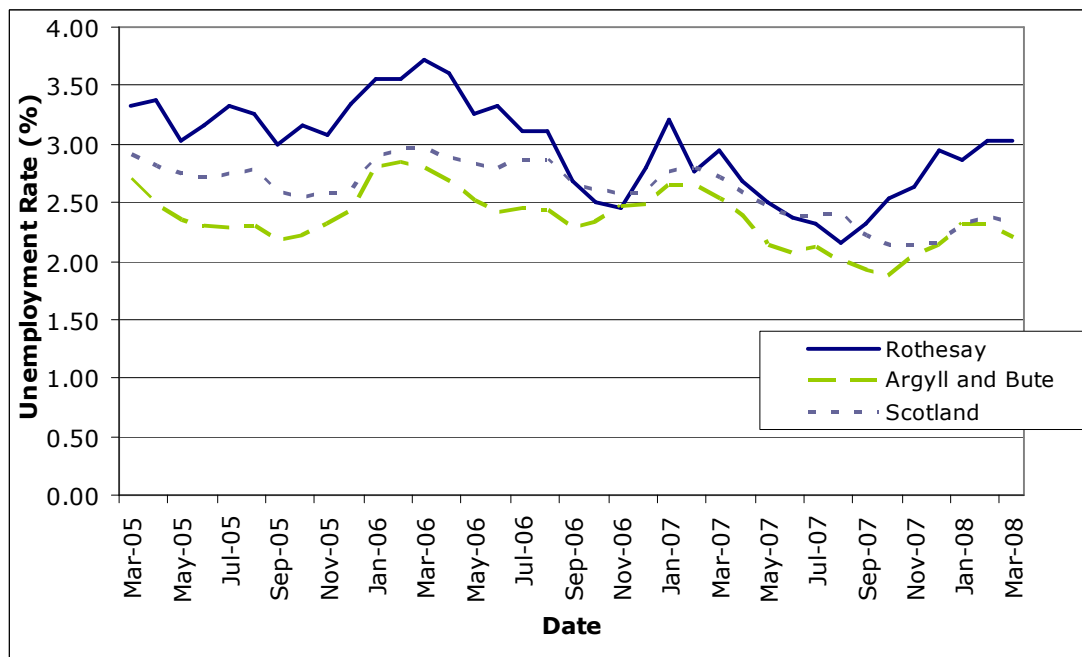
**Figure 6 : Unemployment rates March 2005 to March 2008**

Figure 6 indicates that the unemployment rate in Rothesay was generally above that of the comparison areas during this time period. Rothesay has a distinctive seasonal pattern to its unemployment with highest levels in the January to March period and lowest during the summer months, reflecting the importance of tourism to the economy.

A summary of the changes in long-term unemployment (claiming unemployment benefits for six months or more) over the three year period are given in Table 3.

**Table 3 : Long-term unemployment March 2005-March 2008**

Long-term unemployment March 2005-March 2008				
Date	Rothesay		Argyll and Bute	Scotland
	No. unemployed long term	% of total unemployed	% of total unemployed	% of total unemployed
March 2005	40	32.0	35.7	30.0
March 2006	50	35.7	32.9	30.2
March 2007	25	22.7	33.5	31.2
March 2008	25	21.7	29.2	25.9

Source: ONS claimant count

This shows that in March 2008 there were 25 people unemployed long-term in Rothesay. Since 2005 there has been a dramatic decrease in the level of long-term unemployment in Rothesay, decreasing from 32.0 per cent in March 2005 to 21.7 per cent in March 2008. It should be noted however that this decrease was based on small absolute values. This decrease was at a higher rate in Rothesay than Argyll and Bute and Scotland which saw declines of 6.5 per cent and 4.1 per cent respectively.

## Working Paper 2 - Rothesay Property and Retail Market Review

### *Demand for retail space and vacant space*

Local agents report good demand for retail properties in the town; and they note that it has increased over the past five years due to retirement and commuter demand from the mainland.

There are seven small retail units on the market (see Table 4), with most available for purchase, and three are under offer at or near the asking price.

Typical retail rents are between £7-10 per ft<sup>2</sup> and freeholds selling for between £61-281 per square foot. Prices appear to be very dependent on location, with prime locations on Victoria Street, Argyle Street, East Princes Street and Montague Street and near the ferry terminal commanding the highest values.

**Table 4 Properties currently on the market**

Description / location	Property type	Year	Freehold or leasehold	Size (ft <sup>2</sup> )	Asking price	Price per ft <sup>2</sup>
47 Victoria Street	Shop	2008	Freehold	658	£60,000	£91
1 Watergate	Post Office	2008	Freehold	570	£160,000	£281
33 Galloway Gate	Ex Post Office; shop	2008	Freehold	475	£29,000	£61
18 Castle Street	Shop and office use	2008	Freehold	296	£25,000	£84
46 Marine Road, Port Bannatyne	Post Office	2008	Freehold	458	£65,000	£144
Port Bannatyne	26 cover café, shop	2008	Freehold	Unknown	£95,000	-
68 Montague Street	Traditional shop unit	2008	Leasehold	395	£3,900	£10

### *Recent retail deals*

Table 5 details recent retail lets in Rothesay.

**Table 5 Recent rental deals**

Description / location	Property type	Year	Freehold or leasehold	Size (ft <sup>2</sup> )	Asking price	Price per ft <sup>2</sup>
East Princes Street	Shop	2007	Freehold	Unknown	£68,000	-
Argyle Street	Laundrette	2007	Freehold	Unknown	£68,000	-
7 Victoria Street	Tea room	2006	Freehold	452	£95,000	£210
East Princes Street	Shop	2007	Leasehold	625	£5,200	£8
West Princes Street	Showroom	2005	Leasehold	450	£3,120	£7

### *Business and industry allocations*

Currently the only business and industrial allocation in Rothesay is 0.5 hectares in Union Street for business, general industrial storage or distribution usage.

### *Leisure activity*

There are a number of bars and hotels for sale in the town (see Table 6). They are all freehold sales and often with the existing business being sold as a going concern. As for Rothesay, specialist leisure business agents report keen demand for lifestyle businesses in the area.

**Table 6 Bars and restaurants currently for sale**

<b>Description / location</b>	<b>Asking price</b>
8 bedroom bed-and-breakfast with three self-contained units and owners apartment, Battery Place	£470,000
Galatea Bar, 8 Castle Street, @ 1,500 ft <sup>2</sup> , Sold February 2007	£160,000
Roseland Lodge Park, lodges, 50 year lease, four sold to date	Over £90,000
Ardyne, three star 10 bedroom hotel, 30 covers with development potential	£395,000
Brandane Bar, 25 High Street, public house	£85,000
Ivybank, B Listed villa, bed-and -breakfast	£430,000
58 Ladeside Street, former hall and community centre, 1,238 ft <sup>2</sup>	£120,000

Rothesay appears well served in terms of leisure activities and trades on its outdoors activities, historic sites and peacefulness. The main attractions in the area are:

- Rothesay Castle
- Mount Stuart Castle and Gardens
- St Blane's Chapel
- Bute Museum
- Ascog Hall Fernery & Gardens
- Walking, golf, sailing, fishing, kayaking, horseback riding and diving
- Port Bannatyne marina
- Unspoiled countryside and sheltered bays

### *Leisure planning allocations*

Currently there is the allocation of community facilities and recreational facilities at the new school campus covering an area of 6.84 hectares.

### *Office market*

The office market is mainly traditional offices, on street level and above retail units, occupied by professional service businesses.

The market is very small with few premises available. Local agents report that most transactions are of freeholds rather than leaseholds. Although there is little office property available, few businesses are reported to struggle to find space.

### **Supply and uptake of offices**

Only two recent transactions for offices could be found (see Table 7) and one of these was not publicly marketed.

**Table 7 Recent office rentals**

Description / location	Property type	Year	Freehold or leasehold	Asking price
7 Castle Street	Traditional office, four rooms, ex-bank, 846 ft <sup>2</sup>	2008	Leasehold	£4,000 pa (£5 per ft <sup>2</sup> )
5 King Street	Tradition office, small, off-market sale	2007	Freehold	£60,000

### **Council offices**

The Council has offices on six sites in the town, totalling 32,293 ft<sup>2</sup>.

### **The residential market**

#### **Population projections**

Rothesay is the only substantial town on the Isle of Bute. 80 per cent of island's population live there and all key services are located in the town. The population of the area is expected to fall slightly between 2007 and 2012 while the number of households increases, as shown in Table 8:

**Table 8 Population projections**

Projected population and households to 2012 <sup>1</sup>	2002	2002	2007	2007	2012	2012
	Population	Households	Population	Households	Population	Households
Bute planning area	7,225	3,606	7,206	3,741	7,155	3,888
Argyll and Bute planning area	87,882	37,758	86,839	38,567	85,567	39,227

The Bute Housing Market Survey estimated a requirement for 40 new houses between 2004 and 2009 to meet local needs, with the majority being affordable and most being 2-3 bedroom family houses. In 2004, the Council recognised that there was a need to 're-profile' the social rented housing that is available and build 30 general letting units and 30 units for the elderly between 2004 and 2009.

### **Market activity**

Average house prices have risen sharply in Rothesay and more quickly than in Scotland as a whole between 2005 and 2007, but they still remain below the Scottish average, as shown in Table 9.

<sup>1</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006.

**Table 9 Average house prices in Rothesay**

Average house prices (£) <sup>2</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Rothesay	£77,309	£94,137	£111,423	22%	11%
Scotland	£117,179	£129,575	£144,807	11%	12%

The number of houses sold in Rothesay has increased slightly since 2005 (see Table 10) and there is no indication from local agents that sales have fallen in the first quarter of 2008.

**Table 10 House sales volumes**

House sales volumes <sup>3</sup>	2005	2006	2007	% change 2005 to 2006	% change 2006 to 2007
Rothesay	109	137	142	26%	4%
Scotland	125,523	133,174	136,106	6%	2%

Local agents report that the residential market remains active in 2008, with plenty of buyers and sellers and transactions. Asking prices are not reported to have dropped but the premium over asking price that was being achieved in 2007 is now lower (at 10-15 per cent compared to 30 per cent in 2007).

### **Residential developments**

Planning permissions granted for residential developments include the Rothesay Academy site on Academy Road in 2005.

### **Residential applications.**

The Local Plan has made allocations for 56 new build houses in Rothesay, as detailed in Table 11.

**Table 11 Housing allocations**

<b>Housing allocations – Bute<sup>4</sup></b>			
Location	Use	Number of units	Affordability minimum %
Rothesay – Barone Road	Housing	16	25%
Rothesay – Craigmore	Housing	40	0%
TOTAL		56	

<sup>2</sup> Registers of Scotland; data for April 2005 to April 2008. Data is not available for Campbeltown from HBOS / Halifax.

<sup>3</sup> Registers of Scotland; data for April 2005 to April 2008

<sup>4</sup> Argyll and Bute. Modified Finalised Draft Local Plan. June 2006. Allocations are sites proposed by this local plan for specified development purposes which can be expected to be commenced or delivered within the plan period without having to overcome significant obstacles to the development.

Meanwhile Westland Road in Rothesay has been identified as a potential site for medium density housing with no requirement for a proportion of affordable houses.

*Areas for action identified in the Local Plan*

Areas for action are areas which, subject to resource availability during the plan period, will be the focus for partnership or community action. For Rothesay they are Barone Road / High Street where there is scope for local; development and environmental enhancement and Rothesay town centre / waterfront which is identified as an area for strategic town centre / harbour development and management

## Working Paper 3 - DREAM®people demographic analysis and projections for Rothesay and Argyll and Bute

### Population trends

Considerable attention has been paid to the trends in population, because most CHORD projects aim to make Argyll and Bute a more attractive place to live and work, and thus to bend such trends.

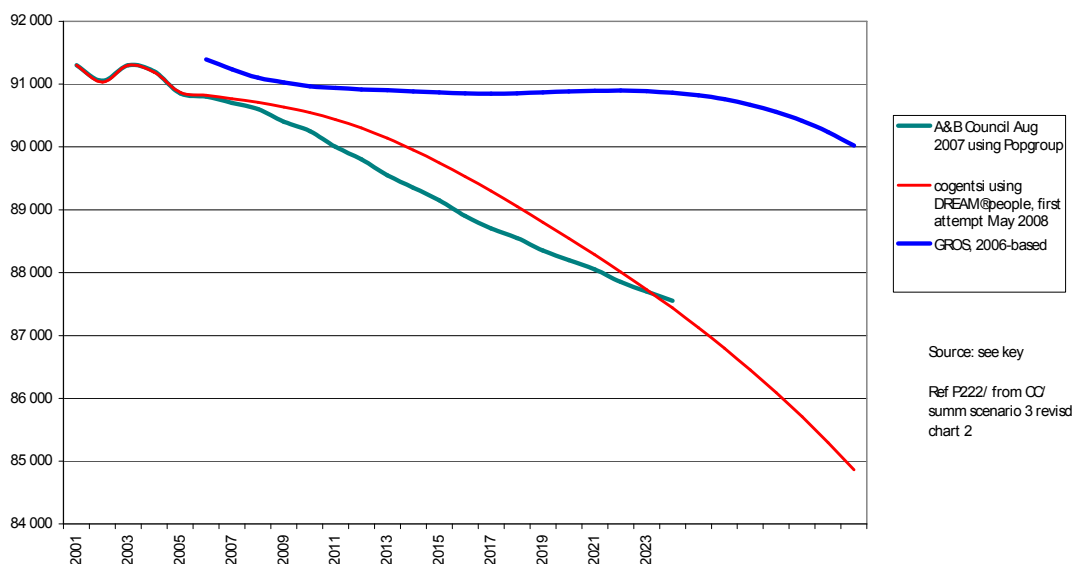
Chris Carr, the Council’s Statistician, produced the Council’s own projections in August 2007, based on midyear estimates made by the General Register Office (GROS) for mid 2005. This showed the regional population declining slowly from 91 350 to 87 550 in 2024. It was broken down into five areas, but not to the level of the towns which are the subject of the CHORD studies.

The consultants, cogentsi, have used their own model, DREAM®people, to generate town projections based on 2006 mid year estimates from GROS. In order to calibrate these projections they allowed the model to project for the whole of Argyll and Bute. The end result, a total population of 87 375 in 2024 is virtually identical to the A&B Council projections.

GROS itself prepared a projection published in January, based on rather higher birth rates and lower death rates, and substantially higher retention of young people. This resulted in a higher and more stable population, but eventually in a decline at an accelerating rate.

**Figure 7 Population projections**

Population projections - Argyll and Bute Council Area



While the Council’s and cogentsi’s forecasts differ little in total, there are differences in the forecast structure of the population. These arise because the models used for projection, while mathematically very similar indeed, differ slightly in the way that migration assumptions are input and are treated. Using a model Popgroup, the council made a single constant level net migration assumption of 241 net in migrants per year, and a single fixed assumption about



the age of these migrants. Using DREAM®people, cogentsi assumed constant rates of net migration for five different age groups, based on recent experience.

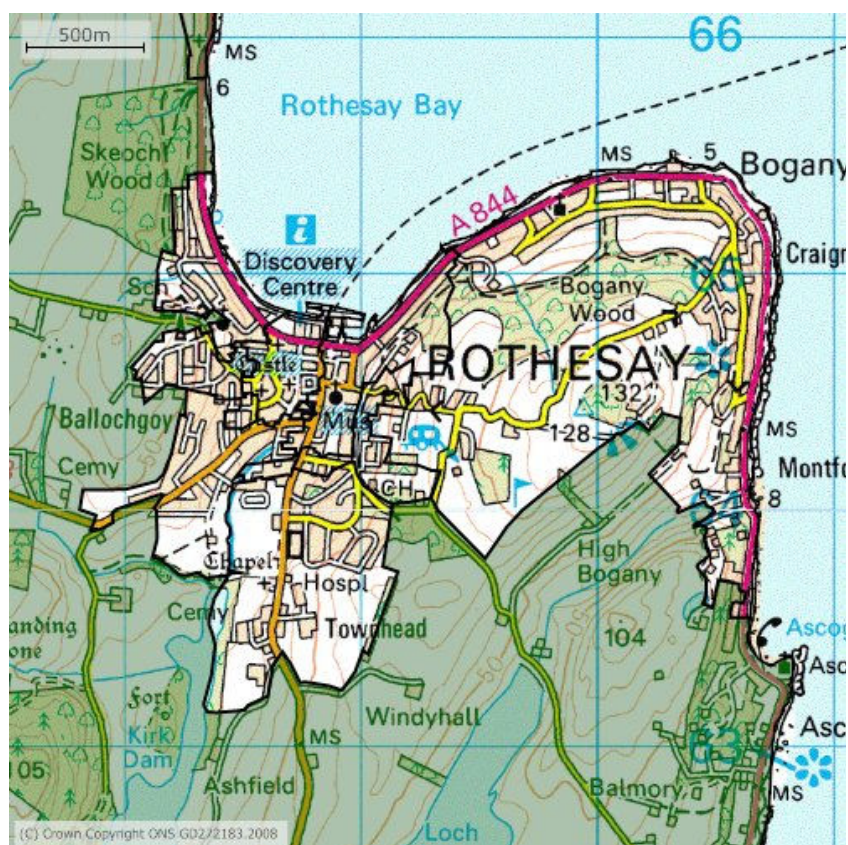
The cogentsi forecast features out migration of young people (from 16 up to 33) and in migration of all other age groups. The consequence is a slightly more rapidly ageing population. Notably the number of people of childbearing age is projected to fall, so that by the later years of the projection the number of births is much lower in the cogentsi forecast, and this causes the rate of population decline to accelerate.

The differences between the three projections for Argyll and Bute are not negligible, but the differences between different parts of Argyll and Bute are much larger. These differences are primarily the consequences of different structures and trends, and the differences between areas are likely to remain broadly the same whichever model is used.

### ***Rothesay demographics***

Rothesay town (defined as the nine DataZones shown on the map, numbered S01000727-735) had a 2006 population of 3004 females and 2722 males<sup>5</sup>.

**Figure 8 Map of Rothesay**

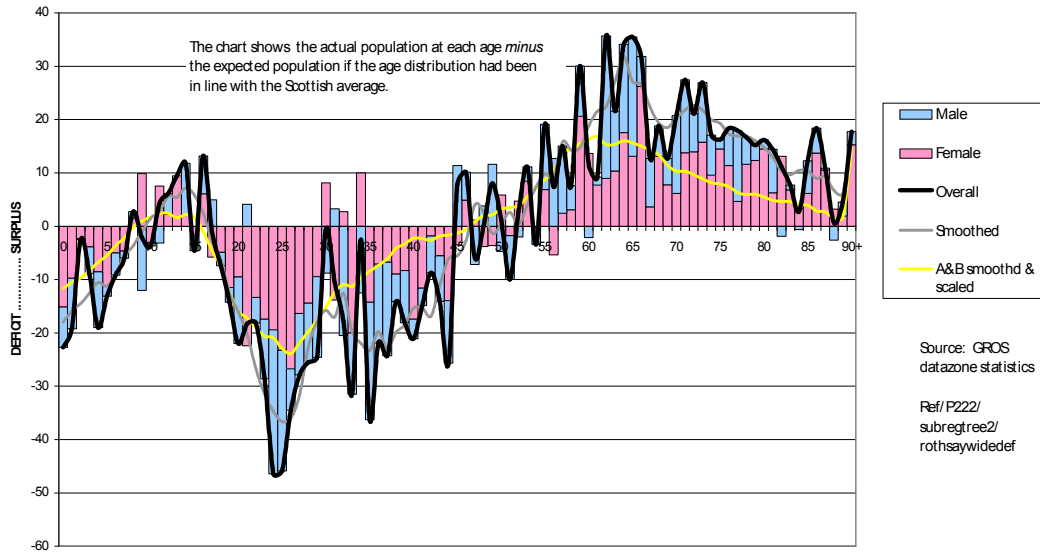


Rothesay has fewer people aged less than 45 and more aged over 60 than Argyll and Bute as a whole – in effect the difference between Argyll and Bute population structure and the Scottish norm is exhibited twice as strongly in Rothesay.

<sup>5</sup> Numbers are quoted precisely here because of their use in later calculation. They should not be considered reliable more closely than the nearest 50.

**Figure 9 Excess/deficit by age**

Excess/ deficit by age (Rothesay wider area)

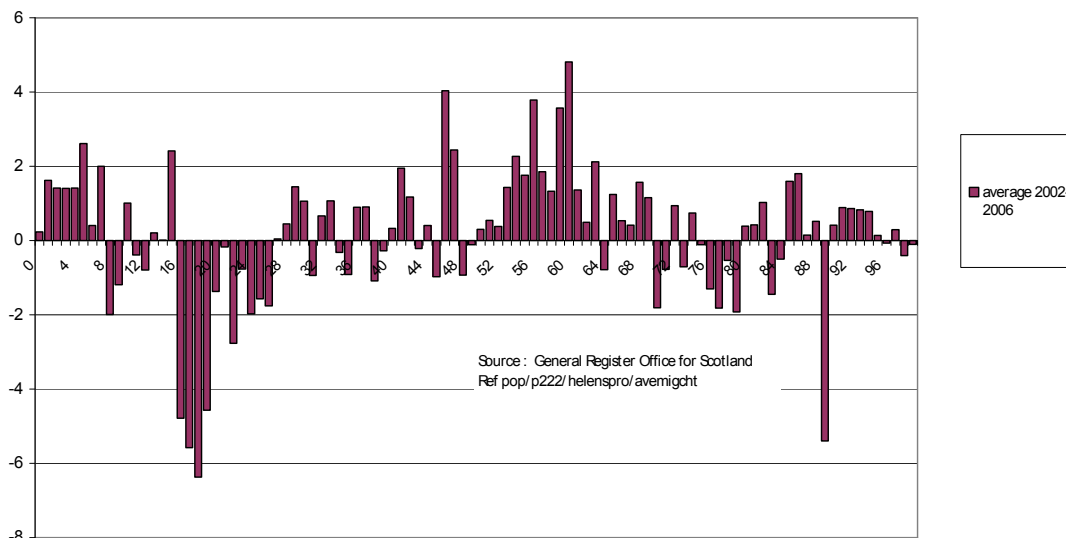


This pattern has been created by shifts in birth and death rates, where Rothesay has broadly mirrored the national experience, and by the ages of people moving to and from Rothesay. It is normally the latter, the age pattern, direction and magnitude of migration, which most clearly differentiates one place from another. The recent age pattern of net migration to and from Rothesay is as follows:

**Figure 10 Net migration by age**

Net migration by age

Rothesay



Unlike Argyll and Bute, which only attracts people on a net basis over the age of 36, Rothesay starts to become a significant net attractor of adults from the age of 26. In recent years about 40 people per year aged 26-70 have moved in, and they have brought about a dozen young (largely pre-school) children with them. However out-migration in the late teens is at the rate of a third of the relevant

population per year (against only a fifth across the A&B population as a whole). Consequently more than twenty young people are lost.

Looking at the adult migrants more closely, we find that as well as bringing in people at a steady rate of a bout a dozen pr year aged from their mid 20s to their early fifties, Rothesay is a major attractor of 'end-career' migrants. About 30 people per year aged 53-70 have arrived recently. Some five people over seventy leave on average each year on a net basis.

Consequently net in-migration has averaged about 15 per year, adding up all age groups.

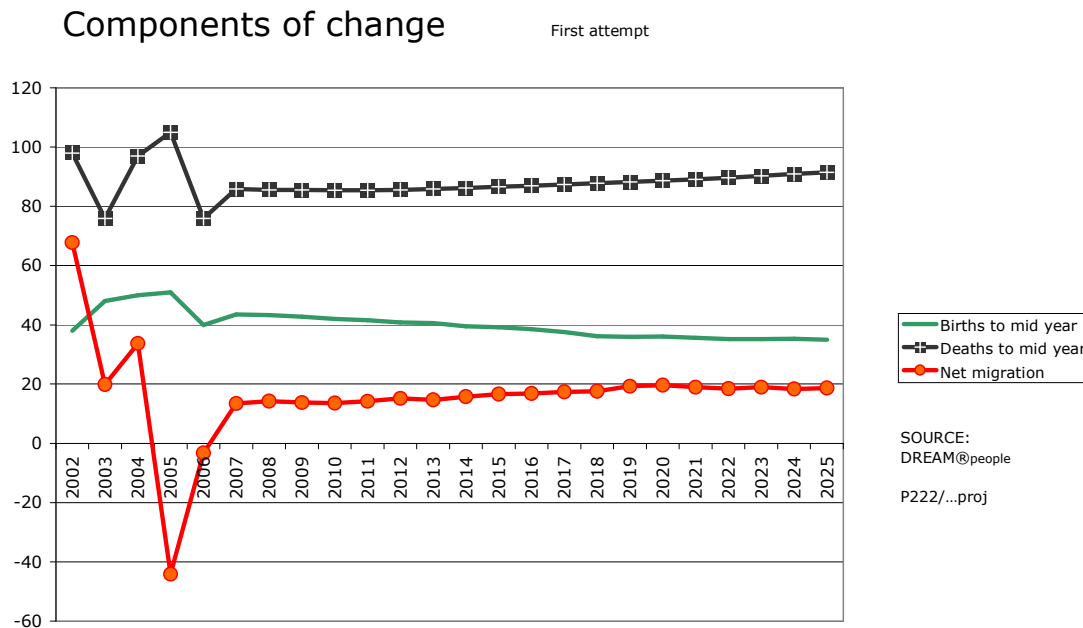
Births, currently running just over 40 per year, are at a slightly lower rate than in the region as a whole, and deaths, 85-90 per year, are at the average Scottish rate (A&B is slightly lower than the Scottish rate).

Thus the population as a whole is declining annually by slightly fewer than 30 people, about 0.5 per cent, per year. This compares with an Argyll and Bute decline of 0.3 per cent.

**Projections**

The main components of population change are projected as follows:

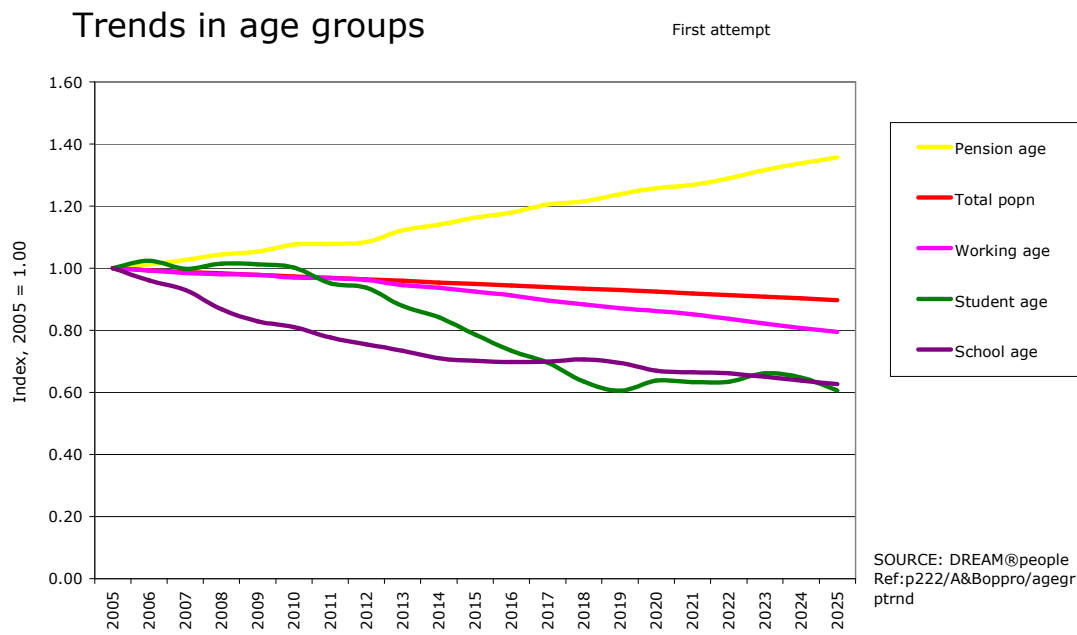
**Figure 11 Components of change**



It can be seen that no controversial shifts are included for either birth rates or death rates, but that net migration is erratic from year to year and so no great certainty can be claimed.

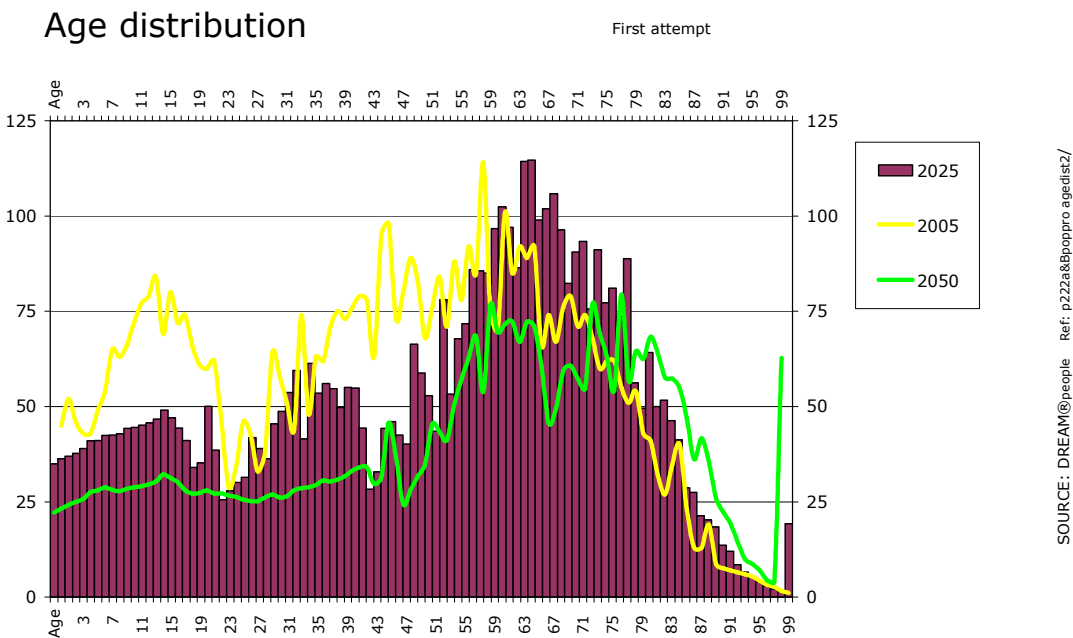
The consequence of the projected changes is an increase in the retired population of almost 2 per cent per year, but a decline in all other components, especially of the number of children. This declines to about two thirds its present level, primarily because of the fall in the number of people of childbearing age, which in turn is mainly due to out-migration by people at the end of their teens.

**Figure 12 Trends in age groups**



The result is an age distribution with more older people, and many fewer of working age. This is the difference between the yellow line and the purple bars in the chart below. If the projection is continued even further into the future the position becomes extreme (the green line), suggesting very radical social and economic changes are needed in the next fifty years.

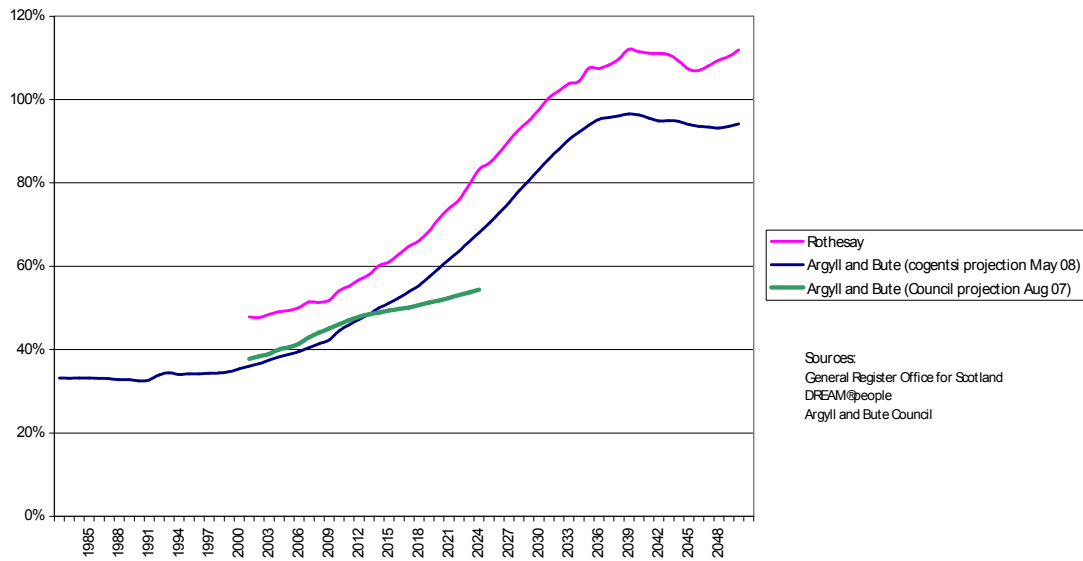
**Figure 13 Age distribution**



The ratio of people past retirement age (taking current conventions) to those aged between 18 and retirement is sometimes referred to as a 'dependency' ratio. Compared with just over 40 per cent in Argyll and Bute this rate already exceeds 50 per cent in Rothesay, and is set to rise to more than 100 per cent:

**Figure 14 Ratio of people over pension age to those aged 18**

Ratio of people over pension age to those aged 18-pension age\*



Sources:  
 General Register Office for Scotland  
 DREAM@people  
 Argyll and Bute Council

It would be hard to overstate the importance of this demographic trend as an issue requiring attention.

Forecasts of this nature are prepared for the express purpose of stimulating the action that can prove them wrong. Argyll and Bute should devise and adopt policies which will reduce and delay the level of dependency shown above, by attracting young people to live and work in Rothesay.

## Working Paper 4 - Project Description: Rothesay Pavilion

### **Short description, including location details**

Address – Argyle Street, Rothesay, PA20 0AU

Listing information: Category changed from 'B' to 'A' in April 2005 "in recognition of this building being one of the most significant pleasure buildings of the style in the country, surviving in remarkably intact condition"<sup>6</sup>. Includes house at rear and boundary wall.

The Pavilion was designed by the Ayrshire architect James Carrick and constructed in 1938; the result of a competition won in 1936. It is in the International Modernist style, asymmetrical and using both modern and novel construction techniques and materials.

When it was built it became, and remains to this day, a key building in the town. It is in daily use and is a "vital hub of social and leisure activity in the town"<sup>7</sup>.

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. Indeed there is only one other such building in Britain, the DeLaWarr Pavilion in Bexhill, Sussex and one on the continent. It is therefore also internationally significant. The DeLaWarr building's recent restoration qualified it as RIBA building of the year in South East England.

It has given visitors to Rothesay a thrill of excitement for 70 years as they see it hove into view from the deck of the steamer of more modern vessel as they enter 'Sweet Rothesay Bay'.

It is the only remaining building in Rothesay to be largely unchanged since the war despite most other structures visible from the shore having changed to a greater or lesser extent. As a result it is uniquely loved by Rothesay residents and visitors alike.

The Pavilion 'remains intact despite recent redecoration' (RCAHMS) but is 'in need of substantial conservation and upgrading work to ensure its long term survival' (Edinburgh Consultancy).

### **Rationale**

#### **What is the purpose of the project?**

The project will need to :

- Secure the fabric of the building and improve the physical appearance.
- Improve disabled access and provision.
- Retain and build on the requirement for flexible spaces and develop the Pavilion as a simultaneous multi-use venue.
- Retain and extend the community and public sector use.
- Reconnect with users and markets across Scotland and farther afield expanding community, private and public sector and corporate use.

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<sup>6</sup> RCAMHS CANMORE

<sup>7</sup> The Edinburgh Consultancy 2003

- Retain and enhance the flexibility of the spaces within the Pavilion, a key feature in ensuring its continued suitability as a venue and relevance today.
- Indoor wet weather activities for both residents and visitors
- Improve toilets
- Increase the income of the Pavilion whilst keeping charges appropriate to the market and sustainable.
- Secure the building's sustainability well into the 21<sup>st</sup> Century.

The Pavilion can and should contribute to 'Triple Bottom Line' regeneration for Rothesay. It can and should deliver Social, Economic and Environmental benefits.

The Pavilion, designed for a pre world war 2 market has demonstrated itself to be remarkably flexible for 70 years. The project needs to retain and to build on this praiseworthy foundation to create a venue and spaces customers and audiences of today and tomorrow.

### **What people or businesses will be able to receive benefit from this project?**

Broadly speaking residents and visitors will be able to benefit from improvements to the Pavilion market offering. A wider range of people should also be able to access the information which will be generated about the Pavilion through the production of literature and virtual materials accessible through the internet.

The existing community use should be retained and extended. Please see the Edinburgh Consultancy, 'Development and Business Plan' for details of current community use.

Already a popular wedding venue with locals there is significant scope to extend this and to make the Pavilion a sought after venue for Rights of Passage events for people from across Scotland and perhaps farther afield.

The Public Sector use should continue and may in fact grow if proposals to rationalise and to relocate other public services and personnel to the Pavilion go ahead.

National public sector bodies have been major users of the Pavilion in the past. With the right facilities there is no reason for this not to be reversed.

The Pavilion is and should remain sufficiently flexible to accommodate the private sector. There are opportunities for restaurant, cafe, retail and commercial arts outlets.

Jobs will be created in the construction period; skills developed and new skills learned through training. As the offering at the Pavilion expands further jobs could be created.

A Community Local History project and an active arts programme enhancing and supporting the physical regeneration of the Pavilion will help to raise local awareness, understanding, involvement and commitment reinforcing a 'sense of place' and helping to engender pride in the Pavilion, the town and the island.

### **What will be the nature of the benefit?**

Ensuring the Pavilion Project has Triple Bottom Line outcomes will be important to ensure the regeneration is broad based and entirely positive.

### **Social Benefits**

To the community due to the continuation and enhancement of the spaces for hire and the social networking facilities such as cafe, bar, restaurant etc.

Improved access for the disabled

Spaces and events suitable for young people, teenagers, who have limited opportunities at present.

Employment opportunities for builders / craftspeople to work on the pavilion.

Socialisation and health improvements through involvement in the arts.

### **Economic Benefits**

Increased income at the Pavilion

The Pavilion enhancement should increase visit numbers. This will provide opportunities for commercial operators on Bute to provide products for these visitors.

Currently many visitors come for the day. Due to current and planned projects on Bute it should be possible to market Rothesay and Bute as a destination requiring a longer stay, with a number of attractions, including:.

Pavilion

Mount Stuart

Rothesay Castle – On which Historic Scotland have spent significant sums in the past few years.

Museum

Winter Gardens / Visitor Centre

West Island Way

New pier / harbour / marina developments

Landscape Partnership Scheme – Stage 2 submitted Jan 31 2008, decision expected by July 31 2008.

Rothesay THI – Early stage

Rothesay toilets

Fernery

Etc

Local contracts for work on the pavilion should feed into the local economy.

### **Environmental Benefits**

Improvements to the physical appearance of the Pavilion will improve the appearance of the Rothesay Waterfront .

The Pavilion will need to address 'Green issues' in any redevelopment in lighting, waste, heating etc.

### **Over what time scale?**

Currently Planning Stage: Expected September 2008

Development Stage: October 2008 – September 2009



Project Delivery: October 2009 – September 2012 (3 Year Project), September 2015 (5 Year Project)

Ongoing developments should continue after the formal close of the project delivery.

**How many are expected to take up the opportunity/ be affected/, and to what extent?**

Current users – Please see Edinburgh Consultancy report for a qualitative assessment of current users. There are some statistics but more work needs to be done to quantify the current user profile.

**How would users be affected?**

Despite obvious eventual improvements the actual works will cause some disruption to existing users. Many consider that there is no alternative venue and are concerned that the club may fold if it has to cease operating for a considerable period of time.

An impact assessment will be needed for this and customer care extended to assist these groups as they will need to be safeguarded as customers for the future.

**Opportunities?**

Local construction and specialist build/ decoration businesses.

Other local businesses which can expand as a result of increased visitor numbers.

Rationalisation of public sector services through relocation to the Pavilion.

Opportunities for stand-alone businesses / joint ventures etc to locate at the Pavilion.

Local food producers to supply any food outlets.

Local art / craft producers to produce for the visitor market

Opportunity for a larger, high quality, local hotel to accommodate the attendees of large events e.g. weddings, conferences etc.

Reinstate a 'spa' facility.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

The Pavilion currently entertains 50 000 to 60 000 visitors per annum. The Winter Gardens increased footfall to around 170 000 per annum following its regeneration. 250 000 per annum for the Pavilion is not unrealistic.

Beneficiaries from PPG Application

- Families with pre-school children = 150
- Older people = 1350
- Ethnic Minorities = 20
- People living in rural areas = 2200
- People living in urban areas = 5000
- People on low incomes or unemployed = 500

- People with disabilities = 300
- Tourists = 1000+
- Volunteers = ?
- Young People = 1100

Maintenance costs, currently high, should reduce in the first 5 to 10 years of the life of a regenerated Pavilion.

Staff costs will increase. There will be more bookings and more events and therefore more time required to administer them.

Charges will need to be considered, sustainably low for small local community use and high enough to attract high value customers to use the venue from farther afield.

Heating/ power costs should be reduced on environmental grounds as well as good management, although there could be a payback period for any new plant installation.

Income from stand alone / J/V commercial outlets.

### **Options**

#### **Are there other ways these benefits could be made available?**

Were it a straightforward market opportunity it is likely a private sector investor would have approached the Council and offered to buy the building for development.

Were there any other more suitable venues in Rothesay the users would have already voted with their feet and moved their clubs and societies away. There is qualitative evidence in the Edinburgh Consultants report that some societies have already gone down this route for functions for which the Pavilion is sadly no longer suitable.

The improvement of the Pavilion and its preservation as a key building for Rothesay and for Scotland would be difficult to achieve in any other way located as it is outwith a major urban area with a local market on the doorstep. Regeneration must be through a partnership approach. This arguably gives a greater range of benefits but is more complex.

It might be possible for the Pavilion to be taken from Council ownership and put into a Trust. If this would ensure higher levels of community involvement and if the Trust could access other funding, closed to Public Sector bodies, this might be a way forward. This should be investigated along with assessing other possible delivery models.

It will be important to look at other facilities across Rothesay and to ensure that any enhanced provision fills gaps and enhances existing provision and does not create duplication.

European funding through Interreg 4 could be an important part of the regeneration plans.

#### **Are there other uses for the specific resources (eg particular buildings) that might be considered?**

Yes, this is part of the solution. The Pavilion has survived, as well as it has, through finding new uses across the 70 years of its history. It does not provide

the same mix of events in 2008 that it did in 1938. The strength of the Pavilion is its flexibility to accommodate new uses. It is this on which we must build to develop the more and new uses for the Pavilion, to meet the needs of the market, over the next 70 years.

**What will happen if nothing at all is done?**

The building will become increasingly patched and unsightly at a cosmetic level. At a structural level the building will become increasingly unsound. As the needs of the market for the Pavilion continue to change the building will become ever more unsuitable for purpose, existing users will cease what they do or find alternatives and they will move away.

It is entirely possible that the Pavilion could eventually become dangerous and derelict; another gap site for Rothesay. Postponed for as long as possible the building would face eventual demolition and clearance of the site, perhaps for housing.

**Resources**

**What specific fixed assets will be used? (and who owns them?)**

The specific asset is the Pavilion which is owned by Argyll & Bute Council.

**What new assets must be purchased or otherwise brought into use?**

None.

**What human resources will be used?**

Local people

- Building contractors, craftspeople, decorators, sound specialists, IT providers
- Hospitality providers.
- Volunteers for research and educational and training outreach opportunities.
- Buteshire Natural History Society
- Council staff and the staff of any partners

Experts

- Consultants, surveyors, architects, historians, conservators, etc.  
Photographers, writers, IT experts etc.

**What ongoing resources will be used?**

Money, both capital and revenue

Human Capital

Volunteers

Hard work enthusiasm, good will.

**What capital funds are required from the Council and others?**

The project value is currently estimated at £4-5 Million.

HLF Grant, if approved, is expected to be in the region of £950k.

The Council expects to be a funding partner to the project although the amount of that is yet to be identified.

The project appears in the Capital Programme in future years.

**What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Staff and accommodation costs, also additional work such as publicity etc.

**Additional comments/notes on continuing viability/sustainability.**

The regeneration of the Pavilion is a key part of the ongoing regeneration aspirations for Rothesay. It ties closely with the proposed Rothesay THI. It is unlikely that the Pavilion will reach its full potential without further regeneration of Rothesay. Rothesay similarly loses a key asset and foundations stone for the next phase of regeneration if the Pavilion is lost.

The Pavilion is the only venue of its size and flexibility on the island. Without it certain larger events will stop and small community groups will cease as they have no-where suitable to meet. The loss of the major events would be a significant economic 'hit' for the island and the loss of the community activities will have a negative social impact.

Rothesay has made significant strides forward in recent years.

The Winter Gardens has been restored and now houses a cinema, restaurant and 'Visit Scotland'. Once threatened with demolition it is now a tourist attraction and asset for locals.

Rothesay Castle has had significant investment by Historic Scotland which has enhanced it as a visitor destination.

The pier / harbour and marina works, whilst not complete, will be completed and will be a significant asset to the island.

Cal Mac has made major investments in the transport infrastructure in the provision of two purpose built ferries.

Fyne Homes, until recently the sole housing association on Bute has delivered some fine housing for Bute. Fyne Homes work has been responsible for turning around some of the eyesores of Rothesay whilst creating well designed, energy efficient, achievable and sustainable housing for all sectors of the community. They also do not shy away from using great design and have added significantly to the regeneration of Rothesay. This will continue. Fyne Homes is also a partner in the Rothesay THI project.

Many private sector operators have also upgraded their market offering.

Other projects are also in the pipeline.

We have been successful in the Stage 2 Submission of the Discover Bute Landscape Partnership Scheme Project.

The Rothesay THI project is being developed.

The possibility of creating a bunk house for Bute is also being explored as a parallel project to the LPS.

**What commitments have already been made (by the Council or other parties) and to whom?**

The Pavilion is included in the Council's Capital Plan for future years.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

Corporate Capital – Equity, debt, human, other. Capital and revenue funding will be required.

Political – Advantage, or accumulation of favours or influence, that give it's holder political sway. The Council will gain political capital through regeneration work.

***Timing***

Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.

Timing of project – see 1.2

**Timespan for benefits**

The benefits of regenerating the Pavilion will become apparent as soon as the building returns to use. A 'Pavilion fit for use' will deliver increases in use. This will develop over time and should set clear 10 year targets following project completion over which growth and development can be measured. The HLF will require monitoring over this time period, which is in line with capital investment monitoring or this magnitude elsewhere.

However we should expect to see ongoing development and benefits over a considerably longer time period. If opportunities can be improved for young people and economic development driven forward fewer will need to leave the island and we will then need to look at development and change across a generation.

Young people too, able to participate in a wider range of events at a regenerated Pavilion, may well make different and arguably improved life choices. This too will only become evident much farther down the line.

For these things to be realised the Pavilion needs to fit within the wider regeneration agenda, linked to the THI and key to the waterfront.

**Are there any external constraints on either commencement or completion of the project?**

The availability of funding

***Strategic fit and externalities***

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

The waterfront / Pavilion Project meshes well with the Council's fundamental objectives and Corporate Plan.

One of the areas where the regeneration of the Pavilion could assist in achieving Council objectives is through the rationalisation of assets. Moving Council staff and services into appropriate areas within the Pavilion could reduce ongoing revenue costs significantly. Asset management is a key objective for the Council and dividends could be very tangible if this is addressed through Community Planning and involves partners.

Major strides forward in 'Organisational Development and Business Change and Improvement' objectives could also be driven through the development of shared and integrated services with partners based at the Pavilion.

Developing the economy is an important Argyll & Bute Council objective. As discussed the Pavilion can be a key focus for this in Rothesay. There will be opportunities for standalone and for joint venture businesses in hospitality, tourism and the arts to locate at the Pavilion.

Good asset management and the provision of shared services should mean that facilities like high speed broadband will be available at the Pavilion. This could make it a suitable hub for a small business centre where sole traders, partnerships and small limited companies who do not need, or cannot afford full time business premises can for a small charge access business facilities and perhaps advice. In Iceland facilities like this are provided for business people on holiday who need to keep in touch. The Bute farmers are in the main not IT literate, access to services, including training and support could improve agricultural business practice and enhance profit.

Improved and lower cost ferry services, delivery mechanisms for objectives to make improvements for remote and island communities, would help deliver more tourists and users of a regenerated Pavilion.

The Council objective to focus on jobs and careers for young people could be in part delivered by programmes which could be delivered at the Pavilion. Young people studying tourism and event and venue management could use the Pavilion for their placements as part of their SVQs.

### **What are the relevant parts of the structure plan and how does the project fit?**

The strategic Issues and Investment include:

iv) pursuing regeneration strategies for Bute and Cowal focussed on Rothesay and Dunoon. And

vii) promoting regeneration and economically focussed initiatives for the west and the islands...

iii) prioritises exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transport opportunities. The current pier / harbour marina regeneration project on Bute will ensure that Bute can capitalise on any further improvements to marine transport on the Clyde. This would link any proposed developments at Dunoon with those at Rothesay thus linking two CHORD projects.

The overall aims of the Structure Plan accommodate the project in two areas:

- Promote 'sustainable development' within short- and long-term economic, social AND environmental perspectives.
- Promote the safeguarding and the enhancement of the natural and historic environment and the maintenance of biodiversity within Argyll & Bute.

Three of the four Social and Economic objectives – SI 1, are pertinent to the project:

- To improve economic competitiveness and the relatively poor economic performance of Argyll & Bute.

- To enhance the economic and social prospects of the geographically diverse local communities in Argyll & Bute
- To treat the rich natural and historic environment of Argyll & Bute as a not fully realised economic asset which, if safeguarded and enhanced, can stimulate further investment and increased economic activity.

Again three out of four Environmental objectives – SI 2, would in some part be delivered through the project:

- To safeguard the diverse and high quality natural and built heritage resources...
- To reinforce the strength of protection given to the European and national statutorily protected .....built heritage sites.... (Conservation Area).
- To enhance and invest in the quality of the natural and built environment and to engage development more effectively with this enhancement process.

STRAT SI 1, concerns Sustainable Development. The project complies with this strategic requirement in that it:

- Maximises the opportunity for local community benefit;
- Conserves the natural and built environment .....

Specifically appropriate are:

Strategic Issue 3, REC SI 1 – Trans- Clyde Ferry and Rapid Transport Potential.

Strategic Issue 4, PROP SI 3 – Regeneration and encouragement of investment for Bute and Rothesay....

PROP SET 2 – Retailing and Town Centres

Objective TOUR 1

***What are the relevant parts of the local plan and how does the project fit?***

*The aims and objectives of the Structure Plan are repeated in the Local Plan.*

The Local Plan contains the most recent 'Conservation Area Character Appraisal / Key Environmental Features (KEF) Survey' for Rothesay. Rothesay Pavilion and it's cafe are listed specifically as 'focal features'.

**How does the project impact on the Council's statutory obligations?**

The building is Grade 'A' listed and is in a state of disrepair.

**How does the project align with the Government's stated objectives of Wealthier and fairer/ Smarter/ Healthier/ Safer and stronger/ Greener?**

**Wealthier and fairer**

Enable businesses and people to increase their wealth and more people to share fairly in that wealth.

Improved facility, new businesses – wealth creation

**Smarter**

Expand opportunities for Scots to succeed from nurture through to life-long learning, ensuring higher and more widely shared achievements.

Training opportunities, learning marketable skills

### **Healthier**

Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to healthcare

Better environment, more opportunities, improved sports facilities, good food outlets – improved physical and mental health

### **Safer and stronger**

Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

More employment, improved environment, reduced crime

### **Greener**

Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

Buildings more fuel efficient, sustainable build

**How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

## **PARTNER OBJECTIVES**

**Historic Scotland's** mission is "to safeguard the Nation's built heritage and promote its understanding and enjoyment".

The work of the organisation is guided by the following objectives:

- To protect and conserve Scotland's built heritage;
- To encourage public appreciation and enjoyment of Scotland's built heritage;
- To play an active role in the development and success of social, economic and environmental policies; and
- To be effective and efficient in its work.

This is achieved through:

- Conservation and maintenance of properties in care;
- Advice and grants to assist with conservation and management of ancient monuments;
- Encouraging archaeological surveys and excavation at those sites threatened by natural forces or development where preservation is not possible;
- Taking properties into State care

Importantly, it also includes buildings erected before 1919 (see Note 4). Although the majority of older buildings are not listed, most provide flexible and often spacious domestic and office accommodation. A huge investment of money, energy and materials went into these buildings – it would be poor stewardship of this inheritance to neglect it.



The sense of place and the strong cultural identity we get from the historic environment plays a large part in the maintenance and regeneration of communities and in promoting a positive image of Scotland across the world.

We believe that the historic environment should be valued as an asset, rather than thought of as a barrier to development. It reinforces the identity of communities, and can add value provided that value is recognised at the outset and it becomes an integral part of any development or regeneration project.

The protection of the historic environment is not about preventing change.

### **The Scottish Civic Trust**

#### Aims

The Scottish Civic Trust was founded in 1967 with the purpose of providing leadership and focus in the protection, enhancement and development of Scotland's built environment.

In furtherance of this purpose, the Trust seeks to: protect and enhance Scotland's historic environments; promote positive redevelopment; promote quality planning and public involvement; and promote awareness and concern for our built environment.

The Trust achieves these aims by:

- Promoting initiatives which inform and educate people on environmental issues;
- Contributing positively on planning matters;  
Encouraging the highest quality in new architecture and public space;
- Supporting the conservation and re-use of historic buildings; and  
Working to improve Scotland's town centres and landscapes.

In all aspects of this work, the Trust focuses its efforts in three key strategic areas. These are:

- Involving people - The Trust will work to encourage more people to get involved in promoting, protecting and enhancing their local built environment.
- Promoting respect and understanding - The Trust will build in its excellent track record of promoting the wider understanding and appreciation of Scotland's built environment.
- Pursuing technical excellence - The Trust will strengthen its capacity to provide professional support and advice on improving, protecting and developing Scotland's built environment.

### **The Prince's Regeneration Trust**

The projects enable under-used or redundant buildings to perform a new function, unlocking a regeneration of the wider community. The Trust works with building owners, community groups, developers, local authorities and other public bodies to establish an appropriate economic and sustainable new use for listed heritage buildings. We apply a complete end-to-end approach to projects using developer-led solutions.

Prince Charles' Objectives:

- To persuading businesses to become involved in long-term, sustainable partnerships
- To focus on the built environment
- To work with the young people in the town, to help them into business, to give them a sense of self-worth and self-confidence.
- For the School for Traditional Arts to work closely with the faith and education communities.
- For In Kind Direct, (Prince's Trust Charity) to re-distribute new goods donated by some of Britain's best-known manufacturers and retailers to voluntary organizations, to work closely with local charities.
- The Foundation for the Built Environment and the Regeneration Trust should work in partnership with local bodies and other partners in the physical regeneration of the town.

The Business in the Community should plug business, at both a national and local level, into every aspect of revitalization.

## Working Paper 5 - Project Proforma: THI and CARS

### **Short description, including location details**

Rothesay is the only town on the Isle of Bute. In 2006 it had a population of 4,897 a 4.1% decline from 2001. This was in contrast to the trend across the Highlands and Islands where population rose by 1.8%.

Again compared with the Highlands and Islands Rothesay has a higher than average percentage of population between age 65 and 84 and a lower proportion of population aged 20 to 44. What is also striking and of concern is that the percentage decline in the population aged 20 to 44 in 2006 was a massive 14.2% over 2001.

In October 2007 the unemployment rate in Rothesay was 3.45. This is considerably higher than the rate for the Highlands and Islands which was 1.6%.

Since the 1950s the Isle of Bute and the town of Rothesay experienced the most severe and consistent economic decline and depopulation anywhere in the Highlands and Islands of Scotland.

The economy is based on farming and tourism both are seasonal and face difficult challenges.

Permanent and full-time employment opportunities are below average in number and therefore many have to travel or move to the mainland for work.

Things have improved in recent years from the dire situation some 15 to 20 years ago but the long term economic decline is still visible in the decayed and decaying physical fabric of the town. Fyne Homes has taken down some derelict buildings and replaced them with sensitively designed yet modern houses and commercial units fit for purpose. This has had a positive impact in the town but there are still many sites, in fact more since the unsuccessful THI bid of 2003, which are gap sites already or set to become so due to their dereliction.

What does this do:

- It is a visual and ever present reminder of economic decline and a disincentive to new businesses and new capital from new people.
- It is a drain on the business confidence of existing businesses and a disincentive to further investment in them.

This is the situation in one of Europe's largest and most outstanding Conservation Areas!

The new Rothesay THI project therefore seeks to focus on a core of central Rothesay, the waterfront and the immediate hinterland.

This is the area bounded by Guildford Square, Bishop Street, Castle Street and the High Street. It includes:

- The regeneration of Guildford Square
- Improvements on High Street
- Regeneration of the Watergate Block
- Improvement of West Prince's Street

- Improvements to tenements
- Regeneration of St James' Church
- Regeneration of the Rothesay Town Hall and County Buildings (Sheriff Court / Council Chambers)

### **Rationale**

#### **What is the purpose of the project?**

To make structural repairs to targeted historic buildings within the Conservation area of Rothesay associated with the waterfront.

To reinstate the architectural features of these buildings to conserve the special and unique character of Rothesay.

To put these buildings to sustainable and in some cases new uses.

To design and construct new buildings for key gap sites. These will suit the character of the area but be fit for 21<sup>st</sup> Century purposes.

This structural regeneration is part of a wider regeneration agenda. The project will be looking to commercial uses for some properties to improve the Rothesay/Bute economy.

The improved attractiveness of the waterfront should also assist with economic regeneration through an enhanced tourism offering. This should encourage entrepreneurs to take advantage of increased visitor numbers and to expand and to create new businesses on the back of this.

During the physical regeneration and beyond jobs will be created and new skills learned and developed.

The Rothesay THI links closely with the proposals to regenerate the Pavilion, an iconic Rothesay waterfront building and with the Discover Bute Landscape Partnership Scheme seeking to restore, conserve and improve access to the rural Bute landscape.

The history of Rothesay will be celebrated and pride in Rothesay rekindled. Community involvement in local history and the arts should help to develop a real 'sense of place'.

#### **What people or businesses will be able to receive benefit from this project?**

Residents will have an improved living and working environment. This in turn should increase civic pride in the town and increase public confidence.

Business confidence should improve too enabling existing and new businesses to grow and to flourish in the town.

Visitors will once again see Rothesay as a Victorian seaside town of great beauty but come ashore and experience a town meeting the needs of 21<sup>st</sup> Century residents and visitors.

This expected increase in visitor numbers and business activity should fuel economic growth and create opportunities for residents to remain on Bute.

#### **What will be the nature of the benefit?**

Triple Bottom Line planning outcomes will be social, economic and environmental. Much has been said above about economic benefits but there should also be

social benefits of living and working in an improved environment. Health and wellbeing, including mental health, could all improve.

Environmental improvements will be made to the town but also the regeneration itself can utilise sustainable materials and limit energy use.

**Over what time scale?**

The THI Stage 1 must be submitted to the HLF by November 30<sup>th</sup> 2008 with a decision then expected in April 2009. Success will then lead to a 12 month Development Phase until April 2010. A successful Stage 2 application should mean project delivery, of a 5 year project, from 2011 to 2016.

**How many are expected to take up the opportunity/ be affected/, and to what extent?**

Grant aid to individual property owners to regenerate their property

Involvement of community groups

Contracts for local construction firms, enhancing employment opportunities in building and heritage construction.

Training opportunities

Expansion in the hospitality sector during construction and after through visitor number expansion.

Improved tourism and retail offer.

Consultation and feasibility studies will need to be carried out to identify, assess and quantify benefits.

**Please provide quantitative indicators of the benefits, both in physical terms (no of clients/ visitors/ residents etc and if possible in £s – eg likely capital sums realised, likely turnover of businesses accommodated)**

Data to be generated through feasibility studies and consultation.

**Options**

**Are there other ways these benefits could be made available?**

As individual projects by private operators, the Council and/ or others in some combination, perhaps as a specifically created Trust. The fact that this has not occurred to date indicates this route is unlikely. Even were two or three buildings to be regenerated in this way there would be no co-ordination between them and no critical mass of development to make a real difference. Without the waterfront / THI there will not be sufficient catalyst to deliver real change.

European, Interreg 4, funding could provide another route to regeneration.

**Are there other uses for the specific resources (eg particular buildings) that might be considered?**

An essential part of the process will be to do a full options appraisal for each location followed by feasibility studies with regard to those options. There are already proposals on the table for certain sites which have yet to be tested such as an Arts Centre, a town centre bunkhouse, improved housing and improved commercial units.

**What will happen if nothing at all is done?**

One or two sites will no doubt improve but in parallel a number of others, known to be at risk, will deteriorate further. It is likely that the number of 'gap sites' will increase.

### **Resources**

#### **What specific fixed assets will be used? (and who owns them?)**

Guildford Square 'gap site'

High Street

Watergate Block

West Prince's Street

Key tenements

St James' Church

Rothesay Town Hall and County Buildings (Sheriff Court / Council Chambers)

#### **What new assets must be purchased or otherwise brought into use?**

There is a known requirement for one CPO, there will be others too.

#### **What human resources will be used?**

Without a Bute Development Officer to take this on some local staff resource will be required during Stage 1. A newly appointed Conservation Officer could Project Manage the Stage 1 with this support. However a Project Officer will be required from the Development Stage onwards.

In addition to the team of experts and contractors delivering the project on the ground there will be trainees, volunteers and school children involved in the project to meet HLF requirements.

#### **What ongoing resources will be used?**

Money and human capital input

#### **What capital funds are required from the Council and others?**

Capital - Approximately £1 Million from the Council and partners. This would 'match' an expected £700k from the HLF.

Revenue - Full-time Project Officer for 6 years plus administrative support and recharged on costs.

#### **What revenue implications follow for the council and others (please give time profile if appropriate and distinguish main receipts and expenditures: a net figure is not suitable).**

Any staff and accommodation costs. Also costs for ancillaries such as publicity etc.

#### **Additional comments/notes on continuing viability/sustainability.**

Each building regenerated through the THI will be required to have an ongoing Management Plan, including where appropriate Factoring Arrangements.

#### **What commitments have already been made (by the Council or other parties) and to whom?**

None.

**Is the Council's corporate (not individual) political capital likely to be involved and how?**

Corporate Capital – Equity, debt, human, other.

As a partner and funder.

Political – Advantage, or accumulation of favours or influence, that give it's holder political sway.

To be gained where the money is spent and lost where it is not spent.

**Timing**

**Please provide an appropriate schedule, including both any development time and the timespan over which any facility will operate and over which benefits will be delivered.**

The THI Stage 1 must be submitted to the HLF by November 30<sup>th</sup> 2008 with a decision then expected in April 2009. Success will then lead to a 12 month Development Phase until April 2010. A successful Stage 2 application should mean project delivery, of a 5 year project, from 2011 to 2016.

Benefits will commence when each building within the THI is regenerated and continue well into the 21<sup>st</sup> Century. These will be social, economic and environmental benefits. Some will be quantifiable, measured from the performance outcomes set in the project, other will be more qualitative and deliverable over the same if not a longer period of time.

**Are there any external constraints on either commencement or completion of the project?**

Finance

Building ownership issues.

**Strategic fit and externalities**

**How does the project impact on the Council's statutory obligations?**

There will be community consultation

The project will improve the Conservation Area

**How would you describe the fit with the Council's fundamental objectives and its Corporate Plan?**

The waterfront / THI project fits within the Council's fundamental objectives. The following aspirations in particular are relevant:

Proposed improvements to housing within the THI area should ensure that economic growth is not hindered by a lack of housing. It should also assist with the provision of suitable housing that young people can afford to limit the emigration from Rothesay due to insufficient and inappropriate housing.

Within the objectives for organisational development, business change and improvement is an objective to develop the third sector. The THI initiative could provide an impetus for this on Bute. The Corporate Plan notes that 'social enterprises in particular are an important contributor to revitalisation of

communities and support local service delivery. Regeneration in the target area would involve the main provider of social enterprise support, Bute Community Links. Aspirations here are slow to be realised due to fragmentation, duplication and limited partnership working. Some initiatives, planned for some years, could be assisted by the provision of appropriate facilities and improved partnership working which could be achieved through the waterfront THI. In particular community transport provision could be rationalised and improved and shop mobility provided. There are other opportunities for social enterprise in Rothesay located in the THI area.

A clear objective is the rejuvenation of the main towns, this includes Rothesay. The Plan seeks expansion in private business activity to reduce dependence on the public sector. This is a focus for the THI. One possible partnership project which could deliver wide benefits for Rothesay would be improved food retailing outlets in the THI area. This would also make it possible for new Bute food initiatives, which themselves tie into the Corporate Plan, to become more easily available to the public.

Tourism is identified in the Corporate Plan as a key industry for Argyll & Bute. Tourism and its expansion and rejuvenation are key objectives for Rothesay. A regenerated 'Victorian' waterfront for Rothesay would improve the tourism offering.

As in island community the objectives in the Corporate Plan with regard to remote and island communities relate to Rothesay. Whilst transport has improved in recent years through the investment of Calmac in new boats and in the ongoing investment of the Council in the pier / harbour and marina developments there is still more to do. Fast frequent services to the central belt and to other locations in Argyll would help and in this way the Rothesay project clearly links with the fast ferries project. Reduced prices, through RET or another scheme would also assist with the economic regeneration on Rothesay. The fares are high and are a disincentive to travel and enterprise.

The Corporate Plan also focuses on the need for rewarding work with the potential for further development for, young people especially, to halt the drift to the central belt. The waterfront THI project would assist with this. During the project delivery phase there will be construction, heritage and decorating work with opportunities for volunteers and for training placements. The regeneration should deliver economic benefits which will include jobs.

### **What are the relevant parts of the structure plan and how does the project fit?**

The strategic Issues and Investment include:

iv) pursuing regeneration strategies for Bute and Cowal focussed on Rothesay and Dunoon. And

vii) promoting regeneration and economically focussed initiatives for the west and the islands...

iii) prioritises exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transport opportunities. The current pier / harbour marina regeneration project on Bute will ensure that Bute can capitalise on any further improvements to marine transport on the Clyde. This would link any proposed developments at Dunoon with those at Rothesay thus linking two CHORD projects.



The overall aims of the Structure Plan accommodate the project in two areas:

- Promote 'sustainable development' within short- and long-term economic, social AND environmental perspectives.
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- To improve economic competitiveness and the relatively poor economic performance of Argyll & Bute.
- To enhance the economic and social prospects of the geographically diverse local communities in Argyll & Bute
- To treat the rich natural and historic environment of Argyll & Bute as a not fully realised economic asset which, if safeguarded and enhanced, can stimulate further investment and increased economic activity.

Again three out of four Environmental objectives – SI 2, would in some part be delivered through the project:

- To safeguard the diverse and high quality natural and built heritage resources...
- To reinforce the strength of protection given to the European and national statutorily protected .....built heritage sites.... (Conservation Area).
- To enhance and invest in the quality of the natural and built environment and to engage development more effectively with this enhancement process.

STRAT SI 1, concerns Sustainable Development. The project complies with this strategic requirement in that it:

- Maximises the opportunity for local community benefit;
- Makes efficient use of vacant and/or derelict brown-field land
- Conserves the natural and built environment .....

Specifically appropriate are:

Strategic Issue 3, REC SI 1 – Trans- Clyde Ferry and Rapid Transport Potential.

Strategic Issue 4, PROP SI 3 – Regeneration and encouragement of investment for Bute and Rothesay....

PROP SET 2 – Retailing and town centre

Objective TOUR 1

### **What are the relevant parts of the local plan and how does the project fit?**

The aims and objectives of the Structure Plan are repeated in the Local Plan.

The Local Plan contains the most recent 'Conservation Area Character Appraisal / Key Environmental Features (KEF) Survey' for Rothesay.

The appraisal notes the 'Urban tenemental scale and style of development within the Conservation Area Commercial Core', the target area for the Rothesay THI, and says of it; 'there is potential to accommodate large scale development of up to 4/5 storeys in height reflective of the traditional tenemental urban form'.

The appraisal also notes 'Enhancement Opportunities':

Derelict sites – opportunities within Conservation Area core.

Building Fabric Improvement.

### **How does the project align with the Government's stated objectives of Wealthier and fairer**

Enable businesses and people to increase their wealth and more people to share fairly in that wealth.

Improved property, new businesses – wealth creation

New and social housing - fairer

### **Smarter**

Expand opportunities for Scots to succeed from nurture through to life-long learning, ensuring higher and more widely shared achievements.

Training opportunities, learning marketable skills

### **Healthier**

Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to healthcare

Better environment, more opportunities – improved physical and mental health

### **Safer and stronger**

Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

More employment, improved environment, reduced crime

### **Greener**

Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

Buildings more fuel efficient, sustainable build

### **How does the project align with the objectives of others (individuals or organisations) and their stated policies and intentions?**

**Historic Scotland's** mission is "to safeguard the Nation's built heritage and promote its understanding and enjoyment".

The work of the organisation is guided by the following objectives:

- To protect and conserve Scotland's built heritage;
- To encourage public appreciation and enjoyment of Scotland's built heritage;

- To play an active role in the development and success of social, economic and environmental policies; and
- To be effective and efficient in its work.

This is achieved through:

- Conservation and maintenance of properties in care;
- Advice and grants to assist with conservation and management of ancient monuments;
- Encouraging archaeological surveys and excavation at those sites threatened by natural forces or development where preservation is not possible;
- Taking properties into State care

Importantly, it also includes buildings erected before 1919 (see Note 4). Although the majority of older buildings are not listed, most provide flexible and often spacious domestic and office accommodation. A huge investment of money, energy and materials went into these buildings – it would be poor stewardship of this inheritance to neglect it.

The sense of place and the strong cultural identity we get from the historic environment plays a large part in the maintenance and regeneration of communities and in promoting a positive image of Scotland across the world.

We believe that the historic environment should be valued as an asset, rather than thought of as a barrier to development. It reinforces the identity of communities, and can add value provided that value is recognised at the outset and it becomes an integral part of any development or regeneration project.

The protection of the historic environment is not about preventing change.

### **The Scottish Civic Trust**

The Scottish Civic Trust was founded in 1967 with the purpose of providing leadership and focus in the protection, enhancement and development of Scotland's built environment.

In furtherance of this purpose, the Trust seeks to: protect and enhance Scotland's historic environments; promote positive redevelopment; promote quality planning and public involvement; and promote awareness and concern for our built environment.

The Trust achieves these aims by:

- Promoting initiatives which inform and educate people on environmental issues;
- Contributing positively on planning matters;
- Encouraging the highest quality in new architecture and public space;
- Supporting the conservation and re-use of historic buildings; and
- Working to improve Scotland's town centres and landscapes.

In all aspects of this work, the Trust focuses its efforts in three key strategic areas. These are:

- Involving people - The Trust will work to encourage more people to get involved in promoting, protecting and enhancing their local built environment.
- Promoting respect and understanding - The Trust will build in its excellent track record of promoting the wider understanding and appreciation of Scotland's built environment.
- Pursuing technical excellence - The Trust will strengthen its capacity to provide professional support and advice on improving, protecting and developing Scotland's built environment.

### **The Prince's Regeneration Trust**

The projects enable under-used or redundant buildings to perform a new function, unlocking a regeneration of the wider community. The Trust works with building owners, community groups, developers, local authorities and other public bodies to establish an appropriate economic and sustainable new use for listed heritage buildings. We apply a complete end-to-end approach to projects using developer-led solutions.

Prince Charles' Objectives:

- To persuading businesses to become involved in long-term, sustainable partnerships
- To focus on the built environment
- To work with the young people in the town, to help them into business, to give them a sense of self-worth and self-confidence.
- For the School for Traditional Arts to work closely with the faith and education communities.
- For In Kind Direct, (Prince's Trust Charity) to re-distribute new goods donated by some of Britain's best-known manufacturers and retailers to voluntary organizations, to work closely with local charities.
- The Foundation for the Built Environment and the Regeneration Trust should work in partnership with local bodies and other partners in the physical regeneration of the town.

The Business in the Community should plug business, at both a national and local level, into every aspect of revitalization.

### **How does this project interact with other projects (please indicate if those projects are also part of the CHORD project)?**

The regeneration of the Pavilion is a key part of the ongoing regeneration aspirations for Rothesay. It ties closely with the proposed **Rothesay THI**. It is unlikely that the Pavilion will reach its full potential without further regeneration of Rothesay. Rothesay similarly loses a key asset and foundations stone for the next phase of regeneration through the THI if the Pavilion is lost.

The **Discover Bute Landscape Partnership Scheme** Stage 2 has been submitted to the HLF for consideration. We expect to hear the outcome by the end of July 2008. The LPS is concerned with rural Bute. The aims are to secure and to reinstate key landscape features on Bute such as hedges, dry stone dykes and archaeological sites. It aims to improve physical and intellectual / virtual access to the landscape. There is also provision for training schemes, volunteer

activities and educational outreach to help people to become involved in and to reconnect with the land.

Rothesay is the main gateway to rural Bute and whilst great improvements have been made to Rothesay without further and ongoing regeneration the maximum benefit to Bute of the LPS will not be secured. Targeted improvements in Rothesay will help enormously to attract visitors to Bute, to get them to stay for more than a day and to get them to return.

Similarly the ongoing works to the **pier /harbour / marina complex** is synergistic with the Pavilion project in the same way that it is with the THI. It also locks in any benefits accruing from the LPS.

The possibility of developing a **bunkhouse** for Bute is also under active consideration. There is currently no low priced accommodation of this type on the island. This was brought to the attention of the LPS project through the Audience Development Consultation, hence the desire to pursue it as a parallel project. It could be located within the THI area and would give a new use to a problem building whilst extending the accommodation envelope at both ends. It also sits well with the Pavilion project as it gives more beds and a greater range of choice for attendees to Pavilion functions.

### **Could the Council have partners in this project and what commitment could be expected of them?**

Yes, most certainly, this project will need partners.

For some the commitment could be financial, for others expertise and support. Other partners might have a facilitation role or provide volunteers for project areas.

The Community will be a key partner.

Funders will have their own monitoring and appraisal process to which this project must conform. The HLF in particular has a rigorous and comprehensive set of monitoring and evaluation requirements which must be adhered to by grantees. The HLF will also appoint a monitor for the project.

### ***Management and Monitoring***

#### **What procedures are required to manage the project?**

The project will have a management process the details of yet have yet to be determined. There are many models which can be adopted.

It is common to appoint a Steering Group of partners, funders and non-funders and other stakeholders. This has obvious benefits but attendance can reduce if attendees have limited input and control and a poorly attended steering group can diminish an otherwise successful project.

Where there are a large number of potential Steering Group members it can be appropriate to make this into stakeholder group invited to a two way communication event on an annual or bi-annual basis.

A (smaller) steering, management or supervisory group of funders and other key partners should be set up to manage the strategic delivery and to smooth the project path.

Beneath that will be the project officer and a small team of those experts, team leaders and volunteers delivering the project on a day to day basis. This group will meet frequently, at least monthly.

In this instance it is expected that Council policies such as Health and Safety, Procurement, Data Protection, Equalities etc will be used.

**Who should bear what responsibilities and how should they be answerable?**

See above

**What are the main risks to the project?**

It will be important to develop a Risk Register with the partners. This should identify risks, rate and rank them. It should also seek ways to minimise and to manage the risks and to communicate and to share those risks with all partners and operational staff.

Obvious risks are:

- Funding cannot be secured
- A funding partner subsequently drops out
- Unresolved ownership issues
- Unexpected hyper-inflation
- Serious underestimates of costs
- Breaches of Health and Safety
- Loss of key project personnel
- Building owner drops out of project
- Project components overrun

**How should they be reduced?**

See above

**How should the Council monitor the progress of the project? What warning can it receive if the project is going off-track and how will it take corrective steps?**

Set agreed key outcomes

Agree milestones

Set reporting mechanism and frequency

Manage risk

**When will the Council be able to withdraw from the project and leave it to its own devices?**

The Council will retain Powers and Statutory Responsibilities in the town.

**When will the project terminate?**

The spending period will end in 2015 or 2016 but the delivery of expansion and benefits will continue. The HLF will expect development to be monitored for 10 years.

**How and by what criteria should the project be evaluated? What are the right times for evaluation?**

Quantitative

A set of quantifiable project outcomes will need to be agreed with funders. Success against these outcomes can then be measured. Again these will be social, economic and environmental – Triple Bottom Line outcomes.

Qualitative

Some 'soft' themes should also be captured such as improved quality of life, improvements for socialisation, improved health, improved choices for young people, retention of young people on Bute. Again these will be social, economic and environmental – Triple Bottom Line outcomes. These can be tested by interview/ survey.

Typically the HLF will appoint an external consultant to write a final evaluation report as the expenditure stage of the project ends and expect the project partners to make provision for an evaluation report to be created after 10 years.

The Council will use the Treasury Green Book assessment structure for evaluation at the end of the project spend period.

**Project Categorisation**

Until there are further specifics, including financials, it is not possible to do any detailed analysis. However it is likely that the THI will be a combination of:

- A – Public sector investment (No Payback)
- C – Business opportunity (Requiring Pump Priming)
- D – Business Opportunity (Joint Venture) – with Fyne Homes
- E – Business Opportunity (Standalone)

## Working Paper 6: Conformity of Rothesay CHORD proposals with Argyll & Bute planning policies

Both projects in the Rothesay Outline Business Cases have been considered by the Head of Planning at Argyll and Bute Council, Angus Gilmour who has confirmed that there are no strategic development plan or land use issues which would represent a fundamental constraint on the delivery of the projects associated with each of the Outline Business Cases. However individual projects will have to be the subject of planning applications which will be subject to the "due planning process" and will have to address all material planning considerations.

### *Argyll and Bute Structure Plan 2002*

The Argyll and Bute Structure Plan 2002 identifies two of its seven strategic issues;

*"exploiting the potential of the Firth of Clyde to be the focus for trans-Clyde rapid transit opportunities"*

*"Pursuing regeneration strategies for Bute and Cowal focused on Rothesay and Dunoon."*

The Plan also contains the recommendation REC SI 1 that the potential for rapid transit in the Clyde and specifically;

*"stimulating and coordinating with economic investment, action programmes and development, as appropriate, in the town centres and waterfronts of the Clyde-side towns."*

Proposal PROP SI 3 requires the Local Plan to include

*"Action programmes to stimulate investment and enhancements in the Rothesay and Dunoon town centres and waterfronts."*

All of the projects in the Rothesay OBC are therefore compliant with the Argyll and Bute Structure Plan.

### *Argyll and Bute Modified Finalised Draft Local Plan June 2006*

The Argyll and Bute Modified Finalised Draft Local Plan June 2006 sets out 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 1/4 affects Rothesay – Barone Road and High Street includes action in support of stimulating investment and enhancement in Rothesay town centre and waterfront areas.



### *Argyll and Bute Council Corporate Plan 2007-2011 and Beyond*

The Corporate Plan sets out five strategic objectives of Environment, Social Change, Economy and Organisational Development. 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.

The principle of town centre and waterfront projects in Rothesay is therefore supported by the Council's Corporate Plan.

### *An Economic Strategy for Argyll and the Islands*

This document was produced by the Argyll and the Islands Local Economic Forum. The strategy is based on the Smart Successful Scotland national economic strategy which has now been overtaken by The Scottish Government's Economic Strategy. No local economic strategy has been prepared for the Argyll and the Islands area setting out the new priorities.

## Working Paper 7 - Conformity of Rothesay CHORD proposals with Scottish Planning and Economic Strategies

### *National Planning Framework*

The first National Planning Framework (NPF) was published in April 2004. It set out a strategy for Scotland's development to 2025, providing a national context for development plans and planning decisions and helped to inform the wider programmes of government, public agencies and local authorities.

The second National Planning Framework (NPF2)<sup>8</sup> develops the first and describes Scotland as it is in 2008, identifies key issues and drivers of change, sets out a vision to 2030, and identifies priorities and opportunities for different parts of the country in spatial perspectives. It contains both thematic and spatial perspectives and focuses strongly on priorities for the improvement of infrastructure to support Scotland's long-term development.

It should be borne in mind that national strategies by their very nature invariably contain something for everyone. NPF1, for example, contains some advice on economic development which is relevant to all of the CHORD projects.

*As far as spatial planning is concerned, there are two main issues:*

- *ensuring that priorities for economic development are chosen in a way which takes account of the location of communities where the need for regeneration and renewal is most pressing; and*
- *once long-term commitments to economic development have been made, timely investment is needed to ensure that hard to reach groups in disadvantaged areas are put in a position to benefit from the jobs and opportunities that will be created.*

NPF1, p.90

Rothesay does not specifically receive a mention in the NPFs. Indeed, references to the wider Argyll and Bute area are relatively few and often presented in the context of either the wider Highland area or the River Clyde corridor. There are nevertheless several aspects of the NPF and NPF2 that are of relevance in evaluating the strategic fit of the Chord projects.

### **Regeneration**

The NPFs are generally positive about the economic conditions and growth potential of the Argyll and Bute area as a whole<sup>9</sup>. Both NPFs emphasise that sustainable growth should benefit all parts of Scotland<sup>10</sup> and focus heavily on the role of community led regeneration. There are several references to social capital and community enterprise and empowerment.<sup>11</sup> Connectivity and environmental quality are two of the NPFs other watchwords, and attention is drawn to the need to co-ordinate infrastructure improvements with other economic investments.<sup>12</sup>

<sup>8</sup> <http://www.scotland.gov.uk/Resource/Doc/208174/0055210.pdf>

<sup>9</sup> NPF1 paras 10 & 40, NPF2 para 18

<sup>10</sup> NPF2 paras 148, 150 & 158

<sup>11</sup> NPF1 para 177, NPF2 para 147

<sup>12</sup> NPF1 para 88 & 177, NPF2 paras 105 & 158

When the first NPF was written, area regeneration was delivered through 32 Social Inclusion Partnerships, one of them covering Argyll and Bute. NPF2 instead presents Urban Regeneration Companies (URCs) as the effective agents of change, although none are yet identified in the A&B area<sup>13</sup>. NPF2 also points out that the Highlands and Islands are to receive EU Convergence funding whereas the Lowland and Upland parts of Scotland are covered by EU Competitiveness and Employment funding. Rothesay falls under the latter, along with Campbeltown., Oban and Dunoon<sup>14</sup>. Rothesay is also located within HIE fragile areas<sup>15</sup> and also lies within the Northern Periphery co-operation zone making it eligible for funding to support cross-border co-operation with the Republic of Ireland.<sup>16</sup>

### **Transport & infrastructure**

Both NPF1 and NPF2 place great emphasis on improving connectivity, recognising that improvements in transport infrastructure are needed to support economic activity and *"unlock the potential of priority areas for regeneration such as the Clyde corridor"*<sup>17</sup> Both NPFs make commitments to improving road, rail and sea links across the country and beyond.<sup>18</sup> NPF2's *Map:15 Strategic Transport Corridors* identifies a strategic route to "Inverclyde and the islands", a notable addition given that NPF1 only identified a route from Stirling to Oban.

The physical barrier of sea crossings is recognised as a challenge and both NPFs note the vital importance of ferry services both for sustaining communities, particularly remote communities, and in the promotion of tourism. NPF 1 is generally positive to ferry improvements, although NPF2 goes further still stating that there is likely to be scope for further ferry and hovercraft services for firth crossings and on coastal routes.<sup>19</sup> Some of the options being considered for new fast craft routes in the Clyde have included calls at Rothesay. A review of lifeline ferry services is also promised.<sup>20</sup>

### **Quality environments, tourism and heritage regeneration**

The NPFs make frequent reference to the role that environmental quality, built heritage and cultural life can play in providing a focus for regeneration, as resources that can support economic and social development, and in helping to create strong, positive community identities<sup>21</sup> The NPFs also acknowledge the contribution that tourism and leisure activities make to the economy, noting tourism's symbiotic relationship to the conservation and promotion of the historic environment as well as freshwater and marine environments.<sup>22</sup> This aspect of the NPF is of particular relevance to the Rothesay bid.

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<sup>13</sup> NPF1 para 70, NPF2 para 148

<sup>14</sup> NPF2 para.110

<sup>15</sup> NPF2 Map 9; Community Regeneration Priorities

<sup>16</sup> NPF2 Map 12, NPF2 para 112

<sup>17</sup> NPF1 para 100, NPF2 para 115

<sup>18</sup> NPF1 para 101, NPF2 para 192

<sup>19</sup> NPF1 para 175, NPF2 para 121

<sup>20</sup> NPF2 para 62

<sup>21</sup> NPF1 paras 67 & 93, NPF2 paras 18, 79, 160 & 248

<sup>22</sup> NPF1 paras 40, 109 & 164, NPF2 para 21

Both NPFs consequently call for the sustainable management of environmental resources<sup>23</sup>. The Clyde's rich maritime heritage and the outstanding environmental assets of the Firth is singled out as the basis for a growing tourism and leisure economy in areas to the west of Glasgow.<sup>24</sup>

### ***Coastal areas and energy***

The potential impact of sea level rises on communities and business in coastal areas is highlighted and caution urged in the siting of new development.<sup>25</sup>

### ***The Clyde Corridor Spatial Perspective***

NPF1 identifies the Clyde corridor as a strategic economic development zone where co-ordinated action is required in the national interest<sup>26</sup>. This commitment is re-affirmed in NPF2 with renewed concentration on the strategic growth potential of the Clyde Waterfront and Clyde Gateway<sup>27</sup> and the identification of the Clyde corridor as a national strategic regeneration priority<sup>28</sup>. Government support is being given to a number of Urban Regeneration Companies along the Clyde Corridor, and significant regeneration activity in the form of housing and waterfront developments is taking place in Greenock and Port Glasgow under the auspices of Riverside Inverclyde Urban Regeneration Company.<sup>29</sup>

The Clyde Corridor regeneration area is primarily centred on the Glasgow conurbation, and spreads east as well as west. However, the economic ripples of activities in the Clyde Corridor will undoubtedly be felt further along the Clyde estuary including Rothesay.

### ***Chord projects***

NPF support for Rothesay's case relate primarily to the more general recommendations regarding environmental quality, preservation of the historic environment and tourism development as well as positive statements regarding the Firth of Clyde. They also have prospects when it comes to creating synergies with wider initiatives in the Clyde Corridor.

Whilst all of the Chord projects have the potential to convey benefits on their particular communities, a national dimension is difficult to find in every instance. These two Rothesay projects are consistent with national goals for heritage led regeneration and have the potential to improve the tourist experience of the Firth of Clyde.

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<sup>23</sup> NPF1 paras 11, 56 & 106, NPF2 paras 79 & 146

<sup>24</sup> NPF1 para 158, NPF2 para 258

<sup>25</sup> NPF2 para 87, NPF2 para 242

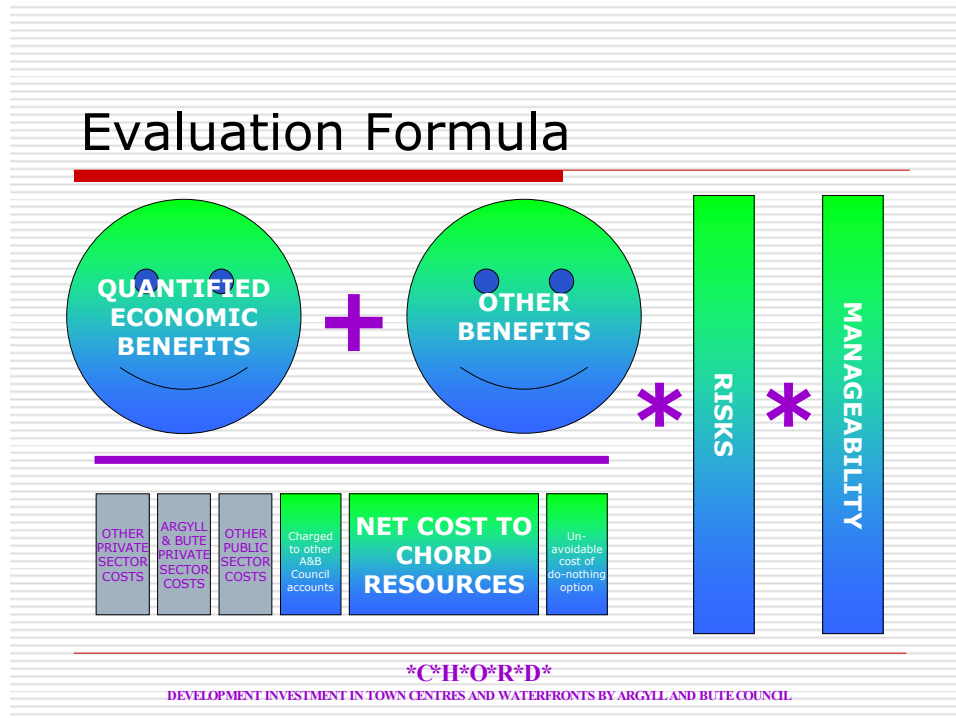
<sup>26</sup> NPF1 paras 107 & 151

<sup>27</sup> NPF2 para 155

<sup>28</sup> NPF2 para 103

<sup>29</sup> NPF2 paras 104 & 257

## Working Paper 8 - Economic appraisals including discounted costs and benefits



### 1.1 Rothesay Pavilion

Valuing the Pavilion has been one of the thorniest and most economically interesting aspects of the study. It appears that nobody has done anything quite like it before, anywhere in the world.

Although suggestions were made that it could perhaps be valued at its insurance value or rebuilding cost, these would not be very helpful for the present project: they are essentially costs, not values, and since we are in essence setting out to rebuild it they would yield a Benefit: Cost ratio of around one.

The point is that we value the Pavilion at much more than its cost, and the question is, how much? As Tohmo points out, debate about support for the arts and culture tends to be about whether they should be supported, not which parts, and how much, and when? Debate about heritage support is mainly about natural heritage, and where it touches the built environment it is usually at least centuries old.

There is no doubt that the appropriate method is *Contingent Valuation*, and most of the arguments (and implementation advice) that Arrow and Solow gave in their 'Marine Commission' review of the Exxon Valdez incident apply.

It is also true that although there are hundreds, possibly thousands of contingent valuations carried out for the environment, there are only a few dozen for culture, heritage and the arts. English heritage found 33 heritage ones, Noonan (2002) found only 57 on the arts and culture.

The only one we could find of a modern building was of a museum in central Finland – and as well as valuing the Aalvo Aalto structure, the local populace were also evaluating the collection and the operation of the museum.

What we do know is that the refurbishment at Bexhill, of Britain's only other Art Deco Pavilion, cost £10 mn and appears to have drawn praise from everybody. From this we can deduce that the political/ architectural/ arts policy consensus would value that building considerably higher than £10mn.

We think ours is about half the size of DLWP Bexhill, it was the second, not the first and (whether fairly or not) was not executed by such famous architects.

We also know that to build something similar (replace the Queens Hall Dunoon) would cost around £13 mn, with no guarantee of architectural quality and aesthetic durability.

Therefore, in the absence of a study, a value approaching £10mn would seem to represent a conservative approach, and we have taken £8 mn. This is what would be called an existence or bequest value.

We think that whatever the outcome of the CHORD exercise, Historic Scotland (and maybe Creative Scotland and HLF) should be urged to conduct a contingent valuation survey.

### *1.2 Visitor Attraction*

The DeLaWarr Pavilion claims 500 000 visitors per year, a figure which would put it in the top ten most visited attractions if it were in Scotland. Bute has about 400 000 overnight stays by tourists per year, and probably about the same number of day visitors. Total tourism revenues are in excess of £45 mn per year from which about £15 mn value added is derived.

Although Bexhill is in the populous South East, it is still two hours from London: Wemyss Bay is less than two hours from Edinburgh.

In view of the striking success of DeLaWarr, and the recent success of the Midland Hotel in Morecambe – another stylish 30s building - it would seem plausible that a properly promoted Pavilion might boost Bute tourism figures by as much as ten per cent, which would yield annual tourism revenues of £4.5 mn, and GVA of £1.5 mn. The latter figure capitalises over 20 years at £20.6 mn.

This is ambitious, and would imply a commitment from the town's tourist folk and citizens to encouraging most visitors to Bute to go to the Pavilion at least once during their stay. But such a commitment does not seem unrealistic, and neither does a good response to it.

### *1.3 Overall Pavilion Value*

The valuation of the Pavilion is inevitably a question of human judgement – of its architectural uniqueness and pleasing aesthetics in an abstract sense, or of its ability, if refurbished and promoted, to attract visitors. The first alone would seem to amount to at least twice the cost of refurbishing it, and the second could amount to several times, and would be spread fairly evenly through the Bute economy. And the 'existence value' and the 'use value' are not mutually exclusive.

### *1.4 THI*

Estimates have been made of the economic value of the THI based on it directly housing 4 households and facilitating (with only 10 per cent additionality and no specific use of funds) the housing of a further 30. The return on the balance (the great majority) of the THI funds has been assessed as in other towns, on the

townscape investment yielding the same returns as it would have earned had the same sum been devoted to retail investment.

### 1.5 Multipliers

Bute is an island, and its fairly self-contained economy will encourage funds to circulate. Multipliers will therefore be higher than mainland communities of similar size. Estimates of 1.2 have been taken for each. A more precise estimate could be made through a modelling exercise, but that is beyond the scope of this project.

### 1.6 Non-quantified benefits

These are estimated to be quite significant, and the economic benefits have been uprated by one third for the pavilion and 30 per cent for the THI.

These are mainly based on heritage, aesthetics and civic pride, and in the case of the Pavilion an allowance for its use by children and community groups.

### 1.7 Scoring assessments

The following are outlines of how the three projects might be 'scored', although it is emphasised that scoring judgments are the prerogative of the scoring consultants.

The exceptionally high score for the THI is because of the large proportion of partner funding as the scheme is envisaged.

PROJECT	Rothesay Pavilion			OVERALL APPRAISAL	5.54
<b>Costs</b> (all sums expressed as capital amounts discounted to 2008, and in 2008 prices. Most amounts are approximate)		<b>RISK</b> (scale 0 negligible to 5 very substantial and decisive)		<b>Manageability</b> (marks out of 10)	6.85
TOTAL cost of project	5				
Unavoidable cost to council of doing nothing	0.93559	Physical risks - building phase	4	Similar things done previously	5
Financial costs to the Council 'CHORD account'	2.1	Physical risks - operation	1	Similar things done well previously	5
Other council costs already committed		Financial risks	2		
Financial costs to rest of public sector		Commercial risks	1	Improved transport links	
Other unequated costs to the Argyll and Bute Community	1.5	Management risks	1	Investment in a high quality public realm ...	10
Costs borne by others outside A&B	0.5	<b>Overall risk rating (1.00= no risk, 0.10= very risky)</b>	<b>0.82</b>	Dynamic visitor offer ...	10
				Clear target markets ...	8
				Economic diversification ...	7
<b>Quantified economic benefits</b>				New coastal leisure activities ...	10
<b>SUPPLY</b>		<b>DEMAND</b>		The surrounding natural environment ...	9
<b>Labour</b>		Additional exports furth of Scotland (exc tourism)		High quality development ...	10
New housing units directly supplied (100% additional)		Additional Scottish sales (exc tourism)		Leadership ...	9
Expected addition to working population				Strategic direction ... re-inventing, diversifying, masterplanning, visioning, guiding ...	9
Capital value of QIA to retirement		Additional spending - 'current population' and retailing, etc		<b>Non-monetised economic benefits and other benefits</b> (scale 0 negligible to 5 very substantial and decisive)	
		Additional spending - additional population		Child-related, 'market based' criteria hard to apply	3.5
New housing units facilitated		Berthing fees		Shared community facilities, esp disadvantaged groups	5
Expected addition to working population		Capital value of associated visitor spend		Civic Presence of Council, engagement of citizens in civic society	5
Capital value of QIA to retirement		Additional tourism - retail and hospitality	61.829	Heritage	5
Additional capital value of QIA to retirement		Additional tourism - other		Culture	5
<b>Capital</b>		Additional final demand (= sum a-h)	61.829	Aesthetics	5
Investment in buildings in course of project		Type 1 multiplier within A&B	1.20	Environment	4
Capital value of QIA product over asset life	8.000	Type 2 multiplier within A&B	1.20	Other sustainability	4
Induced productive (non housing) investment		QIA content %	0.33	Health and wellbeing	2
Capital value of QIA over asset life				Diversity and tolerance	1
Degree of facilitation/additionality				Ethics and religion	1
Additional capital value of QIA over asset life				Spiritual	
		<b>TOTAL DEMAND SIDE = I*J*K*L</b>	29.381	Assessment of non-monetised benefits in relation to quantified economic benefits (ratio)	
<b>Technology/ innovation/ improved quality &amp; competitiveness/ reductions in costs</b>		Use of currently projected un- and under-employed economic capacity		<b>TOTAL BENEFITS</b>	<b>20.70</b>
Capital value of QIA over asset life					
Degree of facilitation/additionality					
Additional capital value of QIA over asset life					
<b>TOTAL SUPPLY SIDE @ QIA level = A+B+C+D+E</b>	8.000	<b>ESTIMATED QUANTIFIED BENEFITS</b>	15.336		

PROJECT	Rothsay THI			OVERALL APPRAISAL	11.08
<b>Costs</b> (all sums expressed as capital amounts discounted to 2006, and in 2006 prices. Most amounts are approximate)					7.30
TOTAL cost of project	1.3				
Unavoidable cost to council of doing nothing		Physical risks - building phase	1	Similar things done previously	8
Financial costs to the Council "GARD account"	0.3	Physical risks - operation		Similar things done well previously	6
Other council costs already committed		Financial risks	1		
Financial costs to rest of public sector	1	Commercial risks	2	Improved transport links	5
Other unequated costs to the Argyll and Bute Community		Management risks	1	Investment in a high quality public realm ...	9
Costs borne by others outside A&B		Overall risk rating (1.00= no risk, 0.10= very risky)	0.93	Dynamic visitor offer -	9
				Clear target markets ...	6
				Economic diversification ...	5
				New coastal leisure activities ...	6
				The surrounding natural environment ...	7
<b>Quantified economic benefits</b>				High quality development ...	9
<b>SUPPLY</b>		<b>DEMAND</b>		Leadership ...	8
<b>Labour</b>		Additional exports furth of Scotland (exc tourism)		Strategic direction ... reinventing, diversifying, masterplanning, visioning, guiding.	10
New housing units directly supplied (100% additional)	4	Additional Scottish sales (exc tourism)			
Expected addition to working population	4			<b>Non-monetised economic benefits and other benefits</b> (scale 0 negligible to 5 very substantial and decisive)	
Capital value of GVA to retirement	1.328	Additional spending - "current population" and retailing etc		Child-related, "market based" criteria hard to apply	2
New housing units facilitated	30	Additional spending - additional population		Shared community facilities, esp disadvantaged groups	4
Expected addition to working population	30	Berthing fees		Civic Presence of Council, engagement of citizens in civic society	4
Capital value of GVA to retirement	0.332	Capital value of associated visitor spend		Heritage	5
Degree of facilitation/additionality	10%	Additional tourism - retail and hospitality		Culture	
Additional capital value of GVA to retirement	0.606	Additional tourism - other		Aesthetics	5
				Environment	5
<b>Capital</b>				Other sustainability	4
Investment in buildings in course of project	0.98	Additional final demand (= sum a-h)		Health and wellbeing	1
Capital value of GVA product over asset life	1.997	Type 1 multiplier within A&B		Diversity and tolerance	
Induced productive (non housing) investment		Type 2 multiplier within A&B		Ethics and religion	
Capital value of GVA over asset life		GVA content %		Spiritual	
Degree of facilitation/additionality	100%			Assessment of non-monetised benefits in relation to quantified economic benefits (ratio)	
Additional capital value of GVA over asset life					
		<b>TOTAL DEMAND SIDE = i*j*k*1</b>		<b>TOTAL BENEFITS</b>	<b>5.06</b>
<b>Technology/ innovation/ improved quality &amp; competitiveness/ reductions in costs</b>		Use of currently projected un- and under-employed economic capacity			
Capital value of GVA over asset life					
Degree of facilitation/additionality					
Additional capital value of GVA over asset life					
<b>TOTAL SUPPLY SIDE @ GVA level = A+B+C+D+E</b>	3.931	<b>ESTIMATED QUANTIFIED BENEFITS</b>	3.900		



## Working Paper 9 - Financial and commercial appraisals include discounted cash flows

Both the THI and the Pavilion projects have been costed to the point that their viability is assured, and professional estimates for the Pavilion have recently been updated. Further detailing will be required for the final business case.

## Working Paper 10 - Benefits register

It should be possible to measure the benefits from this project. In all the towns we are suggesting the Council sets out to do this, and to measure the economic health of the region on a regular basis.. In Rothesay there is an initial difficulty, because the town is so small the baseline is difficult to measure – it fall off the scale of some of the normal measuring surveys and so on. This is not an insuperable problem.

## Working Paper 11 - Draft risk register and risk potential assessment

We think that the risk of finding it *difficult* to renovate the Pavilion cannot be ignored. Beyond that the risks are normal and manageable – see notes and the panel itself.

## Working Paper 12 - Draft nominations for commissioner/stakeholder support

The continuation of the Project Board and its widening to include other interests from Rothesay, from the rest of Bute, and from the wider community would be justified. Links with the creative community at Glasgow, Scottish and UK level would be very sensible – for example Gareth Hoskins, a leading Glasgow architect, designed the Architecture Gallery at the Victoria and Albert Museum, and included in it a model of the DeLaWarr Pavilion. In the case of the Pavilion it should be possible to mount an effective campaign. There is a lot of press coverage, and no shortage of journalists who could be persuaded to spend a weekend in A&B. Some kind of partnership with Bridget McConnell's Glasgow cultural organisation is a possibility, and offers the chance in future of, for example, rotating exhibits from MOMA or the Kelvingrove through the Pavilion. How about installing a dinosaur for the winter?

## Working Paper 13 - Arrangements for post-project evaluation and implementation review

Our monitoring proposals under the benefits register should be included in this. We recommend also a review on completion of the works, and again 6 months, one year and three years afterwards.

## Working Paper 14: DREAM® Detailed Regional Economic Accounting Model and DREAM®people demographic projections

The GVA estimates and demographic projections relied on in the report are from two sources:

- ⊗ DREAM®snapshot is used to provide detailed information on output, GVA, earnings, employment and most other economic variables
- ⊗ DREAM®people is used for demographic projections

The aim of the DREAM® family of products is to provide for regional and local economies the economic information usually analysed only at national level. DREAM® snapshot is the nucleus of the system and for most users provides by far the most detailed picture they have ever have seen of the local economy, fully consistent with all valid summary views that are available. DREAM® is constructed following the European standard ESA95 and the UN convention SNA93. It is fully consistent with the UK national accounts and official regional data from ONS and the Scottish Government, and each DREAM® model is consistent and comparable with the model for every other region and locality.

The basic DREAM®model is not like other economic models, which normally are used for forecasting,

### *DREAM®snapshot*

In principle, DREAM® takes in all the nationally-published economic data on Argyll and Bute, harmonises it and removes inconsistencies and obvious errors, and adds in considerably more detail.

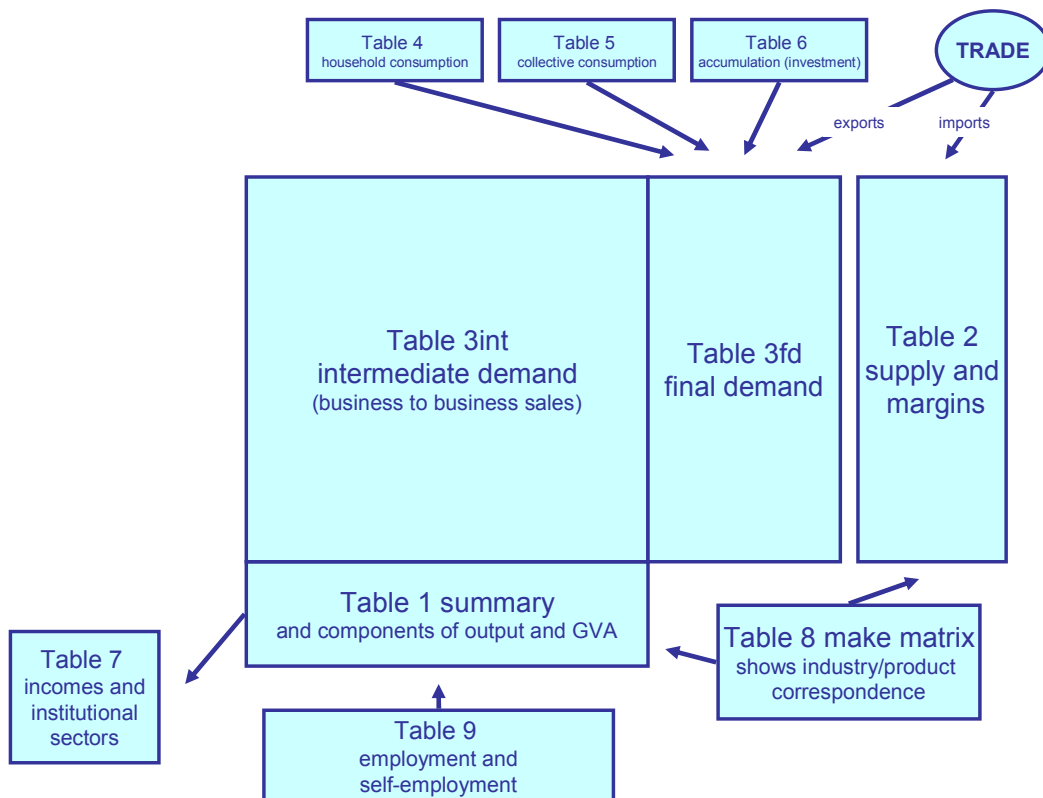
Except for employee totals, the nationally published data is limited: regional accounts data on GVA for the areas which best approximate Argyll and Bute consists of only a 3-way sectoral split (agriculture including forestry and fishing/ production/ other). A 16-sector breakdown of costs and revenues is published by the Scottish Government in Scottish Business Statistics, but unfortunately this does not cover the whole economy and is not consistent with the national accounts. DREAM® makes the necessary adjustments to achieve consistency and combines these with national data at a fine industry level. The resulting model is a detailed picture of the regional economy based on 123 products/ industries specified to cover the entire economy and including:

- ⊗ Sourcing by geography of each product used locally
- ⊗ Markets – by industry and by geography – for each local product
- ⊗ Accounts for each industry, including cash flows, profit and loss and annual investment.
- ⊗ Linkages within and between local industries
- ⊗ Flows of income within the community

- ⊗ Employment by industry, gender, hours and occupation, including self-employment
- ⊗ Spending by local people and businesses, product-by-product
- ⊗ Economic performance measures against national averages and other areas
- ⊗ Market shares, productivity, competitiveness, balance of trade

Primary data is held in a set of 9 tables which reflect the layout of the Supply and Use tables in the UK national accounts:

**Figure 15 Tables in DREAM®Argyll and Bute**



The construction of the main variables is as follows:

### Production

For statistical purposes Europe is divided into a hierarchy of territories. NUTS0 is usually an EU member country, and NUTS1 a major region or constituent country (eg Scotland, Wales, Bavaria), with NUTS2, 3 and 4 being finer and finer subdivisions.

Argyll and Bute consists of three NUTS4 areas: the mainland part of the former AIE area, the island parts, and Helensburgh and Lomond. These are parts of two NUTS 3 areas:

- ⊗ UKM43 Lochaber, Skye and Lochalsh and Argyll and the Islands
- ⊗ UKM31 East and West Dunbartonshire, Helensburgh and Lomond

In the DREAM® model Gross Value Added to NUTS3 for the whole UK level is estimated for 123 industries by an iterative process constraining

initial estimates to Regional Accounts as published for NUTS1, NUTS2 and NUTS3 levels, to the Annual Business Inquiry (employment) at the 4-digit SIC level, to the Annual Business Inquiry (financial) at region by division level and the National Accounts (Supply and Use tables). Additional data is brought to bear in Scotland, Northern Ireland<sup>30</sup> and the Republic of Ireland so that there are more than a dozen sources. The diagram on the following page sets out the iterative process.

For the towns in Argyll and Bute we have then taken the 123-industry breakdown of each NUTS3 GVA, and disaggregated it geographically in line with employment. Special calculations are made for agriculture (employment data is patchy) and for housing (employment not an appropriate basis to split rents and imputed rents).

A similar procedure is followed for Compensation of Employees, also making use of local data from the Annual Survey of Earnings and Hours. This has been used to estimate commuting income.

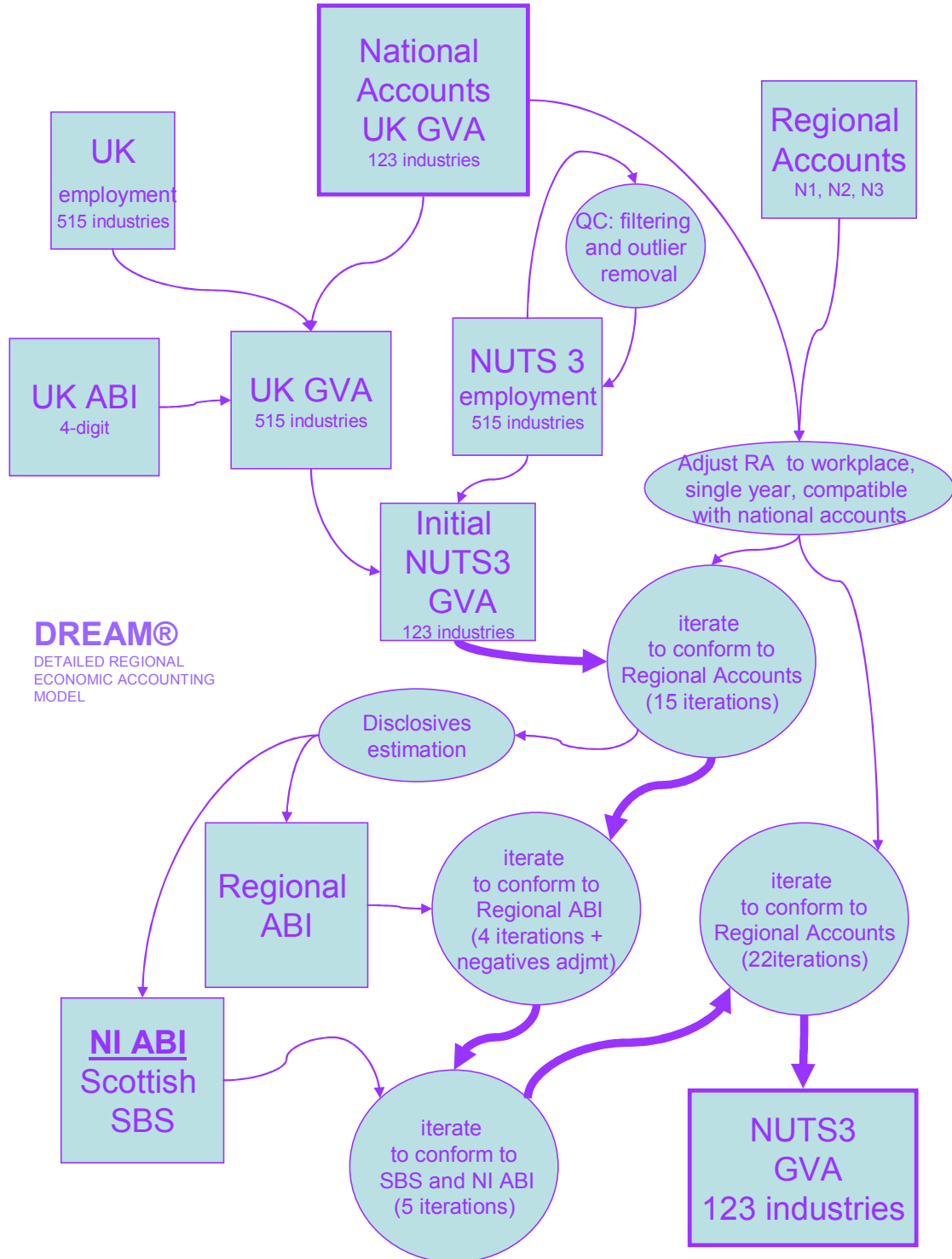
The final estimates are constrained to the national accounts, SUTS, even though the Regional Accounts may not exactly match due to data timing issues, and ABI frequently is significantly different. The differences between ABI and National and Regional Accounts arise because the ABI is only one early source for national accounting data, does not have complete coverage, and the later balancing and adjustment stages take into consideration many other sources. This is especially important in the hospitality industries where national accounts estimates of GVA are about £7bn higher than ABI estimates. Type 2 multipliers (see below) are particularly affected because much of the additional GVA is allocated to compensation of the employed and self-employed.

---

<sup>30</sup> For Northern Ireland the Census of Employment replaces ABI1, interpolated between census years by the Northern Ireland Labour Force Survey. The Northern Ireland Annual Business Inquiry, the Manufacturing Sales and Exports Survey and the Business Insurance Survey are used. For Scotland use is made of the Scottish Input Output Tables and Scottish Annual Business Statistics down to Local Authority level. Irish estimates are based on the Republic's input output tables and national accounts, and re disaggregated only to NUTS2. Trade statistics are constrained to HMR&C national estimates through the national accounts constraints but HMR&C regional figures are used as a diagnostic tool only.



**Figure 16 Iteration procedure for detailed GVA estimates**



About a dozen industrial submodels are also used, in certain industries, normally to identify physical products and disaggregate activities. The industries particularly relevant to Argyll and Bute include

- ⊗ Agriculture by farm type
- ⊗ Forestry by country, activity, maturity and timber type
- ⊗ Fishing between caught (by species) and farmed
- ⊗ Energy: multi industry multifuel sub model including generating mix, disaggregation of oil and gas extraction, refining products etc
- ⊗ Food and drink: additional disaggregation of production and consumption
- ⊗ Timber, pulp, paper etc by product and process
- ⊗ Chemicals: some products identifies and some IO sectors disaggregated to 4-digit SIC
- ⊗ Construction: by activity/market
- ⊗ Hospitality to 4-digit SIC
- ⊗ Education by level

Depending on the client base and the stability or otherwise of the industry, not every industrial submodel is used every year at every geographical level.

### **Absorption**

Households' consumption is estimated to NUTS1 level by disaggregating the national SUTS table (Table 4) using the Expenditure and Food Survey. Below NUTS1 disaggregation is modelled based on household disposable income.

NPISH consumption (Non-Profit Institutions Serving Households) is estimated using demographic and occupational structure, weighting according to the population in appropriate age groups, student numbers from the Census of Population, and employment in higher and further education and membership organisations.

Collective consumption is estimated on a 'who benefits' basis using the Public Expenditure Statistical Analysis (PESA) estimates published by the Treasury.

Regional estimates of fixed capital formation have not been available in the Regional Accounts since 2000. After that date NUTS1 figures are based on ABI2 data and housing statistics, with geographical disaggregation to NUTS3 based on turnover and profits.

Stock changes are allocated based on weights averaging production and absorption.

### **Trade**

DREAM®trade is a complete model of the internal and external trade of Great Britain and Ireland for the 123 goods and services of the United Kingdom IO classification. It is based on production and absorption as

outlined above, together with a DREAM® input output model of the Republic of Ireland, in which production and absorption are informally disaggregated to the Republic's eight NUTS2 areas.

The data sources are national accounts SUTS, Northern Ireland Manufacturers' Sales and Export Survey, HMRC regional trade estimates, the Scottish Input Output tables, which in turn are based on an unpublished origin and destination survey by the Scottish Executive, the SCDI survey of Scottish Manufactured Exports, the Scottish Global Connections Survey, Republic of Ireland Trade Statistics, and United Nations Comtrade Commodity Trade Statistics.

Initial estimates are prepared using the production/absorption estimates as origin-destination values in a 'gravity' model. In such a model the trade between two areas is proportional to the total flows from the origin, the total flows to the destination, and inversely related to the distance between them. The importance of distance is summarised in a 'friction' coefficient.

Origin and destination for each product and territory combination are based on production and absorption above.

The friction coefficient of the gravity model for each product is primarily based on the only official internal trade statistics for Great Britain, the Scottish Executive origins and destinations survey which reports trade between Scotland and the other constituent countries. Where this is problematic (for example if a Scottish trade flow as reported by the Scottish Executive is greater than a UK flow estimated by ONS) some coefficients are imposed based on experience elsewhere, notably the Canadian interprovincial input output tables which are the most detailed intra-national trade statistics in the world.

The distance parameter of the trade model is based on road distances between NUTS3 areas (NUTS4 in Scotland, NUTS2 in the Republic of Ireland). Adjustments based on crossing time and frequency are made for ferry routes. In the case of crossings to Northern Ireland the distance equivalent is an empirical estimate based on the NIMSAES. A 'national border' effect is estimated for the Republic of Ireland.

The trade estimates are then constrained successively to the various sources. The first constraints applied are based on the international trade data and the final constraints applied are the production/absorption estimates again, to ensure consistency with the national accounts. The intermediate data sources are sometimes in conflict (eg Irish exports to the UK differ from UK imports from Ireland) so adhoc adjustment is sometimes needed.

### *DREAM®people*

Every year or two the General Register Office for Scotland produces a set of population projections for Scotland and for each Council area within it. However, as GROS itself emphasises, the population can evolve according to a number of possible scenarios, and the central projections are but one scenario, based on simple assumptions.

DREAM®people is a simple model designed to release those responsible for regional and local planning and policy from the confines of a single centrally-approved projection. It allows them to protect themselves from sudden and apparently arbitrary changes in forecast numbers and to explore the robustness of policy alternatives to different assumptions about the economy, society and the environment.

Making a demographic projection involves making assumptions about how people will behave and how they will make major life-forming decisions. In most places DREAM®people does this in a similar way to the GROS models. In some places it is simpler than the GROS model, and in other cases it is more subtle: most importantly it can be controlled by the user.

<b>Feature</b>	<b>GROS</b>	<b>DREAM®people</b>
Scope	Separate for each gender, ages 0-89 plus '90 and over'. Projects ahead one-year at a time from a fixed base of 2004 and terminates 2027.	All people, ages 0-99 plus '100 and over'. Projects ahead one-year at a time from latest available mid-year estimate and continues without limit.
Births	Scotland level assumption adjusted to reflect regional differentials in fertility rates based on female population	Scotland level assumption adjusted to reflect regional differentials in fertility rate based on total population
Deaths	Scotland-level assumption based on trends in mortality rates (up to age 89), adjusted by age-specific mortality ratio for the locality	Scotland-level assumption based on trends in mortality rates (up to age 99), adjusted by age-specific mortality ratio for the locality
Migration total	Single net number from 2007 to 2027 for each council area – 400 for D&G	Sum of five identified flows as indicated below
Migration by age	Total as above is divided up to reflect the recent age composition of net flows.	<ol style="list-style-type: none"> <li>1. Bellwether migration of 21-33 olds at rates based on labour market</li> <li>2. Prime working migration of 34-49 year olds at rates based on labour market and housing</li> <li>3. 50-67 'end career' migration at rates based on housing markets</li> <li>4. 0-15 child migration based on prime migration and local family size</li> <li>5. Student age migration at rates based on age participation index.</li> </ol>

DREAM®people as a whole has been used for Argyll and Bute and a special version based on datazones for the towns.

Note: although cogentsi has used its DREAM® models on a grace-and-favour basis for the CHORD project, neither the results nor the models form part of any contract between cogentsi and Argyll and Bute Council. Raw data may be Crown copyright where indicated but all information and intellectual property contained in the DREAM® models that is not Crown copyright is the property of Cogent Strategies International Ltd and Hervey Gibson and all rights are reserved.

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## Working Paper 16 - Consultees

The following individuals were consulted during the development of the OBC for Rothesay:

### **Project Board**

Cllr Len Scoullar (Chair)

Cllr Robert Macintyre

Cllr Isobel Strong

Douglas Hendry – Link Director

Jenny Carlile – Conservation Officer

Neil Leckie – Maintenance Manager

Sandy MacTaggart – Head of Facility Services

Kevin Williams – Development Projects Manager

Peter Timms – Bute Beyond 2000

Bridget Paterson – Bute Heritage Landscape Partnership

Alan MacDougall – Fyne Homes Ltd

James McMillan – Pavilion Manager

Jane Fowler – European Officer

### **Individual Consultations**

Alan MacDougall – Fyne Homes

Douglas Hendry – Link Director

Cllr Isobel Strong

Neil Leckie - Maintenance Manager

George Hanson – Builder

Steven Neilson – Harbourmaster

James McMillan – Pavilion Manager

Jenny Carlile – Conservation Officer

Maria Perks – Princes Regeneration Trust

Eileen Rae – Arts Development Officer

Donald Kinnear – Natural History Society

Jane Connor Fowler, Argyll & Bute Council

Arlene Cullum, Argyll & Bute Council

Ewan McPherson, ARDP Officer

Angus Gilmour, Argyll & Bute Council

Fergus Murray, Argyll & Bute Council

Fred Taggart, Princes Regeneration Trust

Ian Buxton, The Edinburgh Consultancy



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RPS  
7 Clairmont Gardens  
Glasgow  
G3 7LW

Our Ref: LS/KR/4113  
Your Ref:  
Date: 22<sup>ND</sup> October 2008

**Dear Sirs**

As Chair of the Rothesay Project Board I am delighted to put forward for consideration the finalised Outline Business Case for the Rothesay Town Centre / Waterfront Projects for which we are seeking a capital investment of £2.4million from Argyll and Bute Council.

The Project Board would like to make the following specific additional comments to supplement the Outline Business Case work carried out by Cogent and by DTZ:-

- With regard to the Pavilion Project, a Planning Day, organised by The Princes Regeneration Trust, was held on 28 August 2008. This has moved the project forward significantly and the PRT's stated view is that they would be optimistic about attracting funding from statutory, lottery and foundation sources. A copy letter dated 3 September 2008 from the PRT is attached herewith for information. The full report is available if required for the purposes of scoring the OBC.
- The refurbished Pavilion would provide an attractive opportunity to franchise out the café to provide a quality café bar open to the public. A conservative estimate of the rental income that could be realised from such a franchise would be £12,500 per annum.
- The redesign of the Pavilion will reflect the Council's aspirations within its Carbon Management plan to reduce carbon emissions by 20% and commit to renewable and sustainable energy use.

The Project Board commends the Rothesay Outline Business Case to the Council. It comprises two Waterfront / Town Centre projects that are affordable, focused, and deliverable. These projects present a unique opportunity to give significant added value to the most important heritage asset owned by the Council as well as the heart of the Council's most important Outstanding Conservation area. These heritage based projects will bring proven and demonstrable economic benefits to the Isle of Bute.

Yours faithfully

Councillor Len Scoullar  
Chair, Rothesay Project Board

E-mail: [len.scoullar@argyll-bute.gov.uk](mailto:len.scoullar@argyll-bute.gov.uk)

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# The Rothesay Dossier

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## Notes pages

These notes are intended to expand informally upon the panels presented in the Dossier itself. They should be compatible with the Dossier.

13 June 2008

**\*C\*H\*O\*R\*D\***

**DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL**

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## Panel 1: The Rothesay Dossier

Rothesay is a beautiful seaside town on a beautiful island, within easy reach of a large and reasonably prosperous metropolis.

It is in a good position to benefit from the revival of seaside towns which is now beginning, and which reflects the combined pressures and opportunities of environmental sustainability and more expensive transport with increased leisure.

Rothesay still attracts about £45 mn of visitor spending per year, and about a third of the town's economy directly serves tourists: probably about a half once multipliers are accounted for.

Historically, economic circumstances have forced the town to wind down, and it has lost people, shops, and is in danger of losing one of Scotland's modern architectural gems: the Rothesay Pavilion. The town centre is in danger of crumbling, and the Pavilion with it. As owner and as local authority, the Council is legally required to maintain the Pavilion. As representative of the community, it has a duty and a mission to revitalise the town centre.

These two projects – restoration of the Pavilion and a Town Centre heritage initiative are the only elements of the proposals. These projects will attract substantial support and interest from the heritage community and from the Scottish Government. Some of this support will be expressed financially: that means that the Rothesay projects show very high benefit/cost ratios and also that they by no means exhaust the CHORD funding, leaving several £ million to contribute to other towns.



## Panel 2: The background

Waterfronts and town centres in settlements across Argyll & Bute need investment to rejuvenate them as the main centres of economic activity within the region. Argyll & Bute Council's Corporate Plan identifies waterfront and town centre regeneration as a strategic priority.

However, the work programme and required investment is huge and hence the Council wish to prioritise its limited regeneration resources in terms of officer time and capital spending on its five largest waterfront towns, namely Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.

Each of these towns had an Initial Business Case produced for them, and at a meeting of the council on the 26<sup>th</sup> September 2007 it was agreed to move each of these forward to an Outline Business Case (OBC) in order to equitably determine a priority for undertaking the work. On 20<sup>th</sup> December 2007, Argyll & Bute Council's Executive agreed to appoint external consultants to help with the preparation of the OBCs using a common format.

Initially £3 mn of Council funding was identified to be spent on priority areas of action. However, as part of the budget setting process additional funding was identified, taking the funding to a total of £10 mn to be distributed as part of this process.

This report is one of five OBCs produced and seeks to put the case for priority funding for Rothesay.

The information in the report includes an economic and social review of the economy of Rothesay and a summary of each of the projects being proposed as part of the investment in the town centre and waterfront area. This summary information is supplemented with more detailed information contained within a pro-forma, each of which are attached as an appendix to the report. The report also examines the interactions between the individual projects and also briefly considers projects or other activities which are ongoing within the town, but do not form part of the specific projects identified for funding.

The Project Board sensibly chose to focus on two Projects that **by no means break the bank**, that make a **substantial difference to the public face of Argyll and Bute**, that help the Council fulfil its **statutory obligations**, and are absolutely ideal for **acquiring enthusiastic partners**.

For each town's proposals, a strategic fit with key strategies is identified, the economic case for undertaking the work is considered and the commercial case in terms of how the project could be put together is dealt with. The financial case considers how the council's finances will be affected, in terms of both revenue and capital funding and finally the management case considers how the individual projects could actually be delivered.

The next phase of this work will be to score each of the town's proposals on an agreed scoring matrix using these OBC reports as the basis for consideration.

### Panel 3-6: Rothesay

The visual impression is a multitude of voids and gap sites and on an early spring morning up along the front and back along the high street and in connecting alleys I reckoned about 30-40 per cent were unoccupied and another 20-30 per cent under-occupied (marginal businesses, charities, welfare organisations, public bodies etc). This is impressionistic, not scientific.

Change of use to residential is part of the answer, but only part as demand for residential is not **very** high. Preserving character is very important and we were alarmed to hear of some of the permissions that local residents believed had been granted.

Traditionally Rothesay has been a holiday home centre for Glaswegians and this seems a useful line to follow, but it would need market positioning and would be quite risky as a private sector investment. It would need to acquire an air of 'fashionability'. I don't know whether improved marina capacity would help – a small flat is quite a useful adjunct to your winter mooring, particularly when your boat is away cruising or out of the water. This idea is obviously making a lot of money for someone at Kip, over the water from Rothesay.

## Panel 7-9: Project 1 – Rothesay Pavilion

The Pavilion is a fine art deco building, listed Class A, which is deteriorating because some of the materials used 70 years ago are failing, and because maintenance expenditure has not been sufficient.

The project aims to:

- Secure the fabric of the building and improve the physical appearance.
- Improve disabled access and provision.
- Retain and build on the requirement for flexible spaces and develop the Pavilion as a simultaneous multi-use venue.
- Retain and extend the community and public sector use.
- Reconnect with users and markets across Scotland and farther afield expanding community, private and public sector and corporate use.
- Retain and enhance the flexibility of the spaces within the Pavilion, a key feature in ensuring its continued suitability as a venue and relevance today.
- Indoor wet weather activities for both residents and visitors
- Improve toilets
- Increase the income of the Pavilion whilst keeping charges appropriate to the market and sustainable.
- Secure the building's sustainability well into the 21<sup>st</sup> Century.

The project is projected to cost in the region of £4 mn to £5 mn.

We have put words in the Council's mouth about promoting the Pavilion as a venue. The team were very fed up to miss the (Trad) Jazz festival this year because we were writing these Business Cases, but the growth of indie/folk/pop and other festivals is an important leisure phenomenon that Rothesay can benefit from and one that would help to entice a young demographic to the island (Trad is, unfortunately, a bit elderly). Saturday night concerts with a built in short break would be attractive to audiences, and artistes would enjoy arriving by helicopter or seaplane. Might need to up the building estimates a little to cope with challenging sound and video.

Another possibility might be Scottish Screen and a 'thirties quarter' for filmic purposes– Bute House would also help out as a country house venue and the availability of open countryside is also attractive to filmmakers. The point is that this is a near-enough-unique asset and there's lots that could be done with it if it is spruced up and made comfortable and reliable.

The Pavilion's 'English sibling' is the DeLaWarr Pavilion at Bexhill on Sea, near Hastings. The De La Warr Pavilion (DLWP) underwent a major refurbishment and re-opening in order to create a sustainable future for the building.

In an article dated December 5th, 2002, The Guardian newspaper refers to the DLWP as changing its Christmas programme in, "a drive to shake off its image as a sad, dilapidated variety palace" and that, "it narrowly escaped conversion into a theme pub". The restoration has just won the South East of England award from the Royal Institute of British Architects:

## Pavilion wins RIBA Award

**We are delighted to announce that the De La Warr Pavilion has been awarded the RIBA South East Region Award 2008 for its recent restoration. Awarded from a list of 23 projects and a shortlist of eight, it will now go through to the RIBA National Awards, to be announced on 27 June 2008.**

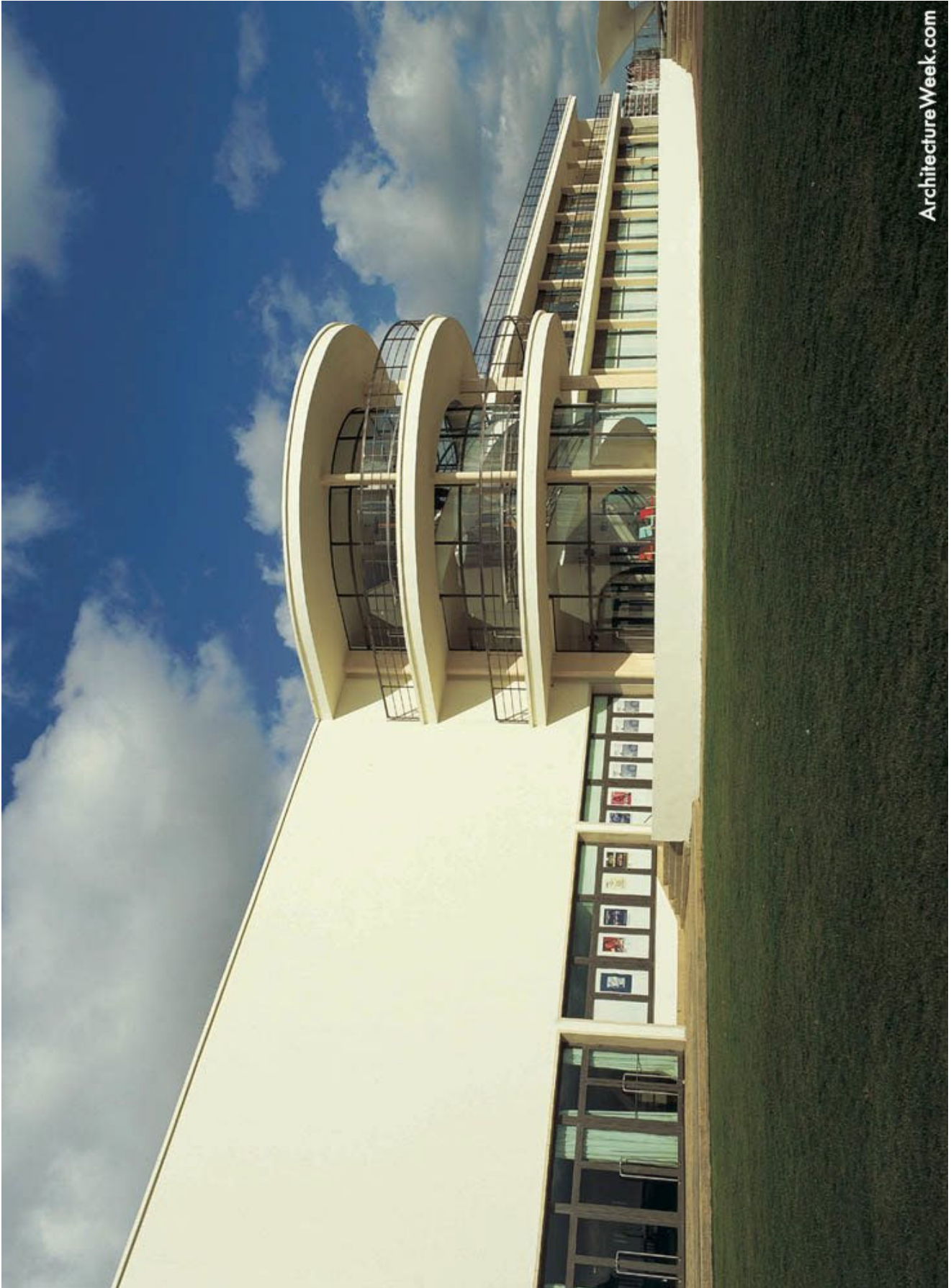
Alan Haydon, director of the De La Warr Pavilion said :

"We are absolutely delighted at the recognition this award brings. The task of redeveloping the De La Warr Pavilion as a centre for modern and contemporary art whilst retaining its unique architectural qualities has been a complex one. The expertise of John McAslan + Partners and their attention to detail has been crucial to the design and build process. Over half a million visits each year and an artistic programme that reflects the building's world class status is clear testimony to the success of this redevelopment. The Pavilion is an integral part of the local community and a catalyst for the regeneration of the region."



The DLWP project is funded by Arts Council England and Heritage Lottery with increasing numbers of Trusts, Foundations, individuals and businesses making significant contributions. DLWP receives revenue funding from a unique partnership of Arts Council England and Rother District Council.

The full story of the De La Warr Pavilion is described in *A Modernist Masterpiece* by Alistair Fairley, available through the Pavilion's [shop 01424 229111](http://shop.01424.229111) or email [boxoffice@dlwp.com](mailto:boxoffice@dlwp.com).



### 1.1 Do-nothing-option

Currently the Council is spending more than £50 000 per year on a level of maintenance which is seeing a steady degradation of the property, and expected to lead eventually to closure on health and safety grounds.

**Table 1 Pavilion costs and projections**

Rothesay Pavilion - Income and Expenditure Results

	Year to 31st March 2005		Year to 31st March 2006		Year to 31st March 2007		Forecast to 31st March 2008		Budget to 31st March 2009	
Manpower Costs	114 949	119 561	129 064	117 000	125 544					
Property Costs	51 047	53 180	44 863	47 000	55 423					
Supplies and Services	40 686	43 929	49 503	48 000	54 547					
Transport costs	1 202	545	417	500	1 458					
Private Contractors	7 719	10 898	14 077	13 000	12 100					
Income	-101 625	-102 467	-116 247	-116 000	-114 954					
Net Expenditure	113 978	125 646	121 677	109 500	134 118					

Source: A&B Council Ref: P222 CHORD/Rothesay/Pavecon

It has been assumed that a lower bound on the cost of the status quo is the present value of property costs, but with these expected to increase in real terms from £55 423 at 2 per cent per annum. The capital value of this discounted over 20 years is £936 000.

## Panel 10-12: Project 2 – THI and CARS

Rothsay town centre is a sad place with many pleasant and a few exceptional buildings surrounding an important ancient monument, the castle. There has been considerable dilapidation to the extent of dangerous building collapses and there are many vacant sites and shops. About a third of the retail capacity of the town is currently void, and there are gap sites even in the (newly) narrowly defined core commercial area.

The new Rothsay THI project therefore seeks to focus on a core of central Rothsay, the waterfront and the immediate hinterland.

This is the area bounded by Guildford Square, Bishop Street, Castle Street and the High Street. It includes:

- The regeneration of Guildford Square
- Improvements on High Street
- Regeneration of the Watergate Block
- Improvement of West Prince's Street
- Improvements to tenements
- Regeneration of St James' Church
- Regeneration of the Rothsay Town Hall and County Buildings (Sheriff Court / Council Chambers)

These are two geographically overlapping, but not exactly coterminous, initiatives to improve the townscape and key properties in some of the most attractive parts of this ancient Scottish town. The options are to increase the pedestrianisation so that attractive historic buildings are not obscured and to have a pro-active plan for development of housing above shops so that the centre of the town is re-populated.

### 1.2 *Economic development benefits of providing housing*

The demographic situation of the town is delicate. Despite an expectation of declining population, new housing is required to cater for modern rates of household formation. People are needed to come and work in the town, because in the long run a wide gap is opening up between the development of population and the expected population of working age.

Thus building a house creates a space for someone to live, and that someone will always bring demand to the town and may, if they are of working age, increase the supply capacity of the town's economy.

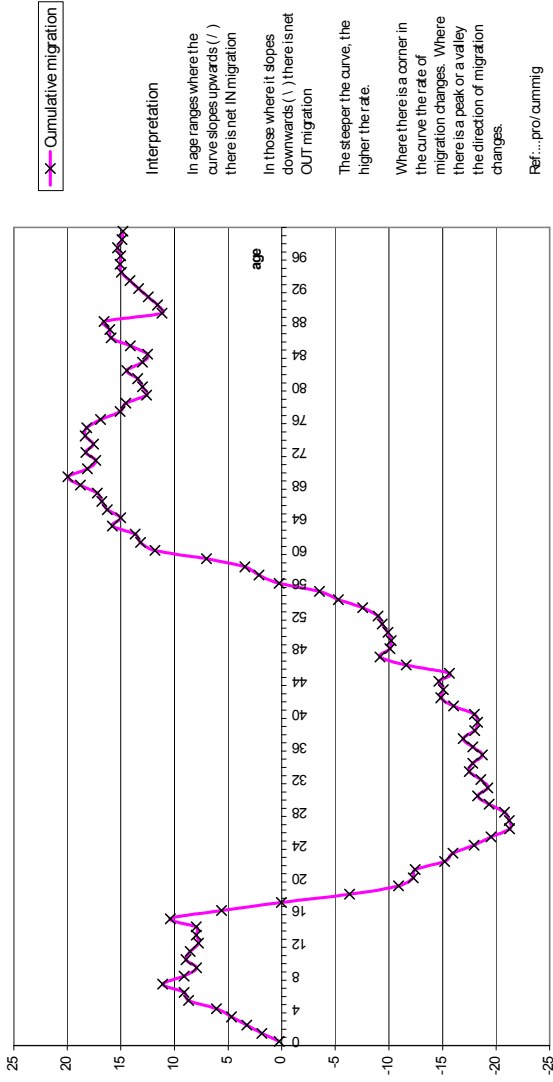
A person moving to Argyll and Bute at the start of a full working life at average wage has expected earnings of approximately £400 000 and will create added value of £700 000 (both discounted at 3.5 per cent).

However, most people do not move in at the start of their career, and in general the local economy is not in a position to provide a steady stream of early-career jobs. When we break down migration by age we find net in-migration in Rothsay starts in the mid-30s age group and continues at a steady rate into old age.

Figure 1 Cumulative net migration by age

Cumulative net migration by age

Rothesay



So an appropriate assumption is required to cover the average in-migrant, at whom – whether directly or indirectly – housing provision is addressed. For simplicity the ‘value’ to the economy of the person who occupies a housing space has been taken as that appropriate to 16 years working life. This is based on the calculation that net in migrants have 35 and 0 years, say on average 16.

Thus the value of the contribution of the adults accommodated in a new housing unit is  $1.7 * 700 * 16 / 40$  which rounds to £480 000.

This leaves finally the question of how important is the provision of housing: we could make the assumption that in a position of housing shortage it is critical: but in the case of Rothesay, whilst there are quality and mix issues there is not really a capacity issue. Arbitrarily we suggest £240 000 as a suitable compromise figure.



### 1.3 The economic value of £1 mn invested in improving the shopping area<sup>1</sup>

A key question in any public sector investment is 'Is it additional or is it deadweight?'. In other words, is this investment really making a difference, or is it just paying for something that would have occurred anyway?

Often improvements made to shopping streets and even individual shop fronts will be additional, in the sense that they would not occur without public sector intervention (and in point of fact have not occurred despite ample opportunity). In the case of improvements to individual shops in relatively low income areas this is because often the shops wouldn't have done it anyway, either because they lack funds to do their own shop fronts, or (in the view of some civic societies and even town planners) they lack the motivation, taste and coordination to do it appropriately.

In more general cases, the improvement is additional because it is a widely-shared public good, like sorting out the pavement or street lighting, which no individual or single company is likely to fund. In both these cases the 'additional' improvements usually benefit local people and possibly attract tourists by providing a more pleasant or striking shopping experience. This makes the shops more competitive, generating higher sales with greater added value and employment. To a small degree it makes the town a better place to live.

Even if the improvements are not 'additional' then the shopkeepers would in principle have done them anyway, but they and the local community of course still benefit directly at the expense of the wider community that is providing the funds. If they are in a particularly disadvantaged situation this may be fair enough.

We have estimated the additional value on the basis that it will yield the same return as an average investment in UK retailing. This is perhaps generous, as no public sector project is likely to be so well-focused on retail GVA as an investment by the retailer himself - but after a history of under-investment it should not grossly exaggerate the takings.

#### 1.3.1 Putting figures on this

If a butcher invests £1 mn in sausage machines, and they produce a zillion sausages per year, and sausage materials cost so much a ton and sausages sell for so much, it is *reasonably* easy to work out the benefits arising from the investment (Perhaps if you don't look too close, like counting the cost of the cholesterol induced heart attacks ... ..).

But if a shopkeeper invests so much in new shelving to display goods better, or in new facades to attract people into his shop ..

Or if a Council invests so much to attract people to shop in a town centre....

As explained above, in the CHORD project we have valued town centre ambience projects aimed at predominantly shopping environments at the same yield rates that would apply to general retail investment.

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<sup>1</sup> © COGENT STRATEGIES INTERNATIONAL LTD 2008

A workbook sets out retail and related value added and investment in the UK from 1992 to 2004. The value-added average of £38.9 bn (at 1995 prices) can be compared with the national accounts estimate of capital employed in the distribution and hospitality industries of £220 bn (at 1995 prices) (2001 Blue Book).

This would suggest that investing £1 mn in these industries yields on average £177 000 per year in additional value added. The capital employed figure is equivalent to nearly 18 years' average capital investment, or to investment over the preceding 20 years or so. As a conservative measure we have discounted the benefits over 15 years at 3.5 per cent, in which case the present value of £177 000 is £1.93 mn (Microsoft excel npv function).

Thus the immediate benefit: cost ratio of investment aimed at retailing is almost 2:1. This is excluding multipliers, and assuming all funding for the investment comes from the Council. Since in this case it does not the B:C ratio will be higher by the amount of leverage

## 1.3.2 National accounts data

### Figure 2 National Accounts

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average 1992-2004
<b>Distribution and hospitality investment</b>														
Retail investment - national accounts	4054	4273	4149	5096	4872	5538	7164	5933	6200	6304	6770	6013	6375	5602
Retail gross margins - national account	4452	4534	49184	51144	54184	56918	60687	65002	68392	71083	73291	75711	78559	61095
Retail value added - national accounts	31621	31980	33198	33651	34934	36215	38281	40632	42336	44879	46024	47804	47804	38888
Retail employment costs - national acc.	20280	20195	20482	20654	20564	20861	22066	23232	24277	24963	25485	26323	27546	22840
Taxes less subsidies on profit (mainly f	2571	2478	2484	2426	2391	2667	2740	2908	3035	3216	3269	3267	3378	2871
Gross operating surplus, including self	8770	9317	10232	10571	11389	12687	13475	14591	15024	15547	16126	16433	16881	13157
Inv/GVA	12.8%	13.4%	12.5%	15.1%	13.9%	15.3%	18.7%	14.6%	14.9%	14.4%	15.1%	13.1%	13.3%	14.4%
Inv/profits	46.2%	45.9%	40.5%	48.2%	42.8%	43.7%	53.2%	40.7%	41.9%	40.5%	42.0%	36.6%	37.8%	42.6%
<b>Hospitality investment - national acco.</b>														
Hospitality gross margins - national acc.	34148	35565	36503	37872	40198	41522	44509	46187	48882	50185	51641	52570	56005	44276
Hospitality value added - national acc.	14487	14522	15162	16108	17562	18884	20694	22116	23162	23729	24293	24858	26447	20156
Hospitality employment costs - nation;	9769	9769	10073	10697	11508	12188	13156	14098	15358	16062	16282	16637	17228	13334
Taxes less subsidies on profit (mainly f	945	912	710	750	921	831	899	894	1123	1194	1293	1282	1383	1017
Gross operating surplus, including self	3753	3841	4378	4661	5134	5967	6639	7023	6880	6473	6718	6958	7337	5805
Inv/GVA	13.7%	10.2%	10.0%	16.6%	16.8%	16.6%	16.2%	16.7%	16.8%	15.7%	13.0%	10.5%	10.6%	14.1%
Inv/profits	52.9%	38.4%	34.5%	57.5%	56.5%	53.6%	50.6%	52.7%	58.4%	57.4%	46.8%	37.5%	38.1%	48.9%
<b>Wholesale investment - national acco.</b>														
Wholesale gross margins - national acc.	2311	2578	2824	3065	2854	3647	4271	3618	3339	3502	2997	2641	2206	3086
Wholesale value added - national acco	51890	54094	54456	58740	62986	68991	74982	78578	79554	81367	77116	77266	79643	66205
Wholesale employment costs - natione	27136	27072	28002	28613	29555	31488	33842	34903	35392	36447	34487	35277	36705	32232
Taxes less subsidies on profit (mainly f	16116	16468	17484	17707	17330	18163	20009	21853	23633	24732	23866	23987	24592	20457
Gross operating surplus, including self	1003	964	941	986	1104	1080	980	1035	1142	1231	1008	968	1029	1037
Inv/GVA	9.1%	9.9%	10.3%	10.7%	9.3%	10.9%	11.5%	9.4%	8.4%	8.3%	7.3%	6.1%	4.8%	8.9%
<b>Motor trade investment - national acco</b>														
Motor trade gross margins - national a	635	683	672	717	764	864	1017	1029	1066	1049	1140	1262	1182	929
Motor trade value added - national acc	20890	21683	22583	23507	24494	26705	28368	30027	30043	31046	31517	33473	34284	27588
Motor trade employment costs - natio	7333	7559	7912	8177	7851	8032	8387	9559	9948	10634	11208	11556	11974	14016
Taxes less subsidies on profit (mainly f	822	849	808	835	905	807	739	697	678	641	566	626	624	738
Gross operating surplus, including self	3284	3116	3332	3435	3464	4211	4533	4549	4195	4440	4271	4783	4862	4037
Inv/GVA	6.0%	6.2%	5.7%	5.8%	6.0%	6.2%	6.8%	6.3%	6.4%	5.8%	5.9%	6.1%	5.4%	6.0%
<b>Total investment - national accounts</b>														
Total gross margins - national accounts	8985	9010	9155	11557	11389	13187	15808	14284	14596	14570	14053	12522	12561	12437
Total value added - national accounts	44452	45634	49184	51144	54184	56918	60687	65002	68392	71083	73291	75711	78559	61095
Total employment costs - national acco	31621	31980	33198	33651	34934	36215	38281	40632	42336	44879	46024	47804	47804	38888
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Gross operating surplus, including self	8770	9317	10232	10571	11389	12687	13475	14591	15024	15547	16126	16433	16881	13157
Inv/GVA	30.5%	29.4%	28.3%	34.3%	31.5%	34.2%	37.9%	31.8%	30.7%	28.9%	26.2%	22.2%	21.0%	28.8%
<b>Deflator 1995-100</b>														
Total at 1995 prices	0.932	0.959	0.976	1.000	1.035	1.064	1.090	1.107	1.123	1.154	1.195	1.227	1.251	
	9299	9325	9474	11961	11787	13647	16361	14783	15106	15080	14544	12960	12999	

Source: UK National Income Accounts (UKBLEBOOK) and ONS Ref: P222/retail etc investment.xls

**Panel 13: The strategic case**

The slides make the point: the Pavilion is a unique shop window, an important asset, and a statutory obligation. The town centre is in dire need of a brush up, after which it can again be a very pleasant place to live and visit. Both projects are very good ways for the Council to make friends

### Panel 14-16: The economic case

Valuing historic buildings is something that economists will tell you we know how to do: there are various techniques that economists use to place a monetary value on assets such as the historic environment, which are not traded in a market and therefore don't have a market price. Sometimes we can deduce what value people place on an asset by observing how they behave towards it (eg, do they visit it) but, if that is not appropriate, essentially the method favoured is to ask people how much they are willing to pay to preserve such and such...

Surprisingly, although the first application of this 'contingent valuation' method was for an historic house in America it has hardly been used for this purpose in places as far afield as Argyll and Bute. Environmentalists have latched on to it (we have used it to look at the value of nature reserves <http://www.scotland.gov.uk/Publications/2004/06/19426/38109> and the impact of wind farms on tourism <http://www.scotland.gov.uk/Publications/2008/03/07113554/0>), and there have been some urban area studies, but generally not iconic buildings.

After an extensive search, and consulting senior people in UK organisations and eminent economists around the world, the most comprehensive applied report we found was the outcome of a project led by English Heritage, and also supported by Heritage Lottery Fund and two UK government departments - the Department for Culture, Media and Sport and the Department for Transport. As HLF put it: 'It was commissioned because all these organisations recognised that no in-depth review of environmental economic valuation studies concerned with the built historic environment had ever been carried out before.'

The report claims to review all the studies that have been undertaken by environmental economists, looking at how much people value the historic environment. It found (by 2005) only 33 studies across the entire world, and it provides detailed reviews of 26 studies carried out by economists working in the UK, US, Italy, Spain, Mexico, Canada, Morocco, Peru, Switzerland, Bulgaria, Norway and Croatia. All the studies are concerned with built heritage, including cathedrals, townscapes, historic buildings and houses, medieval towers, monuments, public squares, canals, shipwrecks and archaeological sites.

However, the study warns that the coverage is limited to a handful of assets that are distinct from each other. You cannot generalise from one study to another. It is very difficult to transfer values of heritage assets from one circumstance to another - indeed it places so many hurdles and criteria in the way of transferring values that we would say that they exclude Rothesay Pavilion. And the report emphasises that more recent heritage is particularly poorly covered by existing studies - most studies are about buildings that are very old, and quite often of religious significance.

Even if someone had valued the nearest building equivalent, DeLaWarr Pavilion in Bexhill (which they haven't), one would have to say that Rothesay is smaller, in a less populous area, harder to access, a 'second' not a first ...

What we do know is that there is a strong consensus that the (approximate) £10 mn spent on restoring and developing the DLWP was well worthwhile, and so we can infer that the Pavilion was worth more than this.

We think this is an interesting area of research, but that isn't very helpful to this project. In the absence of a study, our guess would be a willingness-to pay value of a few million for the pavilion: but it's little more than a guess..

The leverage is so good on the THI that it would be seriously remiss of the Council to give up the opportunity to bring in these partners. It should be an open-and-shut case even if the CHORD money wasn't available and it had to be funded out of revenue.

### Panel 17: The commercial case

It is anticipated that there will be no commercial elements essential to the refurbishment of the Pavilion: however one could go hunting for a sponsor (The Rolls Royce Pavilion Rothersey? The Iron Bru Pavilion?).

There may be commercial elements to the THI project. These will need to be addressed in a final business case, but by and large they are routine 'property trading' type matters with CPOs probably featuring. Some of the gap sites are, with neighbouring near-derelict properties, big enough to interest developers but the small population doesn't help.

**Panel 18 – The financial case**

The Projects being put forward for CHORD can be categorised in 5 ways in terms of their effect on the Council’s finances, as shown in Figure 3.

**Figure 3 Categorisation of projects based on effect on council funding**

Categorisation	Description
A – Public sector investment (No Payback)	A straightforward public sector investment that is essential as part of the overall infrastructure/support to the project and where no related payback can be identified. Capital investment in this category will count against the £10m provided in the Council capital plan.
B – Public sector investment (With Payback)	Similar investment in public sector infrastructure as above but where the investment can be related to the release/development of a specific asset or other project and the effect is a full or partial payback of the initial investment. Where a full payback is achieved then this expenditure will not count against the £10m available in the capital plan. Any unfunded element of a partial payback will count against the £10m.
C – Business Opportunity (Requiring Pump Priming)	Some projects will be viable business opportunities on an ongoing basis but will require initial pump priming. Where the Council is to make the initial investment of pump priming then this will count against the £10m available in the capital plan.
D – Business Opportunity (Joint Venture)	Some projects will be viable business opportunities without any requirement for pump priming. However in some cases there may be a benefit from the project being delivered on a joint venture or partnership basis. Any investment by the Council should be off set by a return or payback in later years and as a result does not need to count against the £10m available in the capital plan. The nature of the joint venture or partnership will need to be assessed in the OBC eg develop and lease, develop and operate partnership.
E – Business Opportunity (Standalone)	Some projects will be viable business opportunities without any requirement for pump priming or partnership. There will be no role for the Council in the financing of these. These will not count against the £10m available in the capital plan.

At one end of the spectrum this involves projects which are fully funded by the Council with no direct pay back and at the other end, projects which are entirely business opportunities requiring no Council financial intervention. There is a range of other scenarios in between these two financial situations.



Sources of grant funding have been identified wherever possible. Many of the projects require greater definition of elements and outcomes in order for the grant opportunities to be explored in greater detail. In addition, many grant sources are currently in a state of transition and many programmes are not developed to a stage whereby the eligibility of the projects can be assessed in more detail. However the most likely sources have been identified below with input from the Councils Funding Officer and European Manager.

The **Pavilion redevelopment** is likely to fall under category A – Public sector investment. The nature of the building is that it is unlikely that a commercial developer would be interested in refurbishing the facility. However, if it was refurbished then the public sector would be able to expect increased income through increased usage. Increased income is unlikely to cover repayment of capital costs. The project is projected to cost £4-5 million. The Princes Trust is involved in the Pavilion project and is highly supportive of the work being taken forward here. The involvement of this organisation is recognised as a mark of excellence in a project and can assist in achieving grant funding. Grant funding may be available from the following sources;

- Historic Scotland’s Building Repair Grants Scheme for buildings of “outstanding architectural or historic interest”. Grants are no more than £50,000 and local authorities are only eligible up to 40 per cent. A very special case would need to be made for the Pavilion arguing for a higher than normal level of grant based on its particular heritage and the cost of specialist repairs.
- A HLF grant of £950,000 has been mentioned in the Pro forma for this project through the HLF Heritage Grants. The HLF is already making a big investment in Bute through the Landscape Heritage Partnership Programme. Additional investment in the Pavilion would therefore require a demonstration of added value.
- Scottish Arts Council (SAC) has a Capital Programme and a programme for public art – if the Pavilion building has a major arts content it may be eligible for £250,000 at the moment but this may increase under the new body – Creative Scotland which is a merger of SAC and Scottish Screen.
- SportScotland – Building for Sport – may allow funding of up to 50 per cent if the building has a major sports content.
- Funding From Trusts – Robertson Trust - Contributed to funding of Aqualibrium and may be worth approaching regarding the Pavilion
- Foundation for Sports and the Arts – if the project is arts or sports related.
- Funding from Individual Donors - It may be possible to source funding from individual donors for the Pavilion.
- Rothesay may attract funding from Highlands and Islands Enterprise because of its Fragile Area status.
- ERDF - could potentially assist with the building if it had an end use possibly involving the interpretation of the natural and cultural heritage, which could be demonstrated to be sustainable commercially and contribute to an increase in visitor numbers. A restaurant on its own would not be sufficient. Any income generated by the business would have to be offset against the grant.

- Leader – may be able to assist activities which contribute to the themes of Revitalization of Communities and Progressive Rural Economies. Leader supported projects must have a strong element of community involvement and cooperation between communities.
- Interreg – This international cooperation programme can assist with large projects with a strategic impact and a Transnational cooperation element. For the Rothesay projects to benefit they would require to be part of a larger bid encompassing a number of locations. Transnational projects take time to put together and require a number of very committed partners.
- The Atlantic Area Cooperation Strategy has a category for conserving and promoting Atlantic cultural heritage of transnational interest.

The suitability of these grants will require further assessment as the projects develop further. The enhanced Pavilion will offer additional opportunities – for example the Cafe franchise has been estimated to yield a potential £12 500 annual income to the Council, capitalising at £0.12 mn, which can be deducted from the council contribution.

The **Townscape Heritage Initiative** is likely to fall under a range of the categories. Part of the project would include work on the public realm, with no direct payback (i.e. Category A), while other elements would include refurbishment or construction of buildings which would need assistance from the public purse to varying degrees to make them viable with the aim of achieving an end use which would attract some return.

(See Commercial Case )

The possible grant opportunities for these projects are listed below;

- Historic Scotland’s Building Repair Grants Scheme for buildings of “outstanding architectural or historic interest”. Grants are no more than £50,000 and local authorities are only eligible up to 40 per cent.
- Historic Scotland are keen to see combined Townscape Heritage Initiative (THI) (Heritage Lottery) and Conservation Area Regeneration Scheme (CARS) (Historic Scotland) projects going forward and may favour this approach in Rothesay. A Conservation Area Appraisal and management plan must be in place before a THI bid is made. Both THI and CARS schemes involve an intervention rate of 50 per cent.
- Rothesay may attract funding from Highlands and Islands Enterprise because of its current Fragile Area status.
- ERDF – There appear to be few opportunities for funding for the townscape activities through this source, unless there was an identified outcome/end use relating to economic growth and built/cultural heritage.
- Leader – may be able to provide support activities which contribute to the themes of Revitalization of Communities and Progressive Rural Economies. Leader supported projects must have a strong element of community involvement and cooperation between communities.

- Interreg – This international cooperation programme can assist with large projects with a strategic impact and a Transnational cooperation element. For the Rothesay projects to benefit they would require to be part of a larger bid encompassing a number of locations. Transnational projects take time to put together and require a number of very committed partners. There are a number of areas of cooperation under Interreg as listed below where applicable.
- The Atlantic Area Cooperation Strategy (Interreg IV) has a category for conserving and promoting Atlantic cultural heritage of transnational interest.
- The Northern Periphery Programme (Interreg IV) has an objective relating to improving sustainable development in peripheral regions by strengthening urban-rural relations and enhancing regional heritage
- The ERDF Objective 3 Interregional Cooperation Programme INTERREG IV C has a category under Priority 2 Environment and Risk Prevention which has a sub theme of cultural heritage and Landscape.

The suitability of these grants will require further assessment as the projects develop further.

### Panel 19: The management case

The projects themselves will require conservation-sensitive management. Our professional view is that the Pavilion could benefit from highly proactive marketing: a marketing plan would need to be drawn up, and could be part of a highly active destination development strategy for Bute.

## Panel 22: Risk register

All developments have some degree of risk. This risk register seeks to identify the nature of the key risks and the procedures which could be put in place to reduce their likelihood of occurring and the impact if they do occur.

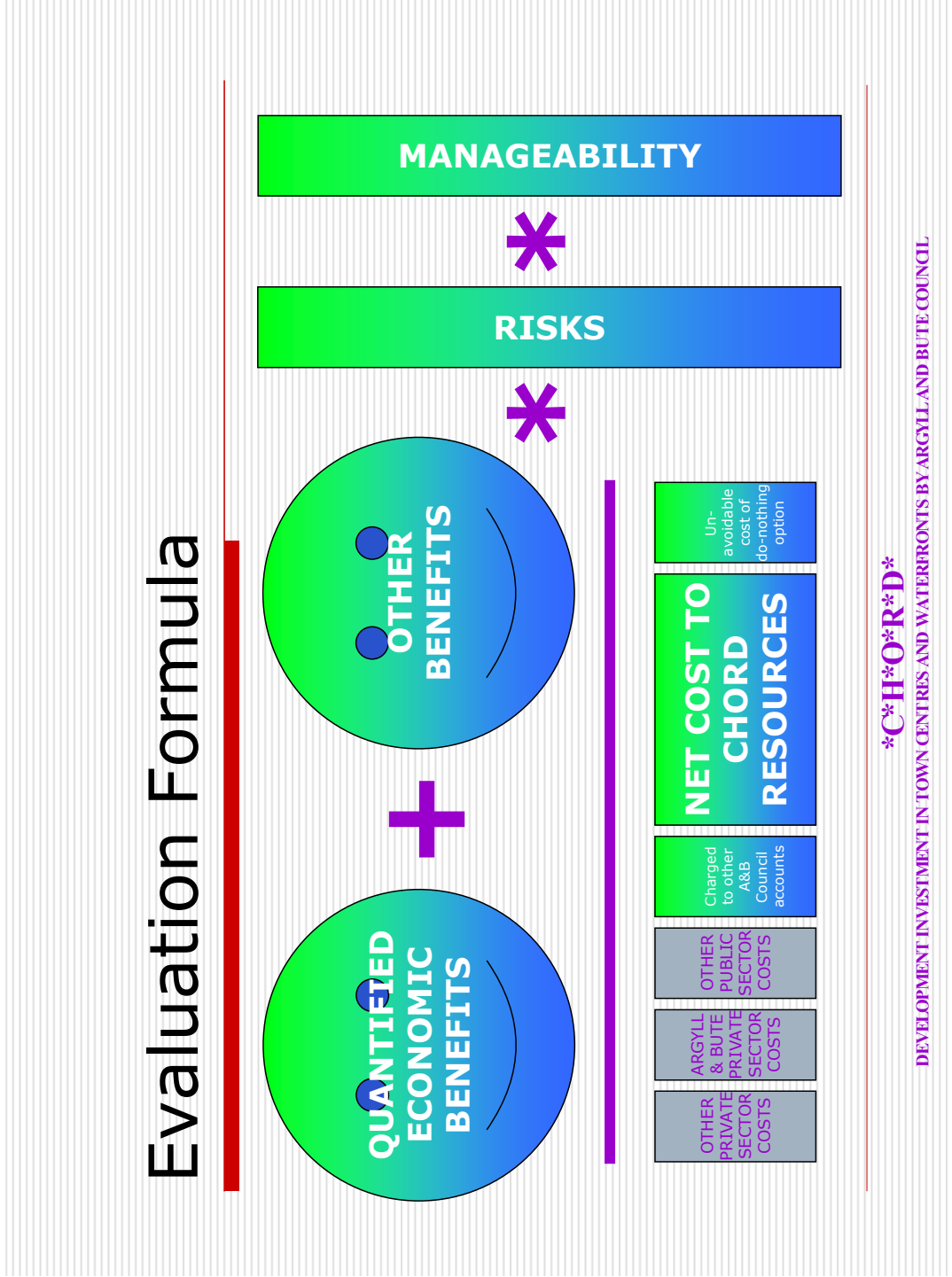
<b>Project to which risk relates</b>	<b>Nature of the risk</b>	<b>Risk rating</b>	<b>Actions to mitigate the impact of the risk</b>
Pavilion	Necessary repair work more extensive than originally envisaged, leading to cost and / or time overruns.	High	Minimise financial risk to the Council through careful wording of the restoration contract which does not leave all the risks with the Council e.g. financial penalties in place for late completion. Ensure a contingency fund is in place for unexpected works.
Pavilion	Unable to get specialist building personnel necessary to undertake the work.	Medium	Liaise with DeLaWarr Pavilion staff and key agencies, such as Historic Scotland, to identify potential bidders.
Pavilion	Existing community users of the Pavilion unable to find alternative premises during the refurbishment, leading to them closing.	Medium	Consult with community groups at an early stage to identify their requirements and identify appropriate alternative accommodation to allow them to continue to operate.
Pavilion	Accommodation becomes unsuitable for existing users once refurbishment complete.	Medium	Work with likely affected groups to identify new, permanent homes for their activities.

<b>Project to which risk relates</b>	<b>Nature of the risk</b>	<b>Risk rating</b>	<b>Actions to mitigate the impact of the risk</b>
Town Centre THI / CARS schemes	Match funding cannot be secured or funding partners pull out of the project.	High	<p>Work closely during the development phase of the project with potential key funders to understand their criteria and hence maximise the chance of a successful bid.</p> <p>Seek and maintain the backing of groups with influence over funding decisions, such as Prince's Regeneration Trust.</p>
Town Centre THI / CARS schemes	Inflationary pressures in building and restoration costs reduces the value of the funding pot, hence reduces the scope of work possible.	High	<p>Take professional advice on likely building costs over the next few years and build in a contingency to cover some over runs in costs.</p> <p>Prioritise projects so that if works cost more than predicted then there are lower priority projects which can be removed from the scheme whilst still maintaining a coherent package.</p>
Town Centre THI / CARS schemes	Ownership uncertainty and disputes delays progress of implementing project	High	<p>Identify properties with potential ownership issues. Determine if likely that these issues can be resolved or whether it may be necessary to adjust the scheme at the outset to remove these buildings from the scheme.</p>
Town Centre THI / CARS schemes	Disruption to town centre traders during the developments, leading to loss of trade	Medium	<p>Work with local traders and business groups to ensure the impact of any disruptions is minimised.</p>
Town Centre THI / CARS schemes	Lack of demand for newly renovated premises acquired by the Council as part of the scheme.	Medium	<p>Ensure widespread promotion of the new opportunities available in Rothesay as a result of the schemes to raise interest in the properties amongst potential purchasers.</p> <p>Liaise with estate agents to understand the demands within the local commercial property market.</p>

**Panel 23: Benefits register**

The idea of monitoring these fragile local economies so we can see if benefits are getting through, and have early warning if they are not, seems to us an important one. We hope the Council will follow it up.

Panel 24: A balanced appraisal



The diagram above summarises the evaluation formula that is to be applied to the projects in this dossier. More detail is provided in the working papers to this dossier and in the CHORD project working paper 'Assessing business cases'.



## Panel 25: Backup and boilerplate

1. Rothesay Economic Profile – cogentsi
2. Rothesay Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM@people demographic analysis and projections for Rothesay and Argyll and Bute - cogentsi
4. Project Proforma – Rothesay Pavilion
5. Project Proforma – THI and CARS
6. Conformity of Rothesay CHORD proposals with Argyll and Bute Planning policies – Smiths Gore
7. Conformity of Rothesay CHORD proposals with Scottish Planning and Economic Strategies – Melica and cogentsi
8. Economic appraisals including discounted costs and benefits
9. Financial and commercial appraisals including discounted cash flows
10. Benefits register
11. Draft risk register and risk potential assessment
12. Draft and nominations for commissioner/stakeholder support
13. Arrangements for post-project evaluation and implementation review.
14. List of references
15. List of consultees

### Panel 26: Rothesay – the best choice for Argyll and Bute

The advantage to the whole of Argyll and Bute of only using part of the money must be substantial. The main points from the final slide are repeated here for convenience:

The Pavilion project is a top priority because it offers a very substantial benefit, and also because the Council would have to spend funds anyway to fulfil statutory obligations and to maintain its most important heritage asset: the net additional cost is low

The town centre initiative has exceptionally high Benefit: Cost ratios. The THI/CARS funding mechanism which will regenerate the town centre is a highly effective way of leveraging in Lottery and Government funding

As the Pavilion and Town Centre projects interact, the impact on a small town will be quite dramatic ...

... and will come at a time when Rothesay and Bute can seize the opportunity, as patterns of leisure and tourism are swinging back in favour of such places. Leisure trends are turning Rothesay's way, but investment is essential to seize the opportunity.

Funds spent in Rothesay will have a high impact and help to turn round one of Argyll and Bute's 'shop window' communities.

The allocation of resources by the Council is likely to lever in significant external funding – that's good for the projects, but also good in itself for the Argyll and Bute economy.



# The Rothesay Dossier

This dossier sets out an outline business case for Argyll and Bute Council to invest in Rothesay's town centre and waterfront. The dossier consists of three parts:

- Twenty six panels outlining the business case
- A set of notes on the panels expanding the discussion and providing additional evidence
- A number of working papers (listed on Panel 25) which have contributed to the development of the case

**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.**

Fri, 22 August 2008

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DEVELOPMENT INVESTMENT BY ARGYLL AND BUTE COUNCIL

1

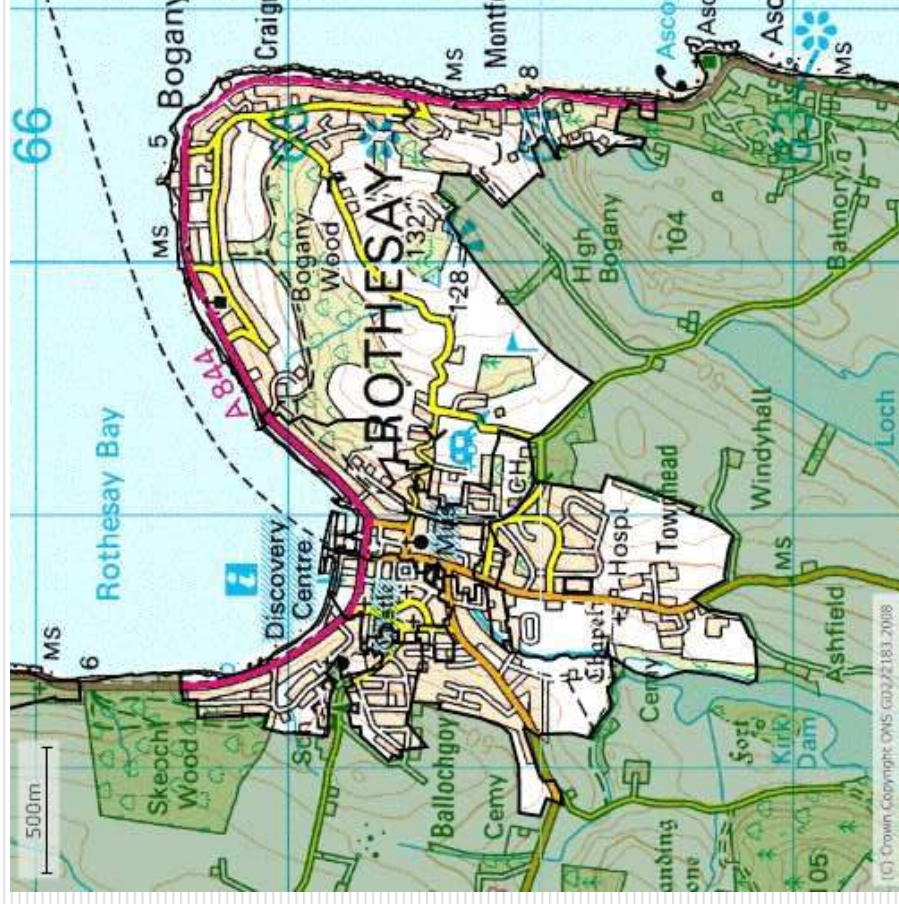
## The background

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- Argyll and Bute Council is planning to invest £10 mn in town centre and waterfront development. Rothesay is one of five candidate towns for these funds.
- 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
- Although there are other candidates, these two initiatives have been selected as significant and achievable.

# The town of Rothesay

- With a population of 5722 (9 datazones) Rothesay is by far the largest settlement on the island of Bute, which has a total island population of 7300.
- From Victorian seaside tourism it has diversified to include small scale manufacturing and some service exports. A new educational complex including schools and Argyll College is the largest cluster of public services.
- This is one of the busiest ferry routes within Scotland with a ferry departure every 45 minutes for Wemyss Bay on the mainland and thence by rail to central Glasgow. A second ferry provides a frequent service from Bute to the Cowal peninsula.



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The crucial economic issues in Rothesay are

- 1) Out-migration of young people
- 2) Side effects of ageing population
- 3) Adding value through attracting tourism

- The loss of a third of its older teenagers each year is the most problematic issue facing Rothesay in the long term. Higher education and early-career places are limited, but the town is attractive enough to attract in-migrants in all other age groups.
- Historical declining population has removed one of the major incentives for new investment, buildings have become vacant, with some becoming derelict.
- Tourism continues to be a draw, although less of it is made up from overnight visitors: the most prospective *overnight* markets are short breaks and special events.



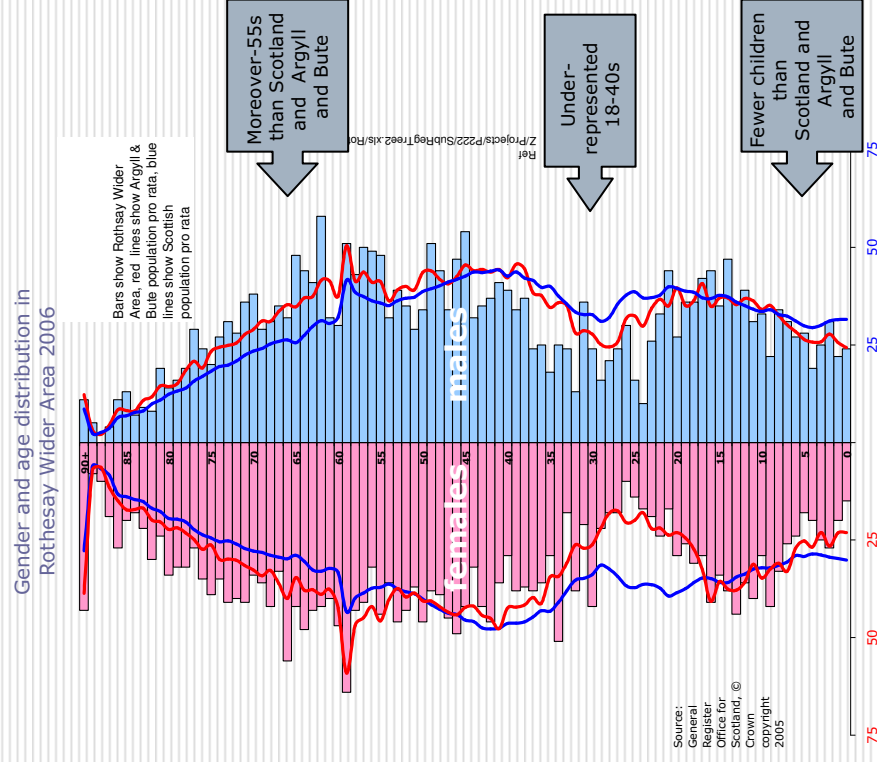
Above: Community celebrations in Rothesay

Below: Town centre dereliction in Rothesay



## The people balance

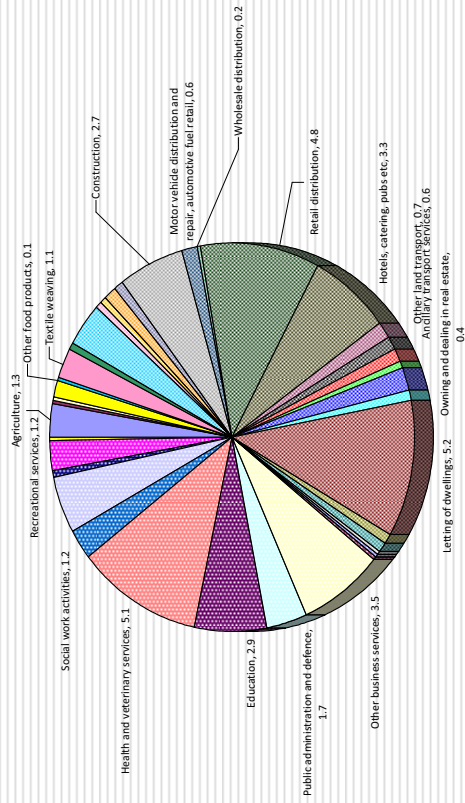
- Rothersey's age distribution exaggerates the special features of Argyll and Bute's: it is short of people below the age of 50, and very long on those above.
- This has arisen through out-migration of people aged 16-26. In every other age group there is either net in-migration or a balance.
- End career in-migration (over-50s) is stronger than in other towns and while the population will decline slowly, it will also get older.
- The dependency ratio of pensioners to working age people is higher than elsewhere and likely to rise higher still, underlining the need to attract and keep younger people.



# The local economy is a residential and tourism economy

- Services make up about 80 per cent of the Rothesay economy, with retailing, hospitality, recreation and property services all oriented to visitors as well as to local residents.
- Agriculture remains significant in Bute, and Rothesay has some manufacturing, a call centre, the headquarters of a sizeable housing association and a range of retail outlets.
- There has been no significant new investment in retailing in years. New retail units that were built as replacements after a significant building collapse have largely been let as service offices, many to public and voluntary bodies.
- Significant investments have been made in new ferries and new terminal facilities, and additional harbour improvements are under way.

Rothesay GVA £46 mn



Above: Paddle steamer Waverley approaching Rothesay with Pavilion in background

Fri, 22 August 2008

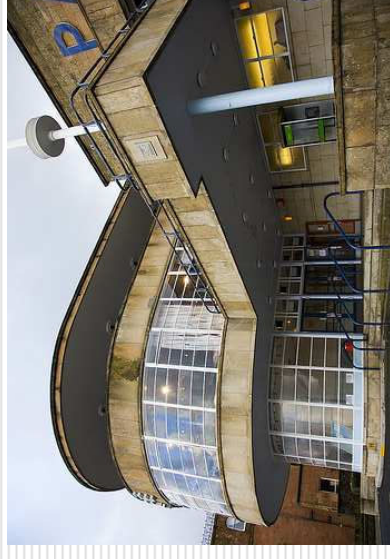
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## Project 1 – Rothesay Pavilion

- The Pavilion is a fine art deco (Modern Internationalist) building, listed Category A, the only one in Scotland, one of only two in the UK, and a few in Europe.
- It is deteriorating because some of the materials used when it was built 70 years ago are failing, and because maintenance expenditure has not been sufficient.
- The Council has statutory obligations both as owner and as Local Authority to maintain the building and prevent its deterioration.



Above: Pavilion building from outside

Below: Inside of main hall in Pavilion



# Make good ...

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The project aims to:

- ❑ Secure the fabric of the building and improve the physical appearance.
- ❑ Improve disabled access and provision to comply with current and future legislation.
- ❑ Retain and build on the requirement for flexible spaces and develop the Pavilion as a simultaneous multi-use facility.
- ❑ Retain and extend the community and public sector use.



# .. and enhance the role

- Reconnect with users and markets across Scotland and farther afield expanding community, private and public sector and corporate use.
- Retain and enhance the flexibility of the spaces within the Pavilion, a key feature in ensuring its continued suitability as a venue and relevance today.
- Provide indoor wet weather activities for both residents and visitors.
- Improve toilets.



# Ambition is appropriate ...

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- Increase the income of the Pavilion whilst keeping charges appropriate to the market and sustainable.
- Secure the building's sustainability well into the 21st Century.
- Develop and promote the Pavilion as a multi purpose destination in its own right.
- Develop and promote the Pavilion with impresarios and artistes.
- Develop complementary facilities in the town – e.g. streamlined accommodation booking linked to concerts and events in the Pavilion.

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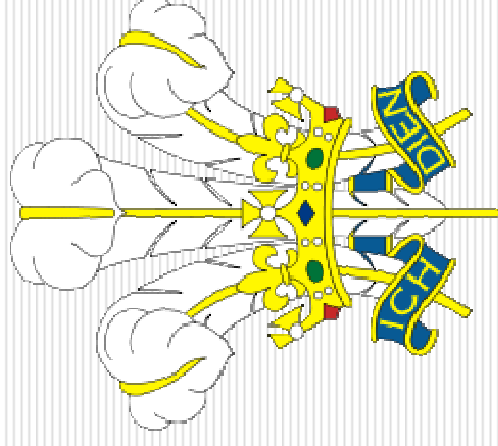
**10**

# Potential and partners

- ❑ The project is projected to cost in the region of £4.0 mn to £5.5 mn.
- ❑ Historic Scotland and the Prince's Regeneration Trust are both very supportive in restoration. Although neither has substantial funds of their own available they may be instrumental in gathering support from elsewhere.
- ❑ Additional funding will be sought.
- ❑ Prince's Regeneration Trust said: *"The right development project would have a catalytic effect on the regeneration of the town, providing major public and community benefits"*.

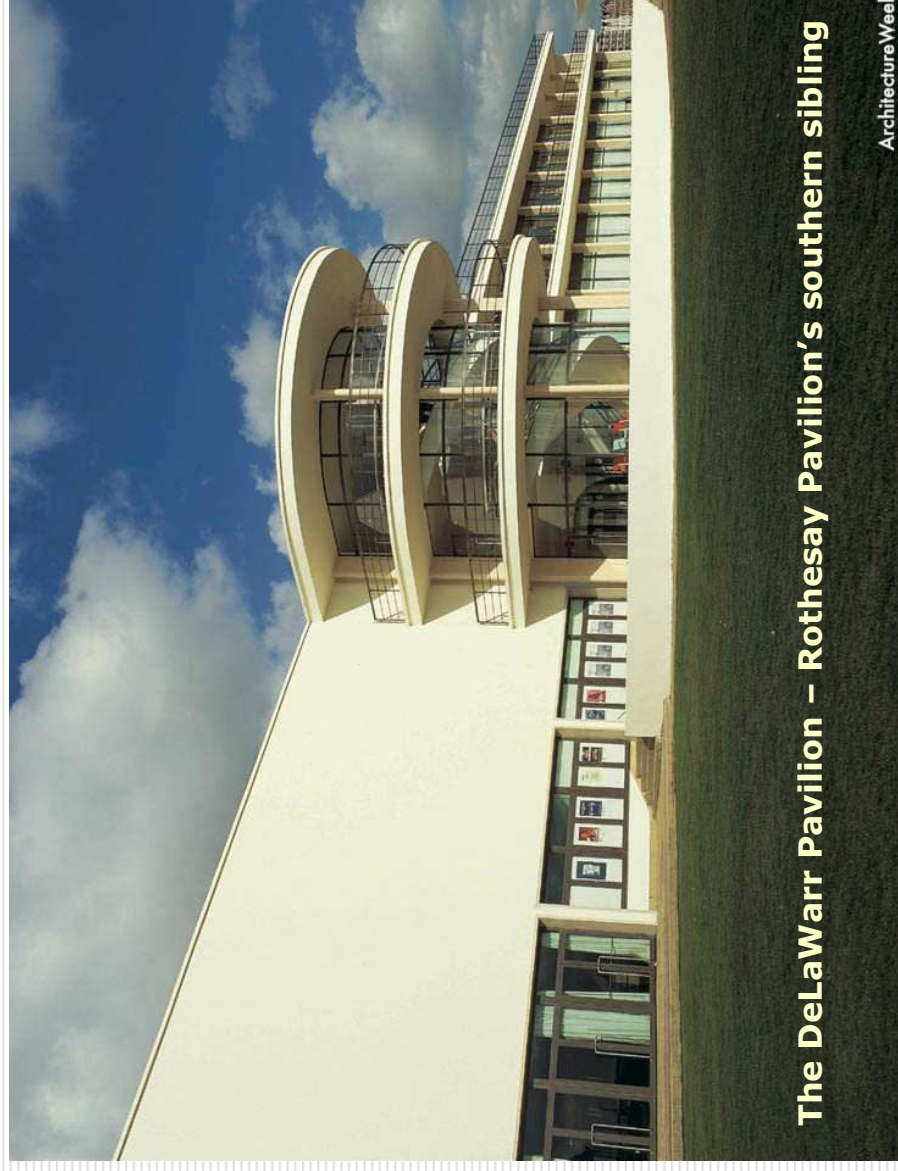


DeLaWarr Pavilion Bexhill



# What £8 mn could do for Bexhill ...

- The DeLaWarr Pavilion at Bexhill in Sussex is the only comparable building in the UK.
- It won the 2008 prize of the Royal Institute of British Architects for its recent restoration.
- The Patron of the DeLaWarr Pavilion is HRH the Duchess of Rothesay (appearing under her English title Duchess of Cornwall).
- The Pavilion has approximately 500 000 visitors per year.
- Speaking in Edinburgh, shortly after a recent visit to Rothesay the Prince said:
  - **"I hope my Foundation for the Built Environment and my Regeneration Trust can work with the Civic Trust to find ways to encourage heritage-led regeneration."**



The DeLaWarr Pavilion – Rothesay Pavilion's southern sibling

ArchitectureWeek

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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

# Project 2 – Townscape Heritage Initiative (THI) and Conservation Area Regeneration Scheme (CARS)

- Buildings in Rothesay town centre are deteriorating and the town centre's retail centre is contracting.
- Both private property and the public realm have a 'tired' appearance, to the detriment of the people using the town centre and of the traders and public services located there.
- A previous Government policy led to shops in quite a wide area being left vacant. Now the 'core commercial' area has been reduced and it is hoped that outlying empty premises will be converted to residential or other use, but this needs a trigger.



Above: Gap site in Rothesay town centre

Below: Rothesay's main shopping street

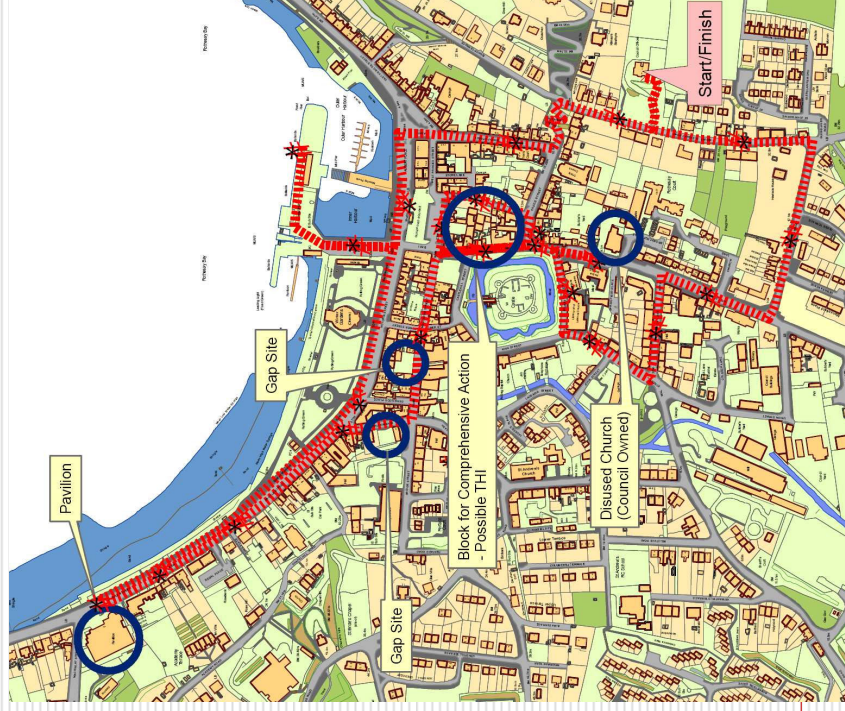


# Thoroughgoing regeneration ...



Specific proposals include:

- The regeneration of Guildford Square
- Improvements on High Street
- Regeneration of the Watergate Block
- Improvement of West Prince's Street
- Improvements to tenements
- Regeneration of the former Rothesay Sheriff Court / Council Chambers



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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL



## The strategic case

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- ❑ Rothesay was approaching its heyday in 1938 when the Pavilion was built. Times were good ... .. until changes in holiday patterns, with the advent of cheap flights increasing access to sun and sand, undermined Rothesay's traditional role as holiday and second-home location for Glaswegians.
- ❑ Investment in and maintenance of many of the town's assets was deterred by the downward slope in population and economy. This is still the case today.
- ❑ Nevertheless people still like Rothesay very much... ..it attracts in-migrants on a net basis in every age group except 16-26, where the wider education and career opportunities attract people to the cities.

## ... strategic case (continued)

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- The economy has successfully maintained worthwhile diversifications, transport capacity is being enhanced above the current level of 750 000 passengers per year, and tourism trends are moving in favour of the seaside town again. Rothesay's prospects are good.
- Architecturally the Pavilion is a unique selling point, and properly restored it can capitalise on this as a venue and as a centre for community functions – and there is no escaping the Council's statutory obligations to do *something* about it.
- The town centre requires re-integration so that it operates as a functional whole - gaps need filling, disused buildings brought into use and the entire area re-presented to the visitor and the would-be resident.

## The economic case – benefits and costs

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- As a unique building, the ‘existence value’ of the Pavilion will be substantial. However, while there have been a number of UK and Scottish studies of the existence value of natural and environmental features (such as sites of special scientific interest) we could trace none for heritage buildings other than cathedrals, archaeological sites, or broader ‘districts’ – such as entire town centres. Indeed only a few dozen valuation studies for built heritage have been carried out in the entire world.
- The benefits of integrating the town centre will appear mainly in terms of what services the improved centre offers: primarily retailing and some housing. The advantage from the community’s and the Council’s viewpoints is that these benefits can be obtained with substantial partial funding from elsewhere. Benefit to cost ratios on the Council’s funds are very high.
- The two projects support each other substantially. A relaunched Pavilion will attract day and overnight visitors, who will spend money in the shops. People who visit Rothesay on a holiday or short break will use the Pavilion.

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## The do-nothing option

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- The Pavilion is a Category A listed building. This imposes statutory obligations on the Council as its owner not to allow it to fall into disrepair. ...
- There is plainly a spectrum of mend-and-make-do options, but this approach is unacceptable and unsustainable. At present fittings and concrete surfaces are beginning to fall off the building, causing visual degradation. Despite spending of more than £50 000 per year on property costs, there is a substantial backlog of unmet maintenance needs, some of which could threaten public safety. Toilets and disabled access do not meet legislative requirements.
- Without a catalyst in the form of investment, decline in the town centre would continue and gap sites remain unfilled. Maintaining in-migration with an unappealing and inefficient town centre is a difficult task, as other places in Argyll and Bute and Scotland have found.

## The commercial case

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- The commercial essence of the Pavilion case is to gather grant-aid support where appropriate, in order to minimise the cost to the Council of work and to achieve the maximum impact for the relaunch of the Pavilion when refurbished.
- The Townscape Heritage Initiative scheme has been scoped at £1.3mn, of which £300 000 would come from the Council and the remainder from Historic Scotland and the Heritage Lottery Fund. A small-scale matching grants scheme for shop refurbishment is envisaged in the THI and individual properties will be acquired and resold (several under CPO), so there also will be additional funding from private sector sources.

## The financial case

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- These two projects will absorb only a small part of the Council Town Centre and Waterfront regeneration funds, while having a dramatic effect on one of the region's archetypical and 'shop window' towns.
- Depending on what can be raised the requirement for the Pavilion may be around £3 mn and, assuming successful applications, £300 000 for the Townscape Heritage Initiative
- There is a possibility of some enhancement of revenue if the Pavilion is successfully promoted as a venue.

## The management case

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- Refurbishment of the Pavilion is a conservation project requiring a high quality of professional management.
- In addition, promotion of the refurbished asset as a multi purpose destination (for example as a festival, concert and filmic venue) could play a critical role in Rothesay's regeneration.
- An outline masterplan would provide a strategic background to the THI and CARS and help to ensure that new investment through the initiative came quickly and effectively into use.

## Risk register

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- There are normal risks of project overrun in time and money.
- The availability of specialist construction resources may present a problem.
- The need to vacate the Pavilion building during restoration may threaten the short term operations of some of the existing activities.
- Where the Council acquires (CPO or otherwise) premises in THI/CARS there is a risk that suitable occupiers will not be easily found.



## Benefits register

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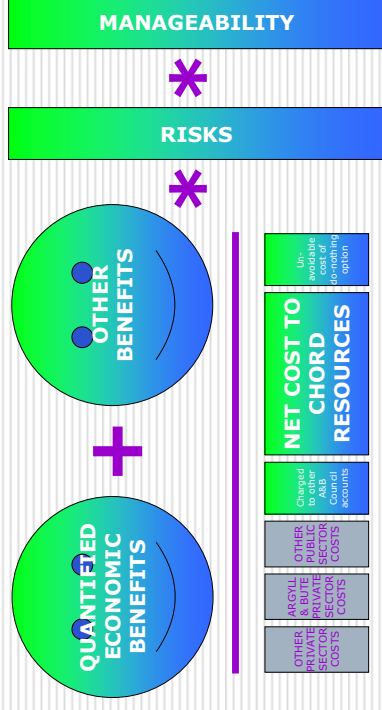
- It is suggested that a contingent valuation exercise is conducted to ascertain the value the wider community in Scotland and abroad puts on the existence of the Pavilion. The Scottish Government can be approached to fund this as it has funded similar valuations in the environmental domain. The benefit that the project will achieve is the continuance of one of Europe's, Scotland's and Argyll and Bute's most distinctive assets.
- The major benefits of the THI will be realised through increased turnover and employment in the retail and hospitality sectors and the Council is recommended to set in place a system for monitoring this and the overall prosperity of Rothesay and Bute. Such a system could include a quarterly tally of retail turnover, unemployment tracking, and monitoring of employment vacancies advertised in the local press and via JobCentres. It could be summarised in an annual 'health of the island' report, covering not only population and economic wellbeing but other aspects of Bute life.

# A balanced appraisal

□ Preservation and enhanced use of the Pavilion is clearly an economic benefit, but one that cannot be readily quantified on the basis of existing knowledge. It is likely to be very substantial. The **opportunity cost** to the Council is much less than the £5 mn currently estimated for the refurbishment, because as owner the Council has statutory obligations to maintain the building and as an authority it is required to enforce those obligations.

□ If the Townscape Heritage Initiative can be considered to yield similar benefits to retail investment of similar funds, it offers additional GVA to the town of £230 000 per year, a 5 per cent increase on the current total. The present value (over 15 years) of this is £2.5 mn, so the Benefit to Cost ratio on the Council’s contribution of £300 000 is better than 8:1

## Evaluation Formula



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DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

# Backup and Boilerplate



## CHORD PROJECT WORKING PAPERS

1. Rothesay Economic Profile – cogentsi
2. Rothesay Property and Retail Market Review – Smiths Gore and cogentsi
3. DREAM® people demographic analysis and projections for Rothesay and Argyll and Bute - cogentsi
4. Project Proforma – Rothesay Pavilion
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10. Benefits register
11. Draft risk register and risk potential assessment
12. Draft and nominations for commissioner/stakeholder support
13. Arrangements for post-project evaluation and implementation review.
14. References
15. Consultees



## BACKGROUND AND PREPARATORY STUDIES

1. Argyll & Bute Structure Plan
2. Argyll & Bute Finalised Draft Local Plan Maps
3. Argyll & Bute Modified Draft Local Plan Written Statement
4. Working with Argyll & Bute's Built Heritage
5. Argyll & Bute Council Corporate Plan 2007-2011 and beyond
6. Initial Business Case – Rothesay Town Centre and Waterfront
7. Argyll & Bute Data Set
8. Rothesay Pavilion – A Brief Profile
9. An Economic Strategy for Argyll and the Islands
10. Beyond 2000 – Working Together for our Future
11. Bute Amphitheatre: An Introduction
12. Discover Bute Landscape Partnership Scheme Business Plan
13. The Building Rehabilitation Strategy for Rothesay
14. Social, Economic and Environmental Benefits
15. Public Sector Business Cases Using the Five Case Model: a Toolkit
16. The Outline Business Case – Project and Procurement Support for Local Authorities
17. Townscape Heritage Initiative



## BACKGROUND AND PREPARATORY STUDIES CONT.

19. Appraisal and Evaluation in Central Government – The Green Book
20. A Smart, Successful Highlands and Islands
21. Rothesay Settlement – Economic Overview
22. Rothesay Conservation Area Inspector's Report
23. The Island of Bute
24. Dunoon Street Guide
25. Operational Programme – European Territorial Cooperation Objective
26. Heritage Lottery Fund Application
27. Scottish Small Towns Report 200-2013
28. A Smart, Successful Scotland
29. National Planning Framework for Scotland
30. Conservation Plan for Rothesay Pavilion Volumes 1 & 2
31. Interreg IV Operational Programme
32. National Planning Framework for Scotland Monitoring Report
33. Taking the Initiative in Bute Beyond 2000
34. Development Options and Business Plan for Rothesay Pavilion
35. Rothesay Pavilion Development Plan
36. The Scottish Government Economic Strategy
37. The Case for Rothesay – Isle of Bute
38. Visit Scotland Accommodation Guide
39. Report: The West Church

Fri, 22 August 2008

**\*C\*H\*O\*R\*D\***

DEVELOPMENT INVESTMENT IN TOWN CENTRES AND WATERFRONTS BY ARGYLL AND BUTE COUNCIL

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## Rothesay – the best choice for Argyll and Bute

- The funds requested are relatively small in the light of the overall CHORD provision if allocated would allow the Council to address other corporate priorities
- The Pavilion project is a top priority because it offers a very substantial benefit, and also because the Council would have to spend funds anyway to fulfil statutory obligations and to maintain its most important heritage asset: the net additional cost is low
- The town centre initiative has exceptionally high Benefit: Cost ratios . The THI/CARS funding mechanism which will regenerate the town centre is a highly effective way of leveraging in Lottery and Government funding
- As the Pavilion and Town Centre projects interact, the impact on a small town will be quite dramatic ...
- ... and will come at a time when Rothesay and Bute can seize the opportunity, as patterns of leisure and tourism are swinging back in favour of such places. Leisure trends are turning Rothesay's way, but investment is essential to seize the opportunity.
- Funds spent in Rothesay will have a high impact and help to turn round one of Argyll and Bute's 'shop window' communities.
- The allocation of resources by the Council is likely to lever in significant external funding.

Fri, 22 August 2008

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