

LORN ARC – UPDATE REPORT AS AT 16th JULY 2015**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update the OLI Area Committee on progress in delivering the Lorn Arc Tax Incremental Financing Programme and its 9 capital infrastructure investment projects led by Development and Infrastructure Services. The attached Highlight Report (Appendix A) outlines the current position of the projects as at the 16th July 2015.
- 1.2 This paper also reports on key issues that will impact on the successful delivery of the projects from design development stage through to procurement and implementation.
- 1.3 This report sets out the envisaged timelines for the three projects within the Lorn Arc programme and provides a brief synopsis of the current position relating to each of these projects.
- 1.4 Of particular note, the Lorn Arc programme requires the first material investment in one of the sub-projects to be made before the end of September 2015. It has been determined that this first material investment should be the construction of an access road to facilitate the development of a new business park on Council owned land adjacent to Oban Airport (Project 9). Start-up costs were approved for this project by Policy and Resources committee on 5th February 2015. Planning permission has been granted for the proposed access road. A Full Business Case (FBC) assessing the merits of implementing this project has been produced and approved by Policy and Resources Committee on the 14th May 2015. The finalised design of the road has been completed and procurement has taken place, with the outcome being delivery through our own Roads and Amenity Services team, ensuring that work can begin on site prior to the end of September deadline.
- 1.5 Budget: Detailed below is the current budget position for both the revenue and capital approved budget allocations.

REVENUE	£	
Total approved funds	1,607,000	
Total project spend to date	27,379	
Balance	1,579,621	
CAPITAL	£	
Total approved funds	1,388,000	
Total project spend to date	103,000	
Balance	1,285,000	

- 1.6 It is recommended that the OLI Area Committee:-

- Note the current progress with the Lorn Arc Programme.

LORN ARC – UPDATE REPORT AS AT 16th JULY 2015**2. INTRODUCTION**

- 2.1 This report provides an update to the OLI Area Committee on progress in delivering the Lorn Arc Tax Incremental Financing Programme and its capital infrastructure investment projects led by Development and Infrastructure Services. The attached Highlight Report (Appendix A) outlines the current position of the projects as at the 1 July 2015.
- 2.2 The paper also reports on key issues that will impact on the successful delivery of the projects from development stage through to procurement and implementation.

3 RECOMMENDATION

- 3.1 It is recommended that the Policy and Resource Committee:-
- Note the current progress with the Lorn Arc Programme

4. DETAILS

- 4.1 The envisaged timeline for start dates for each of the nine projects within the Lorn Arc programme are set out in table 1 below.

Table 1 : Capital investment start dates			
TIF Asset project	Construction start date (financial yearly quarter – Q1-4)		
	15/16	16/17	17/18
1 - Lorn Rd / Kirk Rd Improvements, Dunbeg		Q4	
2 - Gateway Features / Traffic Calming, Dunbeg		Q4	
3 - Halfwayhouse Roundabout / Dunbeg Development Road, Dunbeg		Q4	
4 - South Oban Development Zone			Q4
5 - North Pier Extension, Oban		Q3	

6 - North Pier Streetscape, Oban		Q4	
7 - Access Improvements, Barcaldine		Q2	
8 - Operations + Maintenance Port Infrastructure, Barcaldine			Q4
9 - Existing Access Improvements and Business Park Enablement, Oban Airport	Q2		

Project Initiation document (PID) was approved by Council in January along with six years revenue funding totalling £1.6m. Project Managers are currently taking forward Oban Airport Access Road and Business Park, Lorn Road/Kirk Road and Oban North Pier extension. The Oban Airport Access Road is on track to be on site September 2015. A review of the assumptions made in the October 2013 Business Case and January 2015 PID will be undertaken to confirm they are still reasonable and that the TIF Programme is still viable, following which the outcome will be reported to members before the first material site start in September 2015. A brief synopsis of each of the projects progress is detailed below :-

- 4.2 **Project 1 - Lorn Rd / Kirk Rd Improvements, Dunbeg** – Start-up cost were approved for this project on the 19th March 2015 by the Policy and Resources Committee. Initial design works are complete. Purchase negotiations are underway to secure the necessary land. A planning application has been submitted with a decision awaited. A FBC on the merits of implementing this project will be presented to the Oban Lorn and the Isles Area Committee and to the Policy and Resources Committee in due course. This project lies within the Dunbeg Corridor development area and as such has formed an element of discussions with the principle developer of this area, Link Housing Association on how they can develop their Masterplan for the development of this area. These discussions with Link Housing Association have progressed to the point where it might be prudent to redesign this road improvement scheme, which could possibly avoid the need for a Compulsory Purchase Order and possibly reduce costs. This would require revised design work, revised financial modelling and a revised application for planning permission to be submitted. Delivery is therefore on hold until information is submitted from Link Housing Association and a resultant recommendation can be made on whether to continue with the current design or whether to embark on a redesign process. This is expected to be presented to Members by November 2015.
- 4.3 **Project 2 - Gateway Features / Traffic Calming, Dunbeg** – No significant progress has been made in relation to this project which is not seen as a priority at the present time. Signage has been installed by Highlands and Islands Enterprise which provides direction to the European Marine Science Park and SAMs. A report will be presented to Members at a later date requesting Start-up costs for this project.
- 4.4 **Project 3 - Halfwayhouse Roundabout / Dunbeg Development Road, Dunbeg** – This project lies within the Dunbeg Corridor development area, and as such has formed an element of discussions with the principle developer of this area, Link Housing Association on how they can develop their Masterplan for the development of this area. Negotiations / discussions are also taking place with developers to identify the best way forward in

terms of scope and partnership working arrangements for this project. A report will be presented to Members in due course requesting Start-up costs for this project.

- 4.5 **Project 4 - South Oban Development Zone** – No significant progress has been made in relation to this project which is not seen as a priority at the present time. This project requires a FBC to be prepared and submitted to the Scottish Government for approval. This FBC will need to scope out the infrastructure investments required along with the potential benefits and financial forecasts
- 4.6 **Project 5 - North Pier Extension, Oban** – The Policy and Resources Committee approved start-up costs of £560,000 for this project on 14 May 2015. Options are currently being assessed for physical and financial viability and sequencing with other complementary CHORD projects to include the interim step ashore facility and potential Oban Times Slip improvements. This option assessment will inform the extent and design of the extension to be taken forwards on the North Pier.
- 4.7 **Project 6 - North Pier Streetscape, Oban** – Following the finalisation of the Oban CHORD Public Realm Schemes and design approval of Project 5, discussions will take place on how best to proceed with this element.
- 4.8 **Project 7 - Access Improvements, Barcaldine** - negotiations / discussions are taking place with developers to identify the best way forward in terms of scope and partnership working arrangements for this project. A report will be presented to Members at a later date requesting Start-up costs for this project.
- 4.9 **Project 8 - Operations + Maintenance Port Infrastructure, Barcaldine** - negotiations / discussions are taking place with developers to identify the best way forward in terms of scope and partnership working arrangements for this project. This project requires a FBC to be prepared and submitted to the Scottish Government for approval. This FBC will need to scope out the infrastructure investments required along with the potential benefits and financial forecasts.
- 4.10 **Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport** – Start-up costs were approved for this project by Policy and Resources committee on 5th February 2015. Planning permission has been granted for the proposed access road. A Full Business Case (FBC) assessing the merits of implementing this project has been produced and approved by Policy and Resources Committee on the 14th May 2015. The finalised design of the road has been completed and procurement has taken place, with the outcome being delivery through our own Roads and Amenity Services team, ensuring that work can begin on site prior to the end of September deadline. Alongside this a draft Masterplan has been prepared and is currently being assessed prior to submission for planning approval. This Masterplan will form the basis of a marketing promotion aimed at ensuring the site is developed as speedily as possible. Investigative and exploratory design works are also underway to ensure service provision (in particular sewerage) is delivered.
- 4.11 **Resourcing** – Recruitment has been concluded for a replacement for Linda Houston, who left the Council in June. Kirsteen MacDonald will be officially taking up this role from early August. Recruiting is required for administration support to assist with administration tasks associated with the programme. The resources required to deliver the Lorn Arc Programme will be continually monitored and reported to members.
- 4.12 **Budget:** Detailed below is the current budget position for both the revenue and capital approved budget allocations.

REVENUE	£	
Total approved funds	1,607,000	
Total project spend to date	27,379	
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5 CONCLUSION

- 5.1 Most significantly Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport is on track to be implemented on site prior to the end of September 2015 deadline for a first material investment to be made as required by the Scottish Government. Before the contract is let, a review of the assumptions made in the October 2013 Business Case and January 2015 PID will be undertaken to confirm they are still reasonable.

6. IMPLICATIONS

POLICY	The delivery of this project fits with the Council's Corporate Plan, Single Outcome Agreement and approved Development Plan policy for town centre regeneration. The economic outcomes from this project will contribute to the Government's Economic Strategy.
FINANCIAL	As outlined in section 4.3 above.
LEGAL	Each project will have differing legal requirements; this will be laid out in each project's Project Initiation Document. No legal issues at Programme level.
PERSONNEL	Recruitment for an Admin Officer will take place shortly. The resources required to deliver the Lorn Arc Programme will be continually monitored and reported to members.
EQUAL OPPORTUNITIES	There are no equal opportunities implications.
RISK	As outlined in Appendix A
CUSTOMER SERVICE	There are no customer service implications.

Executive Director Development and Infrastructure Services: Pippa Milne

Policy Lead: Ellen Morton

16th July 2015

For further information - please contact :
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Lorn Arc PROGRAMME HIGHLIGHT REPORT – APPENDIX A - 1 July 2015

RAG Status Risk <5 **Green** (low); Risk 5-<15 **Amber** (medium) and Risk 15-25 **Red** (High)

Project	Overall	Time	Quality	Cost	Outcomes / Benefits.	Notes
Lorn Arc TIF	<p>Council approved PID on the 22 January.</p> <p>Project Managers currently taking forward three projects: Oban Airport Access and Business Park Enabling works, Lorn Road/Kirk Road and Oban North Pier Extension.</p> <p>FBC for Oban Airport Access and Business Park approved at P&R on the 14th May. Contract for Access Road on-track to be awarded in house by mid-July, thus ensuring Council's meets its contractual obligation to Scottish Government and SFT to be on site by the end of September 2015.</p> <p>Project development funding for Lorn Road/Kirk Road has been approved.</p> <p>Oban, North Pier Extension - brief currently being prepared.</p>	<p>To meet contractual obligations one project requires to be on site by end of September 2015, the Oban Airport Access Road is on track to fulfil that requirement.</p> <p>The Agreement also states that the nine TIF Assets (projects) have to be all "practically complete" by December 2020 or the council does not get to retain 50% of the NDR uplift once debt is paid off. Meeting this requirement will be challenging, project plans will therefore be regularly reviewed.</p>	Not applicable at this stage	<p>Revenue</p> <p>Budget £1,607,000</p> <p>Spend £ 27,379</p> <p>Balance £1,579,621</p> <p>.</p>	<p>£18.9m package of infrastructure improvements including the access to the SAMS/EMS, measures to improve Port and Marine facilities within the Lorn Arc area and other business related infrastructure which will support the delivery of the new Local Development Plan and assist population growth through the generation of new opportunities.</p>	

	A review of the assumptions made in the October 2013 Business Case and January 2015 PID will be undertaken to confirm they are still reasonable.					
1 - Lorn Rd / Kirk Rd Improvements, Dunbeg	<p>Start-up costs approved - £238k</p> <p>Planning permission approval imminent</p> <p>CPO progression - underway</p> <p>FBC approval required – draft FBC prepared by AECOM to be updated.</p>	Anticipated start date 31/3/17.	Project will be delivered in line with the submitted planning application together with any specific quality standards which planning list.	<p>Start-up costs Budget £ 238k Spend £ 19k Balance £219k</p> <p>Anticipated capital cost £2.75m. Currently reviewing design options that may avoid CPO and reduce costs.</p>	To enable improved access to SAMs / EMSP and enable limited future development in short term – becomes secondary access longer term enabling significant levels of further development at this time.	Discussions underway with Link which might involve a redesign of this scheme which could possibly avoid CPO and reduce costs this would require a revised application for planning permission to be submitted. Delivery therefore on hold until decision on this made, expected by November 2015.
5 - North Pier Extension, Oban	<p>Start-up costs approved</p> <p>Preliminary internal design work now underway.</p> <p>Planning permission approval required</p>	Delivery by 2018.		<p>Start-up costs £560k</p> <p>Spend £0</p> <p>Potential capital budget of £5.2m in total</p>		Options Appraisal / preliminary design / FBC & Economic Impact Assessment are currently being assessed to look at how this

	FBC approval required Economic Impact Assessment required					project should be delivered
9 - Existing Access Improvements and Business Park Enablement, Oban Airport	<p>Start-up costs approved</p> <p>FBC and Economic Impact Assessment approved</p> <p>Planning permission granted for road – phase 1a</p> <p>In house delivery of works following decision that this was the best option for the delivery of this project in order to meet tight delivery timelines and achieve best value.</p> <p>Masterplan requires final assessment and planning approval, required before servicing design work can begin and planning application submitted for water / sewerage and power / telecoms</p> <p>Site marketing required on approval of Masterplan, anticipated timescale 1 January 2016.</p>	Road construction – start date by 31/9/15, anticipated completion 31/3/16.	Project will be delivered in line with the approved submitted planning application.	<p>Total project budget £590k.</p> <p>Start-up costs £95k</p> <p>Spend £84k</p> <p>Balance £11k</p> <p>Road construction £311k (includes contingency of 15%)</p> <p>Balance available circa £180k</p>	Construction of access road to enable development of new business park	This project <u>will</u> start on site before the end of September 2015 – meeting Lorn Arc meaningful start deadline.