

LORN ARC – UPDATE REPORT AS AT 21st SEPTEMBER 2015**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to update the Policy and Resources 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 three most immediate projects as at the 21st September 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 nine 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 required the first material investment in one of the sub-projects to be made before the end of September 2015. This key milestone was achieved on the 1 September with work commencing on site to construct an access road to facilitate the development of a new business park on Council owned land adjacent to Oban Airport (Project 9). The project has been designed, supervised and implemented by the Council's own Roads and Amenity Services team.
- 1.5 At the Lorn Arc Programme Board meeting on the 18th August, the Board felt there would be merits in revising the Lorn Arc quarterly update report schedule to coincide with the CHORD quarterly update schedule; this would mean that the next update would be in December 2015.
- 1.6 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	36,034	
Balance	1,570,966	
CAPITAL	£	
Total approved funds	1,388,000	
Total project spend to date	169,000	
Balance	1,219,000	

- 1.7 It is recommended that the Policy and Resources Committee:-

- Note the current progress with the Lorn Arc Programme.
- Approve the rescheduling of the quarterly update reports to coincide with the Capital Regeneration Projects quarterly update schedule.

LORN ARC – UPDATE REPORT AS AT 21st SEPTEMBER 2015**2. INTRODUCTION**

- 2.1 This report provides an update to the Policy and Resources Committee on progress in delivering the Lorn Arc Tax Incremental Financing Programme led by Development and Infrastructure Services. The attached Highlight Report (Appendix A) outlines the current position of the three most immediate projects as at the 21st September 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 Resources Committee:-
- Note the current progress with the Lorn Arc Programme
 - Approve the rescheduling of the quarterly update to coincide with the Capital Regeneration Projects quarterly update schedule.

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. A review of the assumptions made in January 2015 PID will be undertaken to confirm they are still reasonable.

Meetings of the Lorn Arc Programme Board and Lorn Arc TIF Executive took place on the 18th August and 9th September, respectively. Both were productive meetings, clearly setting out the reporting format and matters which will require to be closely monitored going forward. The TIF Executive, in particular, acknowledges the need to be flexible to respond to changes in the economic market.

The Programme Board felt that the Lorn Arc quarterly update reports to the Policy and Resources Committee should coincide with the CHORD quarterly updates to best capture the impact of the capital infrastructure investment projects, led by Development and Infrastructure Services.

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, meeting scheduled to take place on the 20th October, 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 in December 2015.

4.3 **Project 2 - Gateway Features / Traffic Calming, Dunbeg** –Project not scheduled to be

taken forward at this 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, meeting arranged for the 20th October. 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** – Project not scheduled to be taken forward at this 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 (meeting taking place on the 24th September) 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.
- 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** –The construction of the access road to facilitate the development of the new business park started on the 1 September, the design of the road, site supervision and works is being undertaken by the Councils Roads and Amenity Services. The commencement of the works meets the Scottish Government's date for the First TIF investment. Work is progressing well on site and is anticipated to be completed by mid November 2015. 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 has now been appointed to the team. Recruiting is underway for a full-time administration support officer to assist with the administration tasks associated with the programme. The closing date for applications is the 16th October. The resources required to deliver the Lorn Arc Programme will be continually monitored and reported to members.
- 4.12 **Programme Risks** – The Programme Risk Register - Appendix B outlines the main programme risks. The majority of the risks are deemed medium with the high risks around delivery of programme by 2020, increase in constructions costs and lack of private investor investment, all of which are currently being reviewed.
- 4.13 **Financial Model Summary Output** – The financial model calculates the affordability of the Programme over the life of the TIF agreement. Amendments change the output of the Programme financial model. As can be seen in Appendix C the financial model outputs changed between October 2013 and June 2015 due to projects capital spend profile, the agreed displacement figure differing from the original profile detailed in the Programme FBC (18% to 22%), movement in interest rate and NDR attaining to Timeshare being removed following advise that these would attain small business bonus scheme rates relief. The current model indicates that the Programme remains affordable.
- 4.14 **Budget:** Detailed below is the current budget position for both the revenue and capital approved budget allocations.

REVENUE	£	
Total approved funds	1,607,000	
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5 CONCLUSION

Most significantly Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport is on site, thus meeting the end of September 2015 deadline for a first material investment required by the Scottish Government.

A review of the assumptions made in the January 2015 PID is currently underway to confirm they are still reasonable; members will be updated on the findings of the review in December 2015.

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 sections 4.13 and 4.14 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 B
CUSTOMER SERVICE	There are no customer service implications.

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Appendices

Appendix A - Lorn Arc Programme Highlight Report 21 September 2015

Appendix B - Risk Register

Appendix C - Financial Modal Summary Output