Appendix Two ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE FOR SERVICE DEVELOPMENT PROJECTS

DEPARTMENT	Community Services and D & I SERVICE	Community & Culture and
		Roads & Amenity Services
Asset Group:		
Project Name:	Toilet Block and Car Park at Carradale Harbour	

1. Executive Summary:

Introduction and context including description of problem/challenge/business requirement; description of do nothing option and why it is not acceptable; description of do minimum option; and description of preferred option if this is not do minimum.

Request by Carradale Harbour Group for a long term lease under the Third Sector Asset Transfer Process of the toilet block and car park (excluding the net storage area) in order that the Group can improve the access to the harbour and develop new facilities for visitors, enhance the tourism experience and indirectly improve the local economy.

The do nothing option would see the toilets remain open requiring the Council to pay an annual grounds maintenance costs on going refurbishment costs and staffing costs in relation to cleaning. An opportunity would be missed to potentially upgrade the facilities for visitors, improve the aesthetics of the area, promote tourism, assist to improve the local economy and eliminate the Council's expenditure on maintenance.

The transfer option would be to commit a long term lease of the public conveniences and car park to the Carradale Harbour Group or such other third sector group as may wish to develop the toilets and car park which can present an acceptable business case. The lease would enable the Group to undertake a development plan for the toilets and car park thereby improve the aesthetics of the area. Thereafter the Group would continue to develop the harbour area for visitors and fishermen thereby improving the tourism experience and indirectly assisting to improve the local economy. The Council would save the staffing and grounds maintenance costs.

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2. Impact on Council Plans:

This section should demonstrate links to Council's Corporate Plan; the Service Plan; Area Plans; Corporate Strategies; and compliance with legal and national priorities.

Corporate Plan 2013-2017 - The proposed long term lease of the public conveniences and car park contributes to the outcomes of the Corporate Plan through;

Corporate Objective 2 - Working together to realise the potential of our communities.

Corporate Objective 3 - Working together to realise the potential of our area.

Community Plan and Single Outcome Agreement - The proposed long term lease of the public conveniences and car park would contribute to the outcomes of the Community Plan and Single Outcome Agreement through;

Outcome 1 - The economy is diverse and thriving.

Outcome 5 - People live active, healthier and independent lives.

Outcome 6 - People live in safer and stronger communities

National Priorities. - The proposed long term lease of the public conveniences and car park contributes to the Scottish Government's national priorities through;

National Priority 1 - Economic Recovery & Growth.

National Priority 4 - Safer & Stronger Communities

3. Affordability:

Show that the project is an acceptable and prudent investment for the Council and that ongoing costs can be sustained; Capital Costs are affordable; ongoing revenue costs are affordable; provide information on external funding for the project.

The proposed long term lease has no capital costs associated with it. The Council would receive annual income from the lease. Additional revenue savings would be made through the elimination of the annual staffing and grounds maintenance costs estimated at £6,800.

There will be a cost associated with staff time to progress the long term lease to conclusion although such costs are applicable to all lease agreements to a greater or lesser degree.

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4. Deliverability/WorkSchedule:

Show that project can be delivered successfully in respect of timescale; management arrangements; and what are the residual or knock on consequences.

The Council has all the relevant professional disciplines within the Council to progress the lease to conclusion. Long term leases of assets have been successfully managed previously and no issues are anticipated. The lease will be managed by the Estates Services and will be progressed by the Estates Services, Governance & Law and the Social Enterprise Team.

The lease will be progressed in accordance with indicative timescales within the third sector disposal procedures and in accordance with the requirements and/or limitation of the Carradale Harbour Group and such funding as they may require to obtain.

5. Risk Log:

This section should set out foreseen risks as they affect Impact on Council Plans as well as on asset condition and suitability; affordability; deliverability. Indicate action aimed at mitigating these risks and highlight whether any contingency plans are likely to be needed. Provide a summary of three cost and timetabling scenarios - optimistic, realistic, and pessimistic - relating to the project (see 6a below).

See Risk Log Worksheet which sets out the chance, impact and mitigating actions re the following:-

Risks to the Council are as follows:-

- * Currently, the Council provides parking and toilet facilities at Carradale. The development group may have plans to limit or deny access to the general public. Any future agreement will have to be worded to ensure that a minimum number (no. to be agreed) of car parking spaces will be made available for public use and that access to toilet facilities will continue to be available.
- * Charging for facilities may be introduced by the developer. The agreement should be worded to ensure that charging is capped to ensure that the level of charges is in line with other Council operated car parks and toilet facilities in Argyll and Bute.
- * The group's plans to develop may be frustrated by lack of funding and the assets fall into disrepair. An agreed maintenance regime should be put into place i.e. gully cleaning, weed-killing, toilet cleaning etc.
- * Risk of affecting other assets. The car park is located adjacent to a public road and net-storage area. Marine Services has plans to improve the net storage area to enhance future usage. Development plans must not interfere with either asset. Well before the development group approaches the Council's Planning Dept, there should be regular meetings held between the group and officers in 'Piers and Harbours'.

The Council's Social Enterprise Team will assist the Carradale Harbour Group with their application and the preparation of a business plan.

Net Market Value of Asset

OUTLINE BUSINESS CASE FOR CAPITAL PROJECTS - COST PLAN

DEPARTMENT Community Services $\underline{a}nd~\underline{D}~\&~I$ **SERVICE** Community & Culture and Roads & Amenity Services Asset Group: **Toilet Block and Car Park at Carradale Harbour** Project Name: Nature of Expenditure (delete as appropriate) Replacement/Cost Saving/Carbon Management/Expansion Details of asset being replaced if any:-N/A **Disposal of Asset** Based on valuation carried out by DVS Property 10000.00 Specialists. Market Value For the long lease option, as opposed to outright acquisition - the District Valuer has provided a rental valuation for the ground and PCs. The figure provided is £750 per annum on the basis of a 25 year lease. total rental income over 25yr lease for commercial 10000.00 Estimated 18750.00 let Removal costs (estimate) 7750.00 less - Total disposal costs 1000.00 Marketing costs (estimate) less - maintenance cost 37500 savings over 25 yrs less - annual energy cost Other costs 0.00 7500 over 25yrs

Revenue Costs		-1360 divided by 25 yr lease
	Cost Per Annum	
	<u>f</u>	
		Net savings of £1,360 P.A.
		suggest a pepper corn
		rent £100 P.A. for the
		100 asset
	Estimate - Based upon -	
	Sweep / pot-hole / empty	
Maintenance Cost	1500 gullies / pc consumables.	
manite indicate cost	Bailles / po consumasies:	
Energy Cost	300 Estimate for electricity	
2.10.67 0000		
	Estimate - based upon - PC	Ongoing contract with
	Cleaner (£3,150 per annum)	the Council to continue
	/ non-domestic rates / public	
Other Bunning Cost	5000 liability insurance	3150 services P.A.
Other Running Cost	3000 liability insurance	5150 Services P.A.
		annested annual annual
		suggested annual rental
		(with salary increases
Total Revenue Cost	6800	3250 built in to the contract)
Capitalised Revenue Costs (10 years)		
Total Net Market Value of Asset		

-34000.00 income less costs

BUSINESS CASE LIFE CYCLE COST CALCULATION

ASSET DESCRIPTION T	Toilet Block and Car Park at Carra	dale Harbour	
	Note	$\overline{\mathfrak{t}}$	
Initial Cost or Purchase Price	1	10000.00	Based on valuation by DVS. Relining - £500
Commissioning or Installation C	Cost	n/a incl	Est. cost to maintain
Maintenance Cost per Annum	2	0.00 * £6,500	car park surface - £200 pa
Energy Cost per Annum	2	0.00*£300	
Other Running Costs per Annur	n 2	0.00 n/a	
Useful Life (Years)		25.00	
Discount Rate		2.00%	
Discount Nate		10000.00	
Residual Value			
Total Life Cycle Cost			
Life Cycle Cost Per Annum			

Notes:

- ${\bf 1.} \ \ {\bf Where \ Initial \ Cost \ is \ calculated \ over \ a \ construction \ period \ see \ Data \ Sheet$
- 2. For analysis of costs see Data Sheet
- 3. For the long lease option, as opposed to outright acquisition the District Valuer has provided a rental valuation for the ground and PCs. The figure provided is £750 per annum on the basis of a 25 year lease.

BUSINESS CASE LIFE CYCLE COST CALCULATION - PRESENT VALUE

ASSET DESCRIPTION	car park and public to	ilets at Carradale $\underline{\mathfrak{L}}$	
Initial Cost or Purchase Price		10000.00	Based on valuation by DVS - or £750 per annum rental.
Commissioning or Installation Co.	st		or 1750 per unimam rental.
Maintenance Cost per Annum		6500.00	
Energy Cost per Annum		300.00 Esti	mated
Other Running Costs per Annum		0.00 Esti	mated
Residual Value		-7809.38	
Present Value Life Cycle Cost			

LIFE CYCLE COST CALCULATION WORKSHEET

1. Construction Cost of Asset	10000.00
2. Construction Period (months)	
3. Discount Rate	2.00%
4. Present Value	0.00
5. Construction Period in Years	0.00
6. Maintenance Cost per annum Analysis	
o. Maintenance cost per annum Analysis	
Planned Repairs	
Emergency Repairs	
Abnormal Repairs	
Cleaning	
	-
Total Maintenance Cost per Annum	0
7. Energy Costs per annum Analysis	
Oil	
Gas	
Electric	
Other	
o their	
Total Energy Cost per annum	0
0.0010	
8. Other Running Costs per annum Analysis	
Total Other Running Costs per annum	0

	I & Bute Cou		RISK ASSESSMENT					
Ref	Category	Risk Description		Impact		Risk Level	Risk Lead	Mitigating Action
1	strategic & financial	No strategic risk. Ongoing grounds maintenance liability. Cost to remove structure.	3	1	3	Red/ Green/ Amber		Disposal to community group.
2	operational	The property is no longer operated as a public convenience.	1	1	1	Red/ Green/ Amber		N/A
3	statutory	Planning/Building Standards Conditions	1	5	5	Red/ Green/ Amber		Community Group would need to obtain consents to develop the site. The Council would need to obtain a Building Warrant for the demolition of the property if the sale does not progress to conclusion.
4	project	Unforseen technical difficulties	2	5	10	Red/ Green/ Amber		Community group recommended to have a ground investigation study undertaken.
5	project	Higher than predicted construction costs and time delays	3	5	15	Red/ Green/ Amber		Community group to appoint a suitably qualified Project Manager.
6	project	Poor contractor performance	2	4	8	Red/ Green/ Amber		Community group to vet prospective contractors and ensure they have appropriate experience and indemnity insurance.
7	project	Level of contingencies / design risk	1	4	4	Red/ Green/ Amber		Community group to appoint suitably qualified Project Manager/ Architect.

BENCHMARKING SHEET FOR SERVICE DEVELOPMENT

AND STRATEGIC CHANGE PROJECTS AT OBC STAGE	

DEPARTMENT	Community Services and D & I	SERVICE	Community & Culture and Roads & Amenity Services
Asset Group:			
Project Name:	Toilet Block and Car Park at Carrac	dale Harbour	

	Target	Actu
ct Benefits		
List of measures and targets to be used to determine if the		
Project has been a success in terms of service delivery.		
	Site sold and	
	maintenance	
	obligations ceased	
a) The asset is maintained in a safe and presentable condition.		
b) There has been a marked increase in customer demand.		
c) The asset is clearly being well managed.		
d) A public consultation exercise has been carried out and it is clear that the pu	ıblic are satisfied with the	
condition of the asset and its availability for their use.		
e) Accurate financial records are held and maintained and it is clear that the pro	ject is financially viable.	
ct Financials		
List of capital costs, revenue costs and external funding.		
Capital Cost of musicat		
Capital Cost of project		
Revenue Costs		
External Funding		

ject Delivery	Target	Actua
Project Team Formed	N/A	
Project Plan Agreed	N/A	
Specification Finalised	N/A	
Land Acquired	N/A	
Planning, Building Warrant or Other Permission Secured	N/A	
Project Notification Advertised if required	N/A	
Tenders Invited	N/A	
Tenders Returned	N/A	
Tenders Evaluated	N/A	
Contractor Appointed	N/A	
Contractor Starts on Site	N/A	
Duration of Construction Contract and milestones if appropriate	N/A	
Practical Completion	N/A	
Council Takes Possession	N/A	
Service Delivery Commences	N/A	
Contractor's Final Account Agreed	N/A	
Making Good Defects Completed	N/A	

Project Risk

List of risks identified at OBC/FBC stage. Show new risks and whether any risks materialised how they were managed and their impact. Summarise if risks managed effectively.

See attached Risk Log sheet. No new risks have been identified.

Overall Project Summary.

Third sector organisation wish to take over responsibility for public toilets and car park which is currently maintained by the Council. Ongoing maintenance liabilities, for both the car park and public convenience, would be transferred across to the new operator thereby allowing the Council to reduce future revenue maintenance costs. The lease must be worded to ensure that, in future, full access to both the pc and car park will be available to the public. Recycling area to remain in its present location with full access available for use by public and emptying by contractor. There may be some limited scope to reduce car park spaces, but this will have to be based on an agreed formula, using historical data, which ensures that car parking availability, at times of high demand, is not compromised. A Council employee currently carries out cleaning duties at the public convenience. Entrances to the car park act as passing places - these must be fully maintained in their present condition. Space and access to recycling bins to be maintained. Free access to remain to net storage area.

The new operator will be responsible for all future maintenance costs such as gully cleaning, road sweeping within the car park, delineation of car parking spaces, grass cutting and surfacing repairs. The operator will also be responsible for the payment of non-domestic rates, water, sewerage and electricity charges. The operator will hold insurance to cover 3rd party liability claims.