

CHORD – Oban: North Pier Harbour Building and North Pier Pontoons – Project Closure

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on the economic outcomes secured following the completion of the North Pier Harbour Building and the North Pier Pontoons in Oban.
- 1.2 The report provides a summary of the economic outcomes of the investment, actual against those forecast in the Full Business Case, from October 2016.
- 1.3 The recently commissioned independent review of economic outcomes indicates that the Pontoons and Harbour Building have had an overall positive impact on Oban's tourism economy and have generally outperformed the original forecasts. The data demonstrates that the Pontoons have been successful in attracting additional maritime vessels and visitor numbers, which have made a substantial contribution to the marine tourism offer in Oban, and indeed to the wider Argyll & Bute area.
- 1.3 The report also outlines the preferred future management route for the North Pier Pontoons.
- 1.4 The Oban Lorn and the Isles Area Committee is invited to:
 - 1.4.1 Note and consider the contents of this report.

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2.0 INTRODUCTION

- 2.1 The revised Full Business Case (FBC) for the Oban North Pier Maritime Quarter – Phase One – Maritime Visitor Facility was approved in October 2016. Following the procurement exercise a principal contractor, TSL was appointed in March 2017. The project achieved practical completion in March 2018 with the first tenant leasing a unit in the building at the end of that same month. The works contract completed in November 2018 and the defects rectification period completed at the end of November 2019, within budget.
- 2.1.1 The original proposals for the Maritime Visitor Facility were altered due to objections lodged by an adjacent business and concerns as to the overall affordability of the project. The “Gathering Place” design concept was substantially changed to a more functional and compact “wedge” shaped building, which sits within the boundary of the former White Building, and the project was renamed the Oban North Pier Harbour Building.
- 2.1.2 The Harbour Building includes: dedicated showers, toilets, changing area; and secure storage lockers for maritime visitors. Additionally there are 4 commercial spaces, two on the mezzanine floor and two on the ground level, including: a harbour-master’s office; an office for the North Pier Pontoons operator; and two additional spaces, one let as a shop, and one room available for hourly rentals for meetings and presentations.
- 2.2 The Transit Berthing Facility was renamed the Oban North Pier Pontoons project: in April 2015 the Oban, Lorn and the Isles (OLI) Area Committee approved the design layout and subsequently in June of that year approved the recommendation to seek approval for development funding from the Policy & Resources Committee to enable the project to be taken forward to the procurement stage. A revised CHORD budget allocation of £1.5m, was supplemented by external funding of £700k from RCGF and £300k from HIE, giving a total capital budget of £2.5m. The construction contract was awarded in December 2016 with the facility operational by the end of July 2017. The contract closed out in December 2019, within budget.

3.0 RECOMMENDATIONS

3.1 The Oban, Lorn and the Isles Area Committee is invited to:

3.1.1 Note and consider the contents of this report.

4.0 DETAIL

4.1 The Blue Economy¹ is vitally important to Oban and the wider Lorn area including a number of economically fragile communities based on nearby islands. The new facilities provide a focal point for marine-based activity and other visitors, providing a place of welcome at the North Pier to maritime visitors and businesses. High-quality step ashore facilities have been provided at a prominent town center location allowing direct access to Oban's services and facilities. This has generated economic benefit for the immediate area and the wider Argyll & Bute economy.

4.2 The main function of the North Pier facilities is to provide a modern step ashore facility, with dedicated showers, toilets, changing areas and secure lockers for maritime visitors provided in the adjacent North Pier Harbour Building. These facilities complement the existing marinas in the vicinity and help stimulate and support growth in the maritime market for all services and customers alike on the West coast of Scotland.

4.3 In September 2019 a review of the forecast economic outcomes as set out in the full business cases was commissioned. Table 1 below shows the headline forecast figures against the actual impacts secured for the North Pier Pontoons.

4.4 **Table 1:**

Construction Impact North Pier pontoons	Initial assessment	Updated assessment	Change
Investment	£2,500,000	£2,500,000	0%
Construction Employment	21.7	25.2	+16.4%
Construction GVA	£992,348	£1,122,526	+13.1%
Impact of the North Pier Pontoons pa			
Expenditure of visitors	£850,000	£917,111	+7.9%
Tourism FTEs	15.36	20.1	+30.58%
GVA	£267,742	£353,589	+32.4%
Direct FTEs	2.5	3.5	+40%

¹ World Bank; United Nations Department of Economic and Social Affairs. 2017. The Potential of the Blue Economy: Increasing Long-term Benefits of the Sustainable Use of Marine Resources for Small Island Developing States and Coastal Least Developed Countries. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/26843> License: CC BY 3.0 IGO."

Visitor numbers	Boat night visits	Persons on board
Aug – Dec 2017	954	3,510
Jan – Dec 2018	3,160	15,130
Jan – Jul 2019	2,941	11,748

The average spend per head is £47 per night.

- 4.5 The North Pier Harbour Building: The economic performance of the North Pier Harbour Building is projected to surpass the initial expectations established in the business plan. The revenue streams are circa £18,000 pa and running costs anticipated at circa £10,000pa to include cleaning, servicing, maintenance, utilities, excluding maintenance sink fund. There is potential to increase the revenue with a concerted advertising campaign to raise awareness of the availability of the meeting room, lockers and event space.

North Pier Pontoon Management

- 4.6 The Full Business Case, October 2015, recommended that ownership, management, and operation of the facility should, for the first year of operation, rest with the council and then be subject to an operational and financial review at months 6 and 12. However due to the re-grouting of the pier structure, the defect rectification period for the pontoons was extended through to November 2019 to allow for monitoring of the grouting works.
- 4.6.1 The Marine Operations Service, in partnership with Regeneration Project Manager, have developed options for the on-going operational business model for this facility. However, before we can consider whether to take this opportunity to market, we need to have compiled the requisite data in respect of costs, revenues, management structure, regulatory requirements etc. and benchmark the Oban facilities against comparable Council facilities in Rothesay and Campbeltown. This can only be achieved by monitoring the operation of the facilities once the construction contract is fully closed out, and for a full operational season i.e. through to the end of 2020. At this point we will be in a position to make recommendations as to the most sustainable and efficient operating model for the facilities in Oban going forward.
- 4.6.2 An Options Analysis for all three facilities, in terms of ownership, management structure, income and expenditure, including the revenue implications for the Council and Marine Services will be undertaken, and will include as a minimum the following:
- Option 1: Council own, operate and manage the facility.
- Option 2: Council own and contract out the management and operation of the facility.

Option 3: Council work in partnership with a contractor/operator dependent on findings of review.

5.0 CONCLUSION

- 5.1 Overall, the economic performance of the combined projects have surpassed the initial forecasts established in their Full Business Cases.
- 5.2 Across the board, the North Pier Pontoons project has yielded better results than initially forecast. It has supported more jobs, created more GVA and boosted the marine tourism profile of Argyll & Bute.
 - 5.2.1 Since the facility became operational, Oban has seen a net increase in the number of vessels and persons on board visiting the town, indicating that the North Pier Pontoons project has been successful in further developing the marine tourism offer in Argyll & Bute and the wider West coast of Scotland.
 - 5.2.2 Operationally, the council will continue to operate the facility for the next year. This will allow officers and members to benchmark against comparable facilities in Campbeltown and Rothesay to assess the best operating model that ensures sustainable success for the communities in which they sit, while assuring that the economic benefits derived from the capital investment accrue to Argyll and Bute.

6.0 IMPLICATIONS

- 6.1 **Policy** – The delivery of the CHORD program fits with the Council's Corporate Plan, Single Outcome Agreement, Economic Strategy and approved Local Development Plan policy for town center regeneration.
- 6.2 **Financial** – The drawdown of funds was within the allocated CHORD budget.
- 6.3 **Legal** – none.
- 6.4 **HR** – none.
- 6.5 **Fairer Scotland Duty:**
 - 6.5.1 **Equalities - protected characteristics:** none
 - 6.5.2 **Socio-economic Duty:** none
 - 6.5.3 **Islands:** none.
- 6.6 **Risk** – none.
- 6.7 **Customer Service** – none.

**Interim Executive Director with responsibility for Development & Economic
Growth and Commercial services (joint paper) Kirsty Flanagan and Douglas
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