

**LORN ARC TAX INCREMENTAL FINANCING (TIF) ASSET PROJECT 5 – OBAN
NORTH PIER EXTENSION
START UP REPORT**

1.0 EXECUTIVE SUMMARY

- 1.1 The Full Business Case for the Lorn Arc Tax Incremental Financing (TIF) programme outlines the proposals for delivering a £18.89 million package of infrastructure improvements including access to the Scottish Association for Marine Science (SAMS) / European Marine Science Park, measures to improve Port and Marine facilities within the Lorn Arc area and other business related infrastructure which will support the delivery of the Local Development Plan and assist population and economic growth through the generation of new employment opportunities.
- 1.2 TIF arrangements will allow Argyll and Bute Council to retain and use additional Non Domestic Rates (NDR) generated once borrowing has been repaid, within an agreed boundary over a 25 year period.
- 1.3 Project 5 - Oban North Pier Extension, within the Lorn Arc programme business case approved by Scottish Government should now be taken forward.
- 1.4 This report provides the following information:
- Additional detail relating to the projected startup costs associated with bringing this project to Full Business Case (FBC) stage; and
 - An outline of the background for Project Number 5 to be taken to Full Business Case.
- 1.5 Preparatory works are required to inform the FBC and will include marine and land based surveys, design and engineering work, preparation of planning applications and other statutory consents, environmental and economic impact assessments, full business case report production and preparation of procurement documentation costs. These costs form part of the £18.89m TIF funded borrowing potential.
- 1.6 At present the OLI Area Committee is only being requested to recommend to the Policy and Resources Committee that a start up budget be approved to take this project to full business case.** Consideration as to whether this project should be implemented is determinate on the outcome of the full business case and subsequent consideration by Members. The Full Business Case is currently expected to be presented to the Oban, Lorn and the Isles Area Committee on 9th December, 2015 and then the Policy and Resources

Committee on 17th December 2015. This timetable is based on the assumption that tender invitations can be issued by 8th May for the design work and 3rd July for the Economic Impact Assessment and FBC report.

1.7 **Recommendation**

1.8 That Members:

- Recommend that the Policy and Resources Committee approve the drawdown of borrowing for a total of **up to £560k** for the development of a Full Business Case for Lorn Arc Project 5 – North Pier extension. These resources will be held in a defined budget and managed as detailed in the Lorn Arc Programme PID.
- Note that the Full Business Case for Project 5 will be reported to a future OLI Area Committee and subsequent Policy and Resources Committee before moving to the implementation stage.

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2.0 INTRODUCTION

2.1 This report provides the following information:-

- a. Additional detail relating to the projected start up costs associated with bringing this project to Full Business Case stage.
- b. An outline of the background for Project 5 – Oban North Pier extension – to be taken to full business case.

3.0 RECOMMENDATIONS

3.1 That Members:

- Recommend that the Policy and Resources Committee approve the drawdown of borrowing for a total of up to £560k for the development of a Full Business Case for Lorn Arc Project 5 – Oban North Pier Extension. These resources will be held in a defined budget and managed as detailed in the Lorn Arc Programme PID.
- Note that the Full Business Case for Project 5 will be reported to a future OLI Area Committee and subsequent Policy and Resources Committee before moving to the implementation stage.

4.0 DETAIL

LORN ARC PROGRAMME

4.1 By way of background, a TIF programme must demonstrate that the funded enabling infrastructure that unlocks regeneration and sustainable economic growth will generate additional public sector revenues to repay the financing requirements of the enabling infrastructure. A full business case for the Lorn Arc TIF programme has previously been developed and approved by both the Council and Scottish Government.

4.2 The Lorn Arc programme is considered to be essential for Lorn and indeed wider Argyll and Bute. The focus of Lorn Arc is on delivering essential infrastructure to unlock private sector investment on a number of identified investment opportunities. The Council is mindful that Lorn Arc represents enabled borrowing for up to £18.89 million and not a grant. This requires that it be paid back by the Council over a 25 year period with principally additional non domestic rates being used to pay this money back. Lorn Arc will only succeed if investment is

forthcoming from the private sector and consequently it will rely on partnership working to deliver the desired outcomes. The Council also recognises that Lorn Arc will require investment from outwith Lorn.

- 4.3 The governance arrangements set out in the PID require that project start-ups and the costs associated with preparing a full business case are approved by the Policy and Resources Committee. A full business case is necessary to ensure that the project is viable and prudent. Preparatory works are required to inform the full business case and often include site surveys, design work, preparation of planning applications, economic impact assessments and procurement costs.
- 4.4 Start-up costs for each project are likely to constitute 15 - 20% of the overall capital costs of the proposed project. In the case of Project 5 – North Pier extension, it has been possible to bring these cost estimates down slightly due to the resources previously allocated to other related exploratory projects within the Bay. These costs form part of the £18.89m TIF funded borrowing.
- 4.5 A summary of Lorn Arc TIF Project 5 - Oban North Pier Extension was provided in the approved Lorn Arc TIF Business Case and is detailed in the following table:-

Table 1 : Summary of TIF Asset project	
Project No. 5	North Pier Extension, Oban
Purpose	Additional harbour areas to support existing uses and cater for increasing demands for a variety of marine sectors through extension of North Pier berthing face by around 50m and the creation of circa 2,000m ² of additional space for access, parking, and potential development land. An allowance has also been made for minor pontoon works and for improving utility connections at the pier face.
Finance	Indicative Cost - £5.2M TIF Investment - £5.2M
Justification summary	Additional harbour areas to support existing uses and cater for increasing demands for a variety of sectors is expected to result in additional port fees, parking fees and potential NDR from new or expanded facilities around the North Pier area. A full design and planning exercise is required to advance this proposal and therefore an allowance of 50% optimism bias has been allowed. The investment is essentially to improve an existing facility and there is considerable scope to amend the extent and specification to meet the budget and therefore the overall risks are seen as low in terms of deliverability.
Delivery Timescales	2015 – 2018

- 4.6 The current report that is before Members follows the process outlined in the approved PID. This entails approval from Policy and Resources Committee for a

budget to produce a Full Business Case which demonstrates whether or not the project should proceed to implementation stage. In line with the PID the Full Business Case for Project 5 will be reported to a future OLI Area Committee and subsequent Policy and Resources Committee in due course before the project moves to the implementation stage.

- 4.9 In order to produce a Full Business Case for this project a drawdown of up to £560k is required. The detailed breakdown of these costs is detailed in Appendix 1 (exempt item).
- 4.10 The Start Up budget is required to enable an informed decision to be made on whether or not to go ahead with implementing this project on the ground. The costs involved are detailed in Appendix 1, The start up costs comprise of internal charges for services provided by Council services for administering planning applications and other statutory duties, along with the bulk of the budget which is required to cover site analysis, design and engineering. Efforts have been made to utilise Council services for relevant elements of the start up process where possible and competitively priced, with only elements that cannot reasonably be undertaken in house being outsourced to external consultants.
- 4.11 It should be noted that the proposed start up cost budget is not considered to represent a target for spend. Every effort will be made to reduce costs, whilst ensuring that all work undertaken remains fit for purpose and that the wider delivery agenda has been fully considered.
- 4.12 The Full Business Case is currently expected to be presented to an Oban, Lorn and the Isles Area Committee on 9th December and then the Policy and Resources Committee on 17th December 2015. This will include full details of the delivery programme for completion of this project. This timetable is based on the assumption that tender invitations can be issued by 8th May, 2015 for the design work and 3rd July, 2015 for the Economic Impact Assessment and FBC report. An initial project timetable is provided in Appendix 2 attached.

5.0 CONCLUSION

- 5.1 The Lorn Arc TIF Project 5 - North Pier Extension, Oban is considered to be a vital element in the overall Lorn Arc Programme, delivering an essential extension of the North Pier berthing face by around 50m and the creation of circa 2,000m² of additional space for access, parking, and potential development land. An allowance has also been made for minor pontoon works and for improving utility connections at the pier face.

Start-up costs are required to develop a full business case which will ensure that the project is viable and prudent. The Policy and Resources Committee will be asked to approve the full business case, following consideration by the Oban, Lorn and the Isles Area Committee, before the project proceeds to implementation.

6.0 IMPLICATIONS

- 6.1 **Policy** - The delivery of the Lorn Arc Programme supports the delivery of the Council's Corporate Plan, Single Outcome Agreement, EDAP and the draft Local Development Plan. The economic outcomes from this programme will

also contribute to the Government's Economic Strategy.

- 6.2 **Financial** - The Lorn Arc TIF business case has secured the ability of the Council to borrow up to £18.89 million to take forward the Lorn Arc Programme. Approval of a budget to cover the startup costs for this TIF Asset project is essential to enable a full business case to be produced to establish the viability of this project.
- 6.3 **Legal** - None.
- 6.4 **HR** - None.
- 6.5 **Equalities** - An equalities impact assessment has been undertaken as part of the Full Business Case process. The Lorn Arc programme will comply with the Council's equality and sustainability policies. This TIF project's full business case will include an equalities impact assessment and a sustainability assessment.
- 6.6 **Risk** - A risk assessment has been undertaken as part of the Lorn Arc full business case and a risk register forms an integral part of the Programme Initiation Document (PID). The full business case for this project will include a project specific risk register. A risk register for this Project 5 Start Up project is provided as Appendix 3 attached to this report.
- 6.7 **Customer Service** – None

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