
Report To:	Environment & Regeneration Committee	Date:	3 September 2015
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	ERC/ENV/IM/15.239
Contact Officer:	Robert Graham	Contact No:	714827
Subject:	Baker Street Realignment Business Case, Update Report No.2		

1.0 PURPOSE

- 1.1 The purpose of this report is to inform Committee of the confirmed preferred option for the realignment of Baker Street, at its sharp bend with Drumfrochar Road, Greenock, the proposed next steps towards the wider economic evaluation of the preferred option and its subsequent detailed design.
- 1.2 This report also informs Committee of Riverside Inverclyde and Inverclyde Council's joint first stage application to the 'Regeneration Capital Grant Fund (RCGF), Round 3 Projects - 2016/17' for funds to procure the Option 1 realignment and to prepare adjacent land for an Industrial Business Park.

2.0 SUMMARY

- 2.1 At the Environment and Regeneration Committee of 16 June 2015, a comparison of the draft estimated costs of two realignment options for Baker Street were presented as:
- Option 1; £2,970,000
 - Option 2; £4,860,000

More detailed cost estimates of the necessary Scottish Water service diversions have since been obtained and the draft estimated costs of the options have now been reassessed following receipt of Scottish Water's estimated costs as:

- Option 1; £2,850,000
- Option 2; £4,780,600

Option 1, the alignment which extends the curve of Baker Street into the land to the east of the existing road, is now confirmed as the preferred option.

- 2.2 Committee asked that further economic justification of Option 1 be provided to support the case for its construction. Our consultant Aecom has been retained to investigate other potential wider economic benefits from the realignment works which may accrue to road users and Riverside Inverclyde's regeneration projects at Broomhill and the proposed Industrial Business Park.
- 2.3 Aecom has been tasked with monetising the benefits of Option 1 in terms of the Government objectives of Economy, Environment, Safety, Accessibility, Social Inclusion and Integration by assessing journey time savings, accident reduction, exhaust emissions reduction and the effects of improved accessibility provided by the realignment project.

- 2.4 Aecom will report at the end of August 2015 and their findings will be brought to the 29 October Environment and Regeneration Committee meeting for approval. Should Committee then approve the realignment project, the Head of Environmental and Commercial Services will commission a detailed design and cost estimate for construction contract tender purposes.
- 2.5 Riverside Inverclyde and Inverclyde Council have made a First Stage Application for Scottish Government Regeneration Capital Grant Funding of £1,510,000 to procure the Option 1 realignment and to prepare ground for an Industrial Business Park on land inside the bend of Baker Street to the west (total estimated project cost £5,980,000).
- 2.6 A Second Stage, full submission will follow, conditional on this proposal being recommended by the Regeneration Investment Panel and endorsed by Scottish Government Ministers and COSLA Leaders.

3.0 RECOMMENDATIONS

It is recommended that Committee:

- 3.1 Notes the confirmed preferred Option 1 for the road realignment of Baker Street at Drumfrochar Road.
- 3.2 Notes the intention of the Head of Environmental and Commercial Services to submit a further report when the study into the wider economic justification for Option 1 is complete.
- 3.3 Notes the joint First Stage Application by Riverside Inverclyde and Inverclyde Council for £1,510,000 to the Scottish Government Regeneration Capital Grant Fund.
- 3.4 Remits consideration of allocating £1,305,000 towards the project from free reserves to the Policy and Resources Committee in September 2015.

Ian Moffat
Head of Environmental & Commercial Services

4.0 BACKGROUND

- 4.1 A proposed urban regeneration initiative, by Riverside Inverclyde, in Broomhill, Greenock has created the opportunity to realign a tight bend in Baker Street at its junction with Drumfrochar Road. The land to either side of the road has previously been owned by others and the road has been constrained to its substandard geometry by the land ownership boundaries. Inverclyde Council is pursuing land negotiations for its regeneration initiative which includes the land necessary to improve Baker Street's alignment and to prepare ground for an Industrial Business Park on land inside its curve on its west side. The District Valuer has been appointed to determine valuations for the land affected and has engaged with the parties affected.
- 4.2 A previously proposed realignment was investigated by Bullen Consultants in 2002 and resulted in the alignment which extends the curve of Baker Street into the land to the east of the existing road (Option 1). A study into the cost comparison of this previous design with a new design which cuts the corner of Baker Street to the west (Option 2) has been undertaken by Aecom and draft results reported to the Environment and Regeneration Committee of 16 June 2015.

5.0 PROGRESS

- 5.1 Aecom has since received cost estimates for the necessary Scottish Water service diversions, missing at the time of the previous report, and has revised the estimated costs of each option as shown in the table below:

TOTAL PROJECT COSTS	Total Project Costs Option 1	Total Project Costs Option 2
Road Realignment Works	£855,336	£896,330
Service Diversions	£738,031	£645,531
Additional Site Acquisitions, temp leases, demolitions, solicitors fees	£510,000	£2,510,000
Environmental Landscaping	£250,000	£250,000
Site Acquisitions – SE & SP & legals etc <i>(£15k spent to date, £95k still to spend on Acqs)</i>	£110,000	£110,000
Fees @ 12%	£191,204	£185,023
Misc	£36,092	£29,530
Contingency @10%	£159,337	£154,186
Totals	£2,850,000	£4,780,600

- 5.2 Option 1 is the most economically advantageous and it is proposed to take forward Option 1 as the Council's preferred solution to the correction of the existing sub-standard bend in Baker Street.
- 5.3 However, Committee asked that further economic justification of Option 1 be provided to support the case for its construction. Our consultant Aecom has been retained to investigate other potential wider economic benefits from the realignment works which may accrue to road users and Riverside Inverclyde's regeneration projects at Broomhill and the proposed Industrial Business Park.

6.0 FUNDING APPLICATION

- 6.1 Riverside Inverclyde and Inverclyde Council made a First Stage Application for Scottish Government Regeneration Capital Grant Funding of £1,510,000 on 10 July 2015 to contribute towards the procurement of the Option 1 realignment and to prepare ground for an Industrial Business Park on land inside the bend of Baker Street to the west.
- 6.2 The project is described as the 'Proposed Vehicular Strategy Road Corner Improvement Project' and is one of the Greenock East-Central Masterplan's key regeneration projects. The realignment will significantly improve traffic flows in the Mearns-Drumfrochar Road and unlock the development potential of the area. The road is a principal route in Greenock however investment and economic activity are limited by poor traffic flows, vacant and derelict buildings and overgrown wasteland. Ri aim to acquire a site adjacent to the core realignment area and prepare it for an Industrial Business Park. Demand exists for high quality small light industrial units to complement larger recently completed industrial units at Kelburn Business Park. Road realignment works will also facilitate planned investment in nearby public realm projects and contribute to planned housing developments with an estimated value of £20million.

7.0 NEXT STEPS

- 7.1 Aecom will report at the end of August 2015 and their findings will be brought to the 29 October Environment and Regeneration Committee meeting for approval. Should Committee then approve the realignment project, the Head of Environmental and Commercial Services will commission a detailed design and cost estimate for construction contract tender purposes.
- 7.2 A Second Stage, full submission for Scottish Government Regeneration Capital Grant Funding will follow, conditional on the First Stage Application proposal being recommended by the Regeneration Investment Panel and endorsed by Scottish Government Ministers and COSLA Leaders.

8.0 CONSULTATION

- 8.1 a) The Head of Legal and Property Services has been consulted on this report.
b) The Chief Financial Officer has been consulted on this report.

9.0 IMPLICATIONS

9.1 Financial:

The Policy & Resources Committee has agreed to consider the use of Free Reserves at the September meeting. In addition to the £1.305 million for the Realignment contract there will be a requirement for further Free Reserves funding in the event that the RCGF bid is unsuccessful.

The funding breakdown available for the scheme is as follows:

Cost Centre	Budget Heading	Budget Years	Proposed Spend this report (£000)	Virement From	Other Comments
Broomhill Regeneration	RI/ IC budget		1,435		
	IC Capital Budget		110		Existing Capital budget
	Free Reserves		1,305		Subject to P&R approval and assuming RCGF bid is unsuccessful
	Total Dev Costs	2015/18	<u>2,850</u>		

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments

9.2 Human Resources:

This report has no implications for human resources.

9.3 Equality and Diversity:

This report has no implications for the Council's equality and diversity policies.

9.4 Repopulation:

This report fits well with the Regeneration Strategy's outcomes of providing communities with a positive appearance, creating places where people want to live, work and invest.

10.0 LIST OF BACKGROUND PAPERS

10.1 Regeneration Capital Grant Fund Round 3 Bid application.

**Regeneration Capital Grant Fund (RCGF)
Round 3 Projects - 2016/17
First Stage Application**

First stage applications must be submitted to the Scottish Government before the publicised deadline **12:00 Friday 10 July 2015**. A Second Stage, full submission will not be accepted for this project unless this proposal has been recommended by the Regeneration Investment Panel and endorsed by Scottish Government Ministers and COSLA Leaders.

Applicant Organisation	Riverside Inverclyde URC (Ri)
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Total Number of Submissions	This submission No.
3	3

Project Title	Industrial Business Park Enabling Works at Site 10, Greenock
Project Start Date	2015/16
Project Completion Date	2017/18

	2016/17	2017/18	2018/19	Total
Project Costs: Eligible Spend on activity to which grant will contribute.	£3,537,500	£2,010,000		£5,980,000 <i>(Note total includes £432,500 spent by Ri and Inverclyde Council in 2015/16 ¹)</i>
Regeneration Capital Grant Fund Requested	£1,510,000			

Please detail any sources of funding other than RCGF.	2016/17	2017/18	2018/19	Total
Riverside Inverclyde	£1,412,500	£700,000		£2,112,500
Inverclyde Council	£615,000	£1,310,000		£1,925,000

	Project Officer – Contact	Additional Contact
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¹ 2016-2018 costs total £5.5million. 2015-2018 costs total £5.9million.

PROJECT PROPOSAL SUMMARY – 2 Page – minimum font size 10.

Please refer to the first stage submission guidance on completing this section.

Project Eligibility

Funding is sought for road realignment works and land remediation/ contamination removal to deliver an Industrial Business Park and wider regeneration outcomes in Greenock. It is noted the RCGF is not intended to be primary source for major infrastructure projects relating to transport projects however the project satisfies the RCGF eligibility criteria as it will deliver *'elements within wider regeneration projects that will produce economic and social outcomes.'*

Project Description

A 'Proposed Vehicular Strategy Road Corner Improvement Project' is one of the Greenock East-Central Masterplan's key regeneration projects. The realignment will significantly improve traffic flows in the Mearns-Drumfrochar road and unlock the development potential of the area. The road is a principal route in Greenock however investment and economic activity is limited by poor traffic flows, vacant and derelict buildings and overgrown wasteland. Ri aim to acquire a site adjacent to the core realignment area and prepare it for an Industrial Business Park. Demand exists for high quality small light industrial units to complement larger recently completed industrial units at Kelburn Business Park. Road realignment works will also facilitate planned investment in nearby public realm projects and contribute to planned housing developments with an estimated value of £20million.

Projects Strategic Importance: Contribution to Wider Regeneration Plans

The project has a strong strategic fit with local, regional and national economic policy. The project will contribute to the following Plans and Strategies aims by:

Achieving a Sustainable Future: The Regeneration Strategy

- Addressing economic, physical and social needs of the community;
- Improving the physical environment to help raise the chances of good health in an area which is within the 5-10% most deprived in terms of health;
- Providing a joined up approach which complements ongoing regeneration efforts such as the Broomhill Masterplan and the road realignment; and
- Attracting investment and jobs to enhance the well-being of the community.

Scotland's Economic Strategy 2015

- Assisting to grow and diversify the business base (i.e. firm size) to improve the long-term resilience of the economy; and
- Creating a more enabling business environment which allows businesses to thrive.

Town Centre Action Plan and Town Centre First Principle

- The project site is on land allocated for business and industrial uses; and
- The proposed light industrial use is suitable for this allocation.

One Scotland: the Government's Programme for Scotland 2014-15

- Providing a high quality working environment that allows businesses to succeed and grow
- Supporting small and medium enterprises

Inverclyde Economic Development & Regeneration Single Operating Plan

- Providing premises for more small and medium sized businesses and start-up businesses to grow and develop in order to reduce the reliance on a small number of large employers in Inverclyde;
- Providing premises to attract private sector investment; and
- Improving the range and quality of business premises in Inverclyde.

Project Objectives

- Provision of business and site space for SME's to develop business base (Inverclyde has a low proportion of micro (0-9 employees) and small (10-49 employees);
- Provision of high quality light industrial units for start-up businesses to complement larger recently completed industrial units at Kelburn;
- Generate direct employment opportunities and local value and economic growth; and
- Contribute to the wider economic, social and housing targets in the Broomhill Masterplan.

Project Aims

Provide Opportunity and Alleviate Deprivation

Site 10 is situated in datazone S01004065 (Greenock Upper Central) which has an overall SIMD 2012 rank of 372 placing it within the 5-10% most deprived areas in Scotland. It also has an employment rank of 295 placing it in the bottom 5% in terms of this rating. The area is also ranked 481 for health placing it within the 5-10% most deprived.

Deliver Transformational Change

The project will help deliver transformational change by enhancing the physical environment, improving perceptions, and by providing job opportunities and space for small businesses within a deprived area.

Encourage Private Sector Investment

Project will provide an opportunity for new start-up businesses to support Inverclyde's objective of move away from a reliance on public sector jobs and a small number of large employers.

Timescales:

- 2015/16: Ri and Inverclyde Council invests £0.4million to acquire development land
- 2016/17: Ri and Inverclyde Council invest £1.4m and £0.6million respectively. RCGF invests £1.5million.
- 2017/18: Ri invests £0.7million and Inverclyde Council invests £1.3m in light industrial units.

NB:- All funding is subject to availability of budget & Committee/Board approval

Geographical Coverage

The project will provide physical and environmental improvements for the immediate Broomhill area however the employment and enterprise opportunities will appeal to the wider Inverclyde area.

Partnership

Ri is developing the project in partnership with Inverclyde Council.

Project Outputs (to be finalised):

An independent Economic Impact Assessment has been carried out by Economists at Peter Brett Associates (PBA). The project will provide:

Economic - Construction Phase

- £2.5million investment in employment in land and floorspace;
- 32 temporary construction jobs (one year duration);
- 1 training/ apprenticeship job;

The net additional local impact (i.e. factoring in leakage, multipliers, displacement etc.) would be:

- 21 net additional construction jobs;
- £1.0 million net additional GVA;
- Construction wages spent in the local economy would also total some £0.4 million while supply chain contracts would amount to £1.1million;
- The project would also help to leverage in £0.9million of self-build private sector floorspace (c.650 sq.m).

Economic - Operational Phase

- Approximately 27 Full-Time Equivalent (FTEs) would be employed at the site;

The net impact on the local economy would be:

- 22 net additional FTEs;
- £1.1million net additional GVA per annum;
- Additional wages spent in the local economy would amount to £0.5million per annum while supply chain contracts would amount to £1.2million per annum.

Social

- Opportunities to get long term unemployed people back into work;
- Health benefits of an improved working environment;
- Improved perceptions of the area;
- Modern units for small businesses will provide the community with a positive identity and help to raise future aspirations for working and entrepreneurial ideas in a deprived area. It will also help to raise the profile of the area.

Physical

- 12 modern high quality industrial business units & serviced plots
- Removal of old buildings which are an eyesore in the area
- New business park which helps contribute to ongoing regeneration projects

The above outcomes fit well with the Regeneration Strategy's outcomes of providing communities with a positive appearance, creating places where people want to live, work and invest.

If you wish to include a map to illustrate the area to be developed you can do so here or alternatively this can be submitted as a separate document. Please do not embed files within this document.