

## **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides an update on the progress of the Oban Airport Business Park project and how it fits within the wider Lorn Arc Tax Incremental Finance (TIF) Programme.
- 1.2 An outline business case has been developed seeking funding of £8.05m from the TIF

## **2.0 INTRODUCTION**

- 2.1 This report provides an update on the progress of the Oban Airport Business Park project and how it fits within the wider Lorn Arc Tax Incremental Finance (TIF) Programme.
- 2.2 An outline business case has been developed seeking funding of £8.05m from the TIF Programme for the development of roads, infrastructure, servicing and site works and is attached as Appendix 1.
- 2.3 Ongoing work is also progressing in relation to other funded investment in the business park including the UAV (Drone) Hub under the Rural Growth Deal and the development of commercial buildings for lease utilising Levelling Up funding or direct council investment.

## **3.0 RECOMMENDATION**

- 3.1 That the Policy and Resources Committee:
  - 3.1.1 Note that discussions are ongoing with the Scottish Government in relation to varying the TIF agreement to maximise the benefit from the scheme and that progression of this project is subject to the Scottish Government agreeing to amend the date by which works must be completed.
  - 3.1.2 Approve the submission of the Outline Business Case (OBC) to the TIF Executive seeking funding of £8.05m (including 15% fees and 10% contingency) for the development of roads, infrastructure, servicing and site works at Oban Airport Business Park.
  - 3.1.3 Subject to approval by the TIF Executive, approve the drawdown of borrowing for a total of £1.6m (20% of total cost) for the development of a Full Business Case and associated fees to progress the Oban Airport Business Park project.
  - 3.1.4 Note the additional resources that will be required to deliver this project in the form of the establishment of a Project Management Office (PMO) with Hub North Scotland providing strategic support.
  - 3.1.5 Note that the Full Business Case will be reported to a future Policy and Resources Committee before moving to the implementation stage.

## **4.0 DETAIL**

- 4.1 The initial investment at Oban Airport was for the installation of a road link and services to enable the development of a new business park adjacent to the airport. Following this, Estates have instructed site investigations, service assessments

4.2 Officers have been working with Stantec and other specialist consultants to develop an Outline Business Case (OBC)

- Net additional employment causing an increase in the local GVA levels.
- Land Value Uplift from the development of the site from its current use and value.

Based on the above a Value for Money assessment has been conducted. Benefit cost ratios (BCRs) help inform investment decisions by summarising the overall relationship between the relative costs and benefits. A **BCR above one** indicates a positive return on investment, and a **BCR above two** represents high Value for Money. A Net Present Social Value (NPSV) calculation shows how much greater the benefits of a proposal are than the outlined costs. **A positive NPSV represents a good return on investment.**

4.8 At the outline business case stage Stantec have appraised two options to compare with the Option 1 'Do-nothing' baseline. Option 2 is where the companies fund and develop their own premises and Option 3 is where the council invests in delivering the buildings. Although the TIF funding is only required for the infrastructure it will catalyse the creation of the buildings and result in benefits associated with the commercial spaces being realised. Options 2 and 3 scored similarly with Option 3 then being selected for the full 'Value for Money' testing.

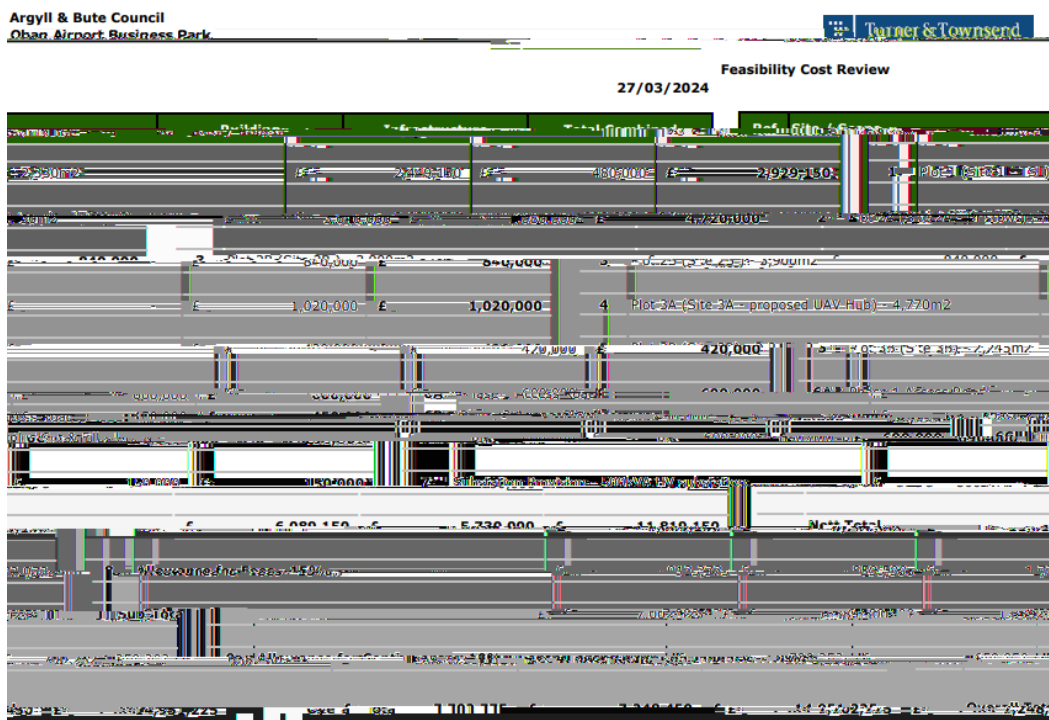
4.9 Based on this analysis, at Argyll & Bute level, the project will result in Gross Value Added (GVA) of £30.1 million. The present value sum of benefits (including the UAV Hub) is £49.8 million. Stantec have also assessed that there would be 72 net additional jobs created across the 3 sites proposed. 40.71 Tm0 g0 Stante

indicated a preference for the council to fund the buildings and for them to rent the completed properties.

4.14 The latest costings are noted below and the preferred option is to seek the following split of funds:

**TIF Fund** - £8.05m for infrastructure costs (figures below do not include inflation.)

**UK Government Levelling Up Partnership Fund** - £7.7m for buildings. (not including inflation.)



**NB1)** Economic Development are assessing the suitability of the UK Government Levelling Up Partnership Fund to fund the buildings.

**NB2)** Rural Growth Deal funding is already proposed for the development of the UAV (Drone) Hub on plot 3A but this is the subject of a separate, but linked, business case.

### **PROPOSED OCCUPIERS**

4.15 Site 1 - TSL Contractors Limited (TSL)

TSL Contractors Limited (TSL) <https://www.tslcontractors.co.uk/> are the first interested party. The company has been operating in Argyll for over 35 years and operates from Mull and Oban delivering building, construction and civil engineering services and also operates helicopters and undertakes road haulage. Employing over 90 people the company is a significant local employer





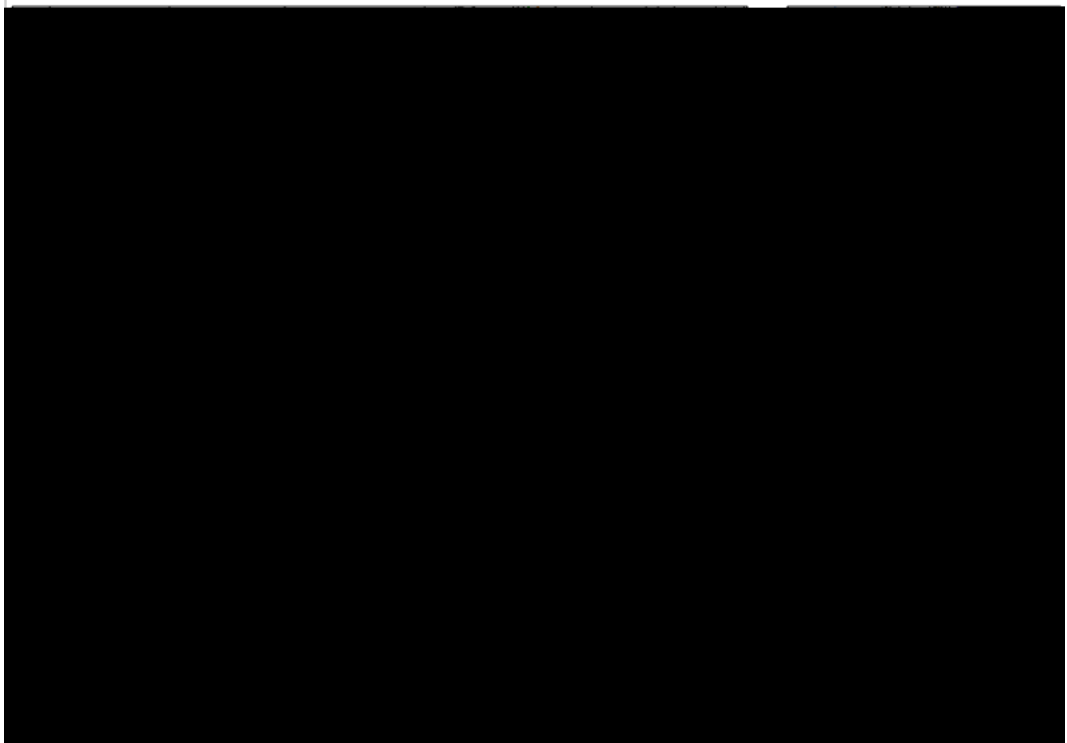
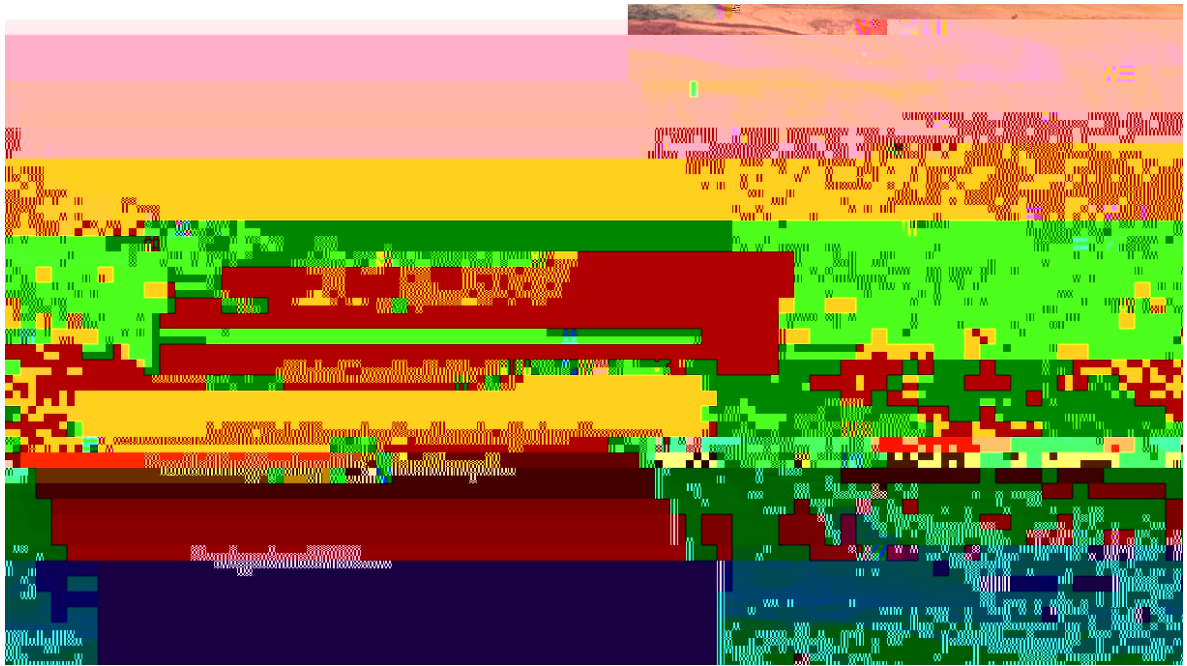
#### 4.17 Site 2A - Bristow Helicopters Ltd (BHL)

During 2022 the Estates team had been working with a helicopter company who were bidding for the UK Search & Rescue second generation contract (UKSAR2G). Ultimately they were not successful but following the contract award Estates approached the successful bidder Bristow Helicopters Ltd (BHL) to promote Oban Airport. This has resulted in Oban Airport being selected as their preferred option for the new base.

4.18 BHL have now signed a legally binding letter of intent for Site 2A as the location for their new Search and Rescue base and intend to be operational by 2026. An indicative layout of their proposal is shown below.

4.19 BHL are also one of the world's leading providers of vertical flight solutions and have advised that they are keen to participate in the UAV Hub which the council is developing a business case for as outlined below.





4.20 Site 3A - Unmanned Aerial Vehicle (UAV) B nBT/sT/F3 12 Tf1 0 0 1 56.664 48ote4 170.

**5.0**

**OUTLINE STRUCTURE FOR OABP PROJECT MANAGEMENT**



## 6.0 CONCLUSIONS

- 6.1 The development of Oban Airport Business Park is an ambitious project. The Outline Business Case outlines, that while there is demand from businesses to be located at the site, there is a market failure due to the high costs of development.
- 6.2 The Tax Incremental Finance (TIF) programme offers an opportunity to address this by providing the funding to develop the infrastructure to allow the site to be developed.
- 6.3 Alongside this investment in infrastructure officers will also progress the business case for further investment in the site to provide accommodation for the businesses outlined within the report alongside the UAV (Drone) Hub proposed to be funded through the Rural Growth Deal.

## 7.0 IMPLICATIONS

- 7.1 Policy – None.
- 7.2 Financial – The request for £8.05m of funding from the TIF programme is significant but the modelling demonstrates it is affordable as outlined in the report. Further funding from additional sources for other elements of the project will also require to be clarified.
- 7.3 Legal - The terms and conditions of transactions arising from this project are intended to be delegated to the Executive Director of Customer Services.
- 7.4 HR – There will be additional resource requirements as the project moves into the delivery phase as outlined in the report.
- 7.5 Fairer Scotland Duty
  - 7.5.1 Equalities – None.
  - 7.5.2 Socio economic Duty – None
  - 7.5.3 Islands – Oban Airport provides lifeline services to the islands and supporting the development of a Mull based business and services including emergency search and rescue response will enhance this. The development of UAV technology also has the opportunity to improve connections to the islands.
- 7.6 Climate Change – Aviation in general is increasingly viewed as a climate change risk. However the services proposed to be developed at Oban Airport are mainly lifeline services rather than recreational or tourism related and some of the new UAV technology under consideration could reduce the need for traditional aviation thereby reducing

7.7 Risk – There are risks from undertaking the development such as cost overruns, unforeseen abnormal costs, statutory approvals and timescale pressure. However there are also risks from not undertaking the development such as stagnating growth, the decline of the airport and the loss of grant funding.

7.8 Customer Service – None.

7.9 The Rights of the Child (UNCRC) – None.

Douglas Hendry, Executive Director with responsibility for Commercial Services  
Kirsty Flanagan, Executive Director with responsibility for Development and Economic Growth  
Councillor Ross Moreland – Policy Lead, Finance and Commercial Services  
Council Leader Jim Lynch – Policy Lead, Rural Growth Deal & Strategic / Major Regeneration

9<sup>th</sup> April 2024

**For further information contact:**

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