Turner & Townsend
Construction and Management Consultants

Report

A96 Corridor

Delivery / Implementation Report

January 2007

Mark Herrington
Associate Director

Turner & Townsend Project Management
33 Bothwell Street
Glasgow
G2 6NL

t: +44 (0)141 221 0558
f: +44 (0)141 248 7728
e: mark.herrington@turntown.co.uk
w: turnerandtownsend.com

Contents

Rev	Originator	Approved	Date
1.0	Mark Herrington		January 2007

1 Introduction

A spatial plan has been prepared to guide the physical development of the A96 Corridor including Inverness East and Nairn South as polarised locations with individual nodes including Whiteness, Tornagrain and Inverness Airport. A Green Framework has also been prepared.

The Development Framework has been subject to extensive consultation between The Highland Council and developers – land owners with interests in the corridor.

The purpose of this paper is to provide general guidance in relation to the delivery and implementation of the spatial plan developed by the consultant team.

Objectives

- To achieve a clear connection between land use planning and implementation throughout the project across the corridor
- Ensure that facilities and infrastructure match the funding resources and need generated by development impact
- Establish an equitable framework to allow investment and development decisions to be made
- Advise on a delivery mechanism and funding

The purpose of this paper is to establish key development principles that will guide the Investment Plan. It will specifically seek to identify when and where infrastructure should be provided in conjunction with development partners and partner organisations to enable land release to take place.

A key requirement of the A96 Corridor Strategy is that it should be based on the principle of co-ordinating built development with infrastructure provision on a fair and equitable basis across the 'growth area'. This requires amongst other activities, further evaluation of infrastructure investment to support development as part of an overall funding and developer contributions framework.

In November 2006, the A96 Corridor Masterplan: Stage 2, Interim Options-Phase 2: Assessment of Development Framework Options was issued and considered by The Highland Council Planning, Development, Europe & Tourism Committee on 15th November 2006.

The proposals recommended a combination of:

- Polar growth at East Inverness and Nairn
- Village consolidation
- New settlements at Whiteness and Tornagrain

It is noted that the Vision for the A96 Corridor Masterplan states that

- "A masterplan for the A96 Corridor should provide for distinctive 'green' Highland places where people can chose to live, learn and earn successfully. Collaboratively, all stakeholders will endeavour to deliver the Masterplan through pioneering governance and commercial astuteness."

It is also noted that the development principle is to

- Make development decisions predictable, fair and cost-effective through developing a clear masterplanned context delivered by a stakeholder process that understands market trends and demands for realistic deliverability over time.

Following deliberation, the Committee approved 'preferred' Development Frameworks for East Inverness, Nairn and the finalised Green Framework, as well as noting wider Corridor projects. The outcome of this work was also agreed as the basis for further feasibility and programming work in advance of public consultation in February 2007.

The purpose of this section of the report is to highlight the revised development profile and phasing of development and infrastructure across the corridor. It is based on landowner/developer stakeholder consultations as well as related technical work and liaison with service providers.

East Inverness - 'Preferred' Development Framework

East Inverness is expected to accommodate a future population of 7000 with 3300 new houses and 3300 new jobs. The 'preferred' Development Framework proposals for East Inverness as recommended to the Council by the consultants' team have the principal features:

- Dual carriageway bypass route linking from an upgraded A9/TLR junction at Inshes northwards across the railway to connect with the A96 in the vicinity of the Smithton interchange. Direct access for adjoining business, retail, campus and residential developments.

- Park and ride scheme with bus links adjoining the Smithton junction, and provision for a transport interchange facility to serve the campus including a longer term rail halt option at Beechwood.

- Upgrading of the Culloden distributor from the A96 as far as the new district centre to be situated centrally by Smithton, including provision for a major supermarket outlet.

- Hotel developments at Stratton Lodge and at the A96/bypass gateway site where there is scope for an iconic entrance building.

- Bulky goods outlets (regional retail) between the bypass and the existing West Seafield Retail Park.

- New Inverness College/UHI campus comprising faculty, research/incubator and student/staff accommodation with buildings held to the north-eastern flanks of the site in a high quality parkland setting, and segregated pedestrian links spanning west across A9 into the city and the railway into East Inverness.

- An Innovation Park for spin-off businesses and high growth technology enterprises opposite the campus at West Seafield.

- A major Regional Sports complex situated at East Beechwood.

- A formal town park and adjoining structural open space at Smithton/Resaurie including informal landscaped areas, core footpaths and flood alleviation measures connecting through to adjoining countryside green wedges and the projected coastal trail.

- A reserved site for a secondary school close by the park and district centre.

- A compact new residential quarter lying to the west of Culloden and offering a range of mainstream and affordable dwellings with a graduated density mix with lower density housing towards the northern margins by Milton of Culloden.

Nairn - 'Preferred' Development Framework

Nairn is expected to experience a population increase of 9000, accommodating 4300 new houses and 4500 jobs. The 'preferred' Development Framework proposals for Nairn, as recommended to the Council by the Halcrow team, have the principal features:

- A96 bypass starting from Drumdivan in the west, crossing the river at Howford and connecting back to the existing trunk road at Auchnacloich. This also enables a direct link for future development at Delnies.
- Two intermediate junctions on the new bypass where it crosses the A939 Grantown route and at a convenient point for access to serve proposed development at south Nairn.
- Eventual doubling of the town's size with total expansion capacity for an additional 9000 persons.
- A new neighbourhood at south Nairn representing the first phase of town expansion, including new district centre facilities located towards the north, from which improved pedestrian links will facilitate use of town centre shopping and other functions.
- Development of additional riverside and woodland based leisure and recreational facilities utilising adjoining floodplain lands.
- Site to be reserved for a secondary school.
- Longer term residential and community development at west Nairn (Delnies), clustered around the proposed third golf course and ancillary uses, and connected to the projected coastal footpath link from Nairn to Whiteness/Inverness.
- Major business and industrial land allocations on the eastern flanks of the town at Balmakeith.

Green Framework

The development of a green framework across the corridor which will include:

- New wildlife/landscape corridors
- Safeguards against development of the countryside and forest
- Green development areas
- New paths and trails

Other Developments

- Rail upgrades

- A new settlement/resort Masterplan as submitted by the Whiteness Property Company for the former Ardersier fabrication site
- Moray Estate's proposals for a new community by Tornagrain
- Inverness Airport Business Park
- Airport growth
- Scattered growth for smaller settlements
- Improved waste water treatment across the Corridor

2 The Delivery Challenge for the A96 Corridor

2.1 Introduction

For the purposes of this Report, we have divided the A96 Corridor into five distinct development areas plus the corridor wide developments. These are:

2.1.1 East Inverness Development Zone

Bounded by the A9 to the west and the area of Castle Stuart (627) to the north/east and Culloden Moor to the south/east.

2.1.2 Nairn Development Zone

Bounded by the areas of Tradespark (635) and Moss-side (6342) the west, the area of Lochloy (640) and Auldearn (6391) east and south and the Moray Firth to the north.

2.1.3 Tornagrain Development Zone

Moray Estate's proposals for a new community by Tornagrain plus the expansion of Inverness Airport and associated business space.

2.1.4 Whiteness Development Zone

A new settlement/resort Masterplan as submitted by the Whiteness Property Company for the former Ardersier fabrication site.

2.1.5 Central Development Zone

Smaller settlement development such as Culloden, Croy Ardersier, Cawdor and Auldearn.

2.1.6 Corridor Wide

- The duelling of the A96
- Rail upgrades
- New wildlife/landscape corridors
- Green wedges and corridors
- New landscapes
- Waste water and treatment upgrading and supply across the Corridor
- Grid substation upgrade

It is our view that the key delivery challenges for the A96 Corridor relate to:

- Establishing a funding base for developer contributions, whether in kind or through payment, that is fair and equitable
- Ensuring that infrastructure and development is co-ordinated
- Addressing phasing and market demand
- Controlling phasing across the Corridor

3 Delivery Models

3.1 Introduction

The need to deliver the infrastructure requirements for the Corridor requires consideration of the types of delivery vehicle model available for the Project and the implications of the various models designed to achieve this.

Consequently, this Report looks at five models that could be available and the details of these models. Input on the legal position of each model will need to be given by a legal adviser and tax implications would require assessment by an appropriate adviser, hence this paper does not discuss these.

Models discussed are as follows:

- 'Urban' Regeneration Company Model
- Joint Venture Company Model
- PPP Model
- Local Strategic Partnership Model
- Community Development Trust Model

3.2 Urban Regeneration Company Model

3.2.1 Introduction

Three pathfinder Urban Regeneration Companies (URCs) were announced by the Scottish Executive in 2004, namely Clydebank Rebuilt, Raploch in Stirling and Craigmillar in Edinburgh and the Scottish Executive is providing some £40m of support. More recently the Scottish Executive announced a further three pathfinder URCs, these being Riverside Inverclyde, Irvine Bay and the Clyde Corridor. The Clyde Corridor includes the Clyde Waterfront Project and Clyde Gateway Projects.

There is no set model for the structure of Urban Regeneration Companies in Scotland although they all share a general remit to regenerate a defined area in which they operate.

In general terms they seek to achieve the regeneration of areas or regions where the market has failed and where targeted public sector intervention will bring about sustainable change and improvement.

Initial soundings made by the team to the Scottish Executive have suggested that it is unlikely that the Scottish Executive will consider funding new URCs in the short to medium term.

3.2.2 The A96 Corridor Project as an Urban Regeneration Company

The ingredients and progress of the A96 Corridor Project approach to date may well suit the formation of a Regeneration Company within the national URC framework. However, Partners should note the following potential questions will need to be considered:

- Will the Scottish Executive support an URC for the Project? The recently issued Policy Statement suggests the Scottish Executive fully support the URC delivery model concept but with the three new URCs being formed at the Clyde Corridor and in Irvine and Inverclyde, in our opinion, it is very unlikely that the Scottish Executive will support further URCs in the near future.
- If however there was support, partners would also need to consider
  - Are there committed resources available to fund the administration of an URC?
  - Will Partners take a place on the Board of the URC?
  - Will Partners put their financial contribution into an URC 'pot'?

Following discussions and research, it is our considered opinion that it is unlikely that the Scottish Executive would approve the A96 Corridor Project as a URC. Furthermore, given the make up of the partners in the Corridor, their distinct land holdings and the complexity of forming a new delivery company, we feel that this option should be discounted.

3.3 Joint Venture Company Model

3.3.1 Introduction

A second possible delivery model for the A96 Corridor Project is the use of a Joint Venture (JV) Company whereby the Partners form a company with the private sector landowners/developers to deliver elements of the Project agreed between the Partners.

Under a single contract or a series of contracts, private sector Partners would enter into contracts to develop the required infrastructure to an agreed programme, possibly through subsidiaries to a JV holding company.

Given the approach of dividing the Corridor into distinct development zones, it is likely that a number of JV companies would deliver the projects through an open book partnering approach whereby the Partners could share the rewards and the risk of the development. This approach may also have financial and tax advantages depending on the structure but this would need further investigation.

It is likely that the Boards will be made up of representatives from the development Partners.

3.3.2 The A96 Corridor Project as a JV Company

There are a number of issues/questions relating to the joint venture model in comparison to the other approaches discussed in this paper:

- The JV approach is familiar and has been used successfully on many projects but will require agreement with each of the landowners/developers in each of the development zones.
- A limited liability company can be formed enabling each of the joint venturers to isolate the project from its and each others business activity which might be attractive to the landowners/developers in the Corridor.
- The lead-in time maybe relatively short compared to more innovative delivery models that are not tried and tested, however, compared with the Local Strategic Partnership (see below) it will be longer.
- It may prove difficult to form a true partnership approach unless all the Partners are subject to the JV agreement. It could be difficult and legally complex to have a JV agreement with all Partners but could be investigated through use of legal advice and would, in our considered opinion, assist The Highland Council in delivering the aspirations of the A96 Corridor Masterplan.

As will be discussed later in this paper, we believe that there is some merit in considering a type of Joint Venture Company in the East Inverness and Nairn Development Zones.

3.4 Public Private Partnership Model

3.4.1 Introduction

As discussed above, a difficulty faced in the A96 Corridor is the funding, in advance of development, of some of the major infrastructure projects that will facilitate development, especially the funding of the transport infrastructure.

Entering into relationships with private sector partner(s)/consortia in a Public Private Partnership (PPP) provides the public sector with options in terms of innovative ways of structuring project funding, and levering in private finance to deliver required upfront infrastructure funding.

3.4.2 PPP Model

One such innovative mechanism involves private sector partners contributing equity to the project up front, in exchange for access to returns, via project cash flows, in later years. This has some similarities to the principles of a Public Private Partnership, as adopted by Local Authorities for schools projects etc.

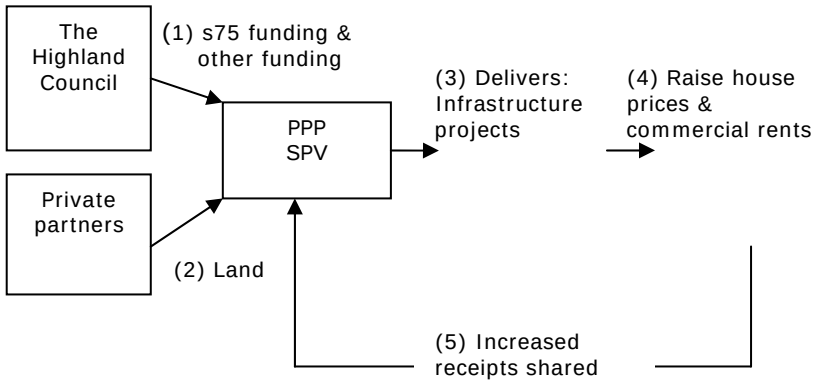
An illustrative example, highlighted in the diagram below, shows how this approach could work.

The private sector, which in the case of the A96 Corridor equates to the landowners/developers, invest up-front (in lieu of but equivalent to) section 75 payments, in a vehicle to deliver identified infrastructure to support their developments which in turn may increase potential sales values.

The Highland Council uses section 75 funding, which is gained from agreement with landowners/developers and other funding (existing budgets etc) to support the PPP Special Purpose Vehicle (SPV), which could be a form of Joint Venture between The Highland Council and landowners/developers. Furthermore, through agreement on shared overage (in simple terms the difference between expected sales values and actual sales values), increased returns may provide further infrastructure development funding.

The use of this model effectively creates an 'infrastructure development funding pot', which is allocated to meet the requirements of the infrastructure in the corridor.

Levering value up-lifts through private equity



The fundamental premise of this approach is to leverage value based on the latent potential in the private sector's land assets and means that The Highland Council shares in the positive development returns uplift afforded by the investment in infrastructure through the development of the Corridor Projects. Over and above this, through the use of the PPP model, landowners/developers will also be comforted that the increased receipts that are shared with the Council through the raised house prices and commercial rents will also benefit them in that these increased receipts will be returned to the PPP SPV who will invest in and deliver infrastructure projects and thus benefit the landowners/ developers.

A further key point is that prudential borrowing rather than private equity could be used to fund the infrastructure works, at a significantly lower cost of capital (around 4.5% rather than a private sector rate of return here of 15%). However, private sector equity in a JV means that the private sector, rather than the Council, is exposed to the risk that the local market does not perform in line with expectations. The increased return payable to the private sector is the price of risk transfer.

3.4.3 The A96 Corridor as a PPP

This form of model is a derivation on the JV model discussed earlier in this paper and whilst the PPP model is used widely in the education, water and other sectors, use in the A96 Corridor Project would, in our considered view, be worth exploring further with landowners/developers.

3.5 Local Strategic Partnership Model

3.5.1 Introduction

Local Strategic Partnerships (LSPs) identify key developments and issues that will change an area or community and therefore focus, in a strategic way on key issues to deliver these changes. There are a number of successful examples of LSPs in Scotland, including the Dundee Partnership and the Crown Street Regeneration Partnership and some 33 LSPs in London.

3.5.2 The A96 Corridor as a LSP

It is, in our view unlikely that the A96 Corridor Project would suit the formation of a LSP for the following reasons:

- A LSP is normally led by the local authority that has control of the assets available in the LSP's area of operation, usually in the form of a significant land holding. In this case The Highland Council does not hold significant land holdings.

- LSPs bind in partnerships through a Memorandum of Understanding/ Agreement and the partnership can be a very loose partnership agreement. It is usual that the LSP Partners are from the Public Sector with generally common goals. This is not the case in the A96 Corridor Project.

In conclusion, we do not believe that the A96 Corridor Project is a good fit for a Local Strategic Partnership.

3.6 Community Development Trust Model

3.6.1 Introduction

Community Development Trusts (CDTs) offer an holistic approach to regeneration and are based upon a partnership approach. CDTs adopt a comprehensive approach to development for both urban and rural communities and are founded on partnership with a strong focus on community involvement.

CDTs have been in existence for many years but have seen rapid expansion since 1996. There are many examples of CDTs in England, Wales and Northern Ireland (the Development Trusts Association, www.dta.org.uk has over 200 members with some 65 members in Scotland). There is not a standard model by which CDTs are founded, however, they tend to be formed as charitable companies and comprise of a board of directors with a high degree of representation from the local community. CDTs are seen as being very successful in harnessing the capacity of the local community to regenerate their own area and their ability to exploit short-term funding opportunities, create an asset base and hence become self funding.

CDTs have varying and wide remits having grown out of the traditional voluntary sector of social welfare and now are involved in both economic and environmental elements of community regeneration and vary widely in terms of geographical area. Commonly CDT activity can encompass:

- The development and management of workspace for local businesses
- The provision of shops, market spaces and business advice
- The co-ordination of career advice and training schemes
- The development of vacant and derelict land
- The management of local environmental improvement scheme and public spaces
- The development and management of sports and recreation facilities
- The management of community centres and offices

- The development of play schemes and childcare centres
- The development of affordable housing
- Support for community development

The report, *Review of Scotland's Cities - The Analysis, Scottish Executive 2002* suggests that although organisations similar to CDTs exist in Scotland, current regulations and legislation governing social economy vehicles prevent Scottish organisations fulfilling their full potential. In saying this, the report also noted that some consultees to the report suggested that the regulatory framework was adequate for the wider role but that issues of education, information and encouragement were the key barriers to the development of CDTs in Scotland.

3.6.2 The A96 Corridor as a CDT

As a model, the CDT is unlikely to meet the requirement of delivering the A96 Corridor Project. As discussed above, the CDT model is generally used in small scale projects where community interest is high and specific community based target outcomes are required.

Having said that, discussed below is the Delivery Model for the Green Framework in which we discuss the Greater Easterhouse Environmental Trust which is indeed a CDT. Therefore whilst for the overall delivery model we feel a CDT would not be the appropriate vehicle, we would suggest that a CDT for the maintenance of elements in the Green Framework might well be the appropriate vehicle.

3.7 Green Framework Delivery Model

As noted above, the development of a green framework across the corridor will include:

- New wildlife/landscape corridors
- Safeguards against development of the countryside and forest
- Green development areas
- New paths and trails

Given the Green Framework, some areas will be adopted and therefore potentially managed by The Highland Council.

The remaining areas need a workable management strategy and it is our opinion that it would be preferable that the management model proposed for the Green

Framework sites would be adopted site wide. In order to propose a viable model, a number of alternatives have been considered as part of the Report:

Traditional Management Contract

This would be based on tendered drawings and specifications, or be based on approved management objectives. The latter option is based on the concept that habitats are dynamic and management requirements will vary depending how the area develops. Costs would be based on works carried out to achieve the objectives, rather than simply repeating annual maintenance tasks which may not be required each year. In either option, the works would be tendered to contractors for implementation.

The issue with this model is whether a sustainable funding model can be developed and the sources of funding established.

Specialist Management Company Model

This type of management mechanism can cover all non-adopted areas of the area excluding private gardens and land. This type of arrangement hinges on a legal or Greenspace Agreement being developed by the landowners/developers and incorporated into the deeds of the users, such as business occupiers and householders. The mechanism has two phases, pre- and post-development. The pre-development phase covers the establishment and management of landscape areas in order to ensure structured planting is established before owners/users/ businesses move into their properties. This phase of work is usually paid for by the developer in instalments through section 75 agreements. The post-development phase is paid for by the householders/ users/ businesses through a factoring arrangement once properties are occupied.

Local Authority Model with Commuted Sum

Local Authorities have methodologies for calculating a maintenance cost based on the maintenance areas and the density of housing/business units. The interest on this sum is then used to manage the site in perpetuity.

Establishment of A96 Nursery/Landscape Maintenance Company

The final option is a nursery/landscape maintenance company that would have a landscape maintenance arm which would include vocational training and job creation within the local community. This option provides a possible future mechanism for maintaining areas of the A96 corridor not taken up by other agencies.

An example of this is the Greater Easterhouse Environmental Trust which was established in 2002 as a company limited by guarantee with charitable status.

It has 30 Staff (including volunteers and work placements) and operates in the Greater Easterhouse area of Glasgow. The Greater Easterhouse Environmental Trust is a not-for-profit organisation working with community groups and housing providers to develop community led environmental schemes.

The Environmental Trust delivers its aims and objectives through four key themes:

- Conservation and heritage
- Waste management and recycling
- Infrastructure, open space and recreation
- Education and employment

The Environmental Trust is supported by the Greater Easterhouse Partnership, Communities Scotland and Glasgow City Council.

The Development Team works in partnership with community and residents groups and other social organisations to coordinate environmental improvement projects and raise awareness of environmental issues locally.

The Operations Team provide a commercial landscaping service on a completely not-for-profit basis. The trust sustains a number of estate management contracts with businesses and housing organisations that allows the Operations Team to offer work placements amongst its workforce. Trainees work with qualified trainers to gain on-the-job qualifications and work experience.

The Trust is funded from 60% earned income and 40% grant income.

4 Infrastructure Requirements & Costs

4.1 Infrastructure Requirements & Costs

Through stakeholder consultations, it is clear that landowners/developers understand the need to contribute to the infrastructure requirements developed through the A96 Corridor Masterplan. However, their key concern is that there is equity and that all landowners/developers are 'tied into' their commitment to contributions to the infrastructure. This meets with one of the underlying development principles of transparency and fairness in development funding contributions across the Corridor.

Through the development of the A96 Corridor Masterplan, infrastructure requirements were determined given the development proposals which have been detailed elsewhere.

It is our considered view that the majority of the infrastructure should be divided into two categories, namely, infrastructure that is clearly allocated to the Development Zones as this infrastructure will only benefit that particular zone and infrastructure that will benefit all zones to a greater or lesser affect.

A number of the roads projects however should be allocated between all zones. An example of such a project is the East Inverness Framework Plan Bypass that will not only benefit the development in East Inverness but also all zones, therefore defined, in part, as a corridor wide project.

5 Contributions Protocol

5.1 Introduction

Following the completion of the A96 Corridor Masterplan, Turner and Townsend Cost Management (TTCM) reviewed the Proposals and provided high level indicative cost estimates for all development proposals for the Corridor.

The Protocol uses these cost estimates as a basis for the Protocol. The overall requirement is for £403,112,720.

5.2 Basis for Protocol

In developing the Protocol, the most significant principle was to fully take into account the Project's development principle, namely

> 'Make development decisions predictable, fair and cost-effective through developing a clear masterplanned context delivered by a stakeholder process that understands market trends and demands for realistic deliverability over time.'

Given the above development principle, and through extensive research we found that there have been various approaches to this activity within growth areas in Scotland and the UK but no universally accepted or established protocol. Approaches range from impact fees (a roof tax) to individual negotiation discussion based on specific sites.

For the protocol, we have therefore used Trip Data from the 2006(b) Trics Datacard as defined in the following table:

Land Use Trip Rate			
Required Co	**TRICS Parameters Used**	**TRICS Trip Rate**	**Peak TRICS Trip Rate used in Protocol**
Residential	Mixed Private Housing	7 - 9 trips per household	9 trips per household
Food Retail	Food Superstore	126 - 211 trips per 100m2 GFA	211 trips per 100m2 GFA
Other Retail	DIY Superstore/Retail Park	38 - 140 trips per 100m2 GFA	140 trips per 100m2 GFA
Business	Office	14 - 31 trips per 100m2 GFA	31 trips per 100m2 GFA
Industrial	Industrial Unit – Industrial Estate	3 - 16 trips per 100m2 GFA	16 trips per 100m2 GFA
Education	College/University	11 - 23 trips per 100m2 GFA	23 trips per 100m2 GFA

Land Use Trip Rate			
Health	GP Surgery	77 - 89 trips per 100m2 GFA	89 trips per 100m2 GFA
Leisure	Sports Centre	391 - 510 trips per 100m2 GFA	510 trips per 100m2 GFA
Leisure	Golf Course	246 - 578 trips per course	578 trips per course
Hotel	Hotel	4 – 8 trips per bedroom	8 trips per bedroom (8 trips per 100m2 GFA

Note: Trip rates sourced from the 2006(b) Trics Datacard

Importantly, trip data allows a comparison between uses and between areas on the basis of published data.

5.3 Methodology

The attached spreadsheets, in Appendix 1 are divided into 3 sections. The first two sheets show the cost allocation between each of the areas based on the TTCM cost estimates.

The third sheet shows the public sector/statutory authority contribution to the infrastructure projects.

The remaining sheets show the contributions by each of the developments based on the cost allocations shown in the first two sheets and using the trip data for the types of uses planned.

In the second section of the spreadsheets, the contributions are split between the corridor wide infrastructure projects and those we have allocated as local projects.

The design of the spreadsheets allow the user to amend the contribution factors which will change the contributions. The spreadsheets will also allow the user to amend the variables so that sensitivities can be explored.

5.4 Assumptions

A number of assumptions have been made given the level of data available. These are as follows:

- Costs have been developed from information received and discussed with Halcrow
- Given the level of costs, a contingency figure of 10% has been added to the costs. A cost for fees is excluded

- All cost exclude acquisition costs
- All internal upgrading of local roads are included in development costs
- The level of provision for schools is as per information received on pupil number creation from the Highland Council and Halcrow
- Costs/contributions are at a cost base date of Quarter 4, 2006-07. We would suggest that contributions should be linked to an agreed inflationary indicator such as the Retail Price Index or House Price Index

6 Suggested Strategic Delivery Models

6.1 East Inverness, Nairn, Central & Tornagrain Development Zones

6.1.1 Introduction

Considering the land ownership and the level and type of development in East Inverness, Nairn South, Nairn West and Tornagrain, there are two main issues of relationship and responsibility, namely

- Relationship and responsibility between the landowners/developers in each area and The Highland Council as Planning Authority
- Relationship and responsibility among the landowners/developers themselves

6.1.2 Delivery Model

Relationship and responsibility between the landowners/developers in each area and the Planning Authority

The first part of the model would cover the direct area of relationship and responsibility and would be determined through section 75 agreements between the landowners/developers and the Planning Authority. It would deal with the planning obligations but would not look to apportion cost or liabilities among the landowners/developers.

These agreements, which would need to be agreed between the interested parties (on the basis of the agreed schedule - the Contributions Protocol), would effectively clearly outline the type of infrastructure investment, such as transportation infrastructure upgrading, public transport enhancement, education facilities, community facilities, the establishment of the Green Framework, new footpaths etc. that have been agreed as part of negotiations and identified in the A96 Corridor Masterplan.

Also party to these negotiations as to the level of investment and the responsibility for delivery of the investment should be public agencies, such as Transport Scotland, Network Rail, SEPA, SNH, etc., so that any contribution to the infrastructure that they will make can be factored into the section 75 agreements.

As part of defining the relationship between the landowners/ developers and The Highland Council as the Planning Authority and developing the delivery vehicle, joint venture companies (ProjectCos) would be established to procure and

deliver the agreed parts of the infrastructure relating to the land held by the landowners/developers. We would expect the partners in the JVs to be the landowners/developers.

With regards to funding, each of the landowners/developers would agree to fund ProjectCo for the costs (effectively their section 75 contributions) which it incurred in procuring and delivering the agreed infrastructure which, at inception of ProjectCo, will be defined through a schedule of anticipated costs in line with an agreed schedule of infrastructure relating to the land and the land use held by the landowners/developers. The Council may also contribute to ProjectCo with funding they have available perhaps through their capital budgets and, dependent on the type of project, through funding sourced from grant aid bodies and programmes such as the European Social Fund and other European programmes. Therefore, effectively, ProjectCo would act like the PPP SPV as discussed in the model above and would be a joint venture between the landowners/developers.

The value and extent of the development in each of the Development Zones would determine the share in ProjectCo and indeed the required contribution by each of the landowners/developers. Clearly however, the voting rights etc. of the Board will need to be discussed and agreed by the landowners/developers to ensure equity between Partners and that control and decision making is efficient and in the best interest of all parties with an interest in ProjectCo.

Depending upon the type of infrastructure required, relationships would also be formed with other public agencies, such as Transport Scotland, Network Rail, Scottish Water etc. to deliver the required infrastructure at the required time. This could either be achieved through contractual agreement with third parties, whereby ProjectCo contracts with a third party to deliver an element of the infrastructure or through high level strategic agreement where ProjectCo is not delivering the infrastructure but has an interest. There is also the opportunity for the ProjectCo to receive funding from other public agencies whom would fund projects that the market will not deliver.

Relationship and responsibility among the landowners/developers

Given that there are a number of landowners with an interest in the development of the infrastructure, assurance is required that the infrastructure being provided at joint cost by the landowners/developers will be available for use by each of them.

To ensure that this is indeed the case, for each of the areas that are affected by this situation, a Deed of Conditions would be put in place with the parties to the

deed of conditions being all of the landowners/developers. Also the use of financial bonds, guarantees etc. may be used.

Under the Deed of Conditions, each of the landowners/developers would have

- Servitude rights to construct, maintain and use the common access roads over the area
- Servitude rights to install, connect into, maintain, upgrade and use the common services for the area which may include drainage, SUDS, landscaped areas etc.
- Any other such requirements agreed between the landowners/developers

The use of a Deed of Conditions, to which each of the landowners/developers are party too, ensures that, in common, they have rights over infrastructure that they jointly developed with other parties.

6.2 Whiteness

6.2.1 Introduction

The proposals for Whiteness are well developed and Outline Planning Permission has been granted subject to agreement on section 75 contributions.

6.2.2 Delivery Model

Given that the Whiteness development is subject to the formal planning process with section 75 negotiations in progress, it is our view that normal section 75 negotiations should continue for the contributions but that the negotiations should take place in the context of the wider considerations of the Contributions Protocol developed as part of the A96 Corridor Masterplan.

6.3 Corridor Wide Infrastructure Works

6.3.1 Introduction

As detailed in the Contributions Protocol, and noted above, there are infrastructure works that benefit the Corridor as a whole and the Contribution Protocol defines these and the contribution allocated for each development based on trip rates and costs (see Appendix 1).

6.3.2 Delivery Model

With JVs established across the Corridor (plus a single developer at Whiteness) and with section 75 contributions established through the Contributions Protocol, the model to deliver the Corridor Wide Infrastructure builds on the JVs in place.

Therefore, through the section 75 agreements that The Highland Council, as Planning Authority, develops with each of the JVs, the element identified for Corridor Wide projects located in each of the Development Zones is included as part of the negotiations and therefore delivered by the JV within that Development Zone.

This approach as a number of benefits:

- Work and contributions are agreed up front with the JVs
- Whilst Corridor Wide Infrastructure benefits the Corridor as a whole, it also benefits directly the JV at the location it is being provided, thus giving incentive to the JV concerned to deliver it
- Keeps the delivery framework relatively simple avoiding the need for an overarching Corridor Wide JV to deliver Corridor Wide infrastructure projects

Notwithstanding the above, one complexity that will need to be considered is where the amount of Corridor Wide infrastructure within a Development Zone is in excess of the contribution due from the JV responsible for that Development Zone. Where this occurs, the Central Development Zone is an example, agreements with the other JVs (or Whiteness Development Co.) will need to be made.

6.4 Green Framework

6.4.1 Introduction

Considering the above and from research carried out on similar models the suggested strategic way forward is a mechanism which combines a number of models, but which would apply to the A96 Corridor as a whole.

6.4.2 Proposed Models

- Roads and verge - adopted and managed by Local Authority
- Areas within housing/business areas - paid for through a factoring agreement with householders. Business users to fund a specialist management company model or nursery model
- Business Parks - may be managed through the Local Authority through payment of rates
- Outstanding areas of landscape - Local Authority model is used to calculate costs which are paid as a commuted sum by the landowner/developer. This

sum funds a specialist management company model or nursery model (perhaps a CDT), as part of the arrangement on amenity planting in housing areas.

APPENDIX 1

Contributions Protocol Spreadsheets