

**LORN ARC TAX INCREMENTAL FINANCING (TIF) ASSET PROJECT 9 - EXISTING
ACCESS IMPROVEMENTS AND BUSINESS PARK ENABLEMENT, OBAN
AIRPORT 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 9 within the programme business case approved by Scottish Government - Existing access improvements and business park enablement at Oban airport, will be the first project to be taken forward. It is a requirement that the Lorn Arc programme be implemented through a material start on site prior to 30th September 2015.
- 1.4 The Programme Initiation Document (PID), which received approval from Council on 22 January, sets out the governance for the programme. It states that project start-ups and development costs are to be reported to the Policy and Resources committee for their approval.
- 1.5 **Recommendation**
- 1.6 That Members:
- Approve the drawdown of borrowing for a total of £95,550 for the development of a Full Business Case for Lorn Arc Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport. 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 9 will be reported to a future OLI Area Committee and Policy and Resources Committee before moving to the implementation stage.

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2.0 INTRODUCTION

- 2.1 This report outlines the background to the Lorn Arc Tax Incremental Financing (TIF) programme and requests the approval of a startup budget to enable Project 9 at Oban Airport to be taken to full business case. The project is expected to constitute the first material start of the Lorn Arc Programme which is required by 30th September 2015.
- 2.2 The Oban, Lorn and the Isles Area Committee considered this matter on the 11th February 2015 and recommended that the Policy and Resources Committee approve the drawdown of borrowing for this project.

3.0 RECOMMENDATIONS

- 3.1 That Members:
- Approve the drawdown of borrowing for a total of £95,550 for the development of a Full Business Case for Lorn Arc Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport. 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 9 will be reported to a future OLI Area Committee and 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 a borrowing consent 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 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 Lorn Arc programme will commence when the first work starts on the ground. It is a requirement of the Scottish Government approval that this happens before 30th September 2015.
- 4.4 In order to progress the Lorn Arc programme, the team has developed a robust and fit for purpose Programme Initiation Document (PID). The PID describes how the Lorn Arc programme will be delivered and managed. It was approved by Council on 22nd January 2015.
- 4.5 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.
- 4.6 Start-up costs for each project are likely to constitute up to 20% of the overall capital costs of the proposed project. These costs form part of the TIF borrowing and therefore have to be funded within the £18.89m borrowing consent.
- 4.7 A summary of Lorn Arc TIF Project 9 - Existing Access Improvements and Business Park enablement, Oban Airport is detailed in the following table :-

Table 1 :	
Project No. 9	Existing Access Improvements and Business Park Enablement, Oban Airport
Purpose	Potential access improvements to Oban Airport to improve safety and capacity at the site and to construct a new access road to allow the opening up of a new business park adjacent to the existing airport.
Finance	Indicative Cost - £0.59M TIF Investment - £0.59M
Justification summary	The existing airport junction would be altered from a simple T junction to a ghost island junction with associated signage, gateway and landscaping improvements which will improve the visibility of the airport, and the safety of the existing junction. The works are considered to be relatively low risk road improvement works and the costing includes 20% optimism bias.

	<p>This road link and services enable the development of a new business park to the south of the existing Airport Roundabout to maximise the use and benefits of the airport facility. This site is included in the Local Development Plan for business use. There is potential that businesses related to the use of the airport may be attracted but the potential for small scale start up units has also been suggested. The costs within the business case are purely related to the provision of a central spine road and associated utilities which would enable either private sector or supported development of the plots on the site to be progressed.</p> <p><u>The Oban Airport investment is likely to be the first TIF Investment and effectively start the 25 year NDR capture timescales.</u></p>
Delivery Timescales	2014 to 2018

4.8 In order to produce a Full Business Case for this project a drawdown of £95,550 is required. The detailed breakdown of these costs is detailed in Appendix 1.(exempt item)

4.9 The Full Business Case is expected to be presented to the Oban, Lorn and the Isles Area Committee on 15th April 2015 and then the Policy and Resources Committee on 14th May 2015. This will include full details of the delivery programme for completion of this project.

5.0 CONCLUSION

5.1 The Lorn Arc TIF Project 9 - Existing Access Improvements and Business Park enablement at Oban Airport is likely to constitute the first meaningful start of the overall Lorn Arc programme and so requires to be commenced prior to the Scottish Government deadline of 30th September 2015. 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 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 start-up 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 Project Initiation Document (PID). The full business case for this project will include a project specific risk register.

6.7 **Customer Service** – None

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