

**TAX INCREMENTAL FINANCE ADMINISTRATION PILOT SCHEME – SELECTION OF
POTENTIAL PROJECTS**

1. SUMMARY

- 1.1 This paper provides background to the Tax Incremental Finance initiative, the process for application / selection by the Scottish Government and the rationale for the project to be promoted by Argyll and Bute Council.

2. RECOMMENDATIONS

- 2.1 That the Executive:

- note the application and selection process and;
- agree that the Lorn Arc project is submitted as an application – should the project be deemed viable at this stage;
- agree to delegate powers to the Chief Executive in conjunction with the Leader to approve the final application.

3. DETAIL

- 3.1 The Scottish Government and the Scottish Futures Trust (SFT) have together developed an innovative approach to delivering economic growth by enabling Local Authorities to fund public infrastructure that will unlock regeneration and growth which might otherwise be unaffordable to a Local Authority or undeliverable through the private sector.
- 3.2 This innovative approach is known as Tax Incremental Finance (TIF) and seeks to capture locally generated revenues, primarily in the form of non domestic rates (NDR) that would not have arisen were it not for the delivery of the “enabling” infrastructure.
- 3.3 The key principle is that the public sector would raise finance for the enabling infrastructure by pledging to meet debt repayments from these future revenues. It also needs to be demonstrated that the infrastructure will stimulate significant additional economic activity.
- 3.4 The pilot scheme will allow up to six Local Authorities to use incremental NDR revenue to finance borrowing. Three pathfinder projects have already been selected and are at various stages of the process – City of Edinburgh Council: *Edinburgh Waterfront*, North Lanarkshire Council: *Ravenscraig* and Glasgow City Council: *Buchanan Quarter*.
- 3.5 The criteria set for the remaining three pilot projects are:
- they must be non-retail led;
 - one should be below £20m;
 - one should have a renewables focus
- 3.6 Local Authorities have been given a very tight deadline to prepare an application for this initiative – 19 August 2011. The application takes the form of a template covering the following points:

- Project Background – an outline of the project proposal;
 - An outline of likely private sector involvement and potential benefits;
 - Evidence of consideration of the financial viability of the project – i.e. NDR creation, any displacement impact, ability to repay the financing costs;
 - Key risks associated with the project and any potential mitigates;
 - High level timescales.
- 3.7 All proposals will be scored and assessed by two SFT representatives and two Scottish Government representatives. The results will be collated and a score agreed. The three proposals with the highest scores will be recommended to Scottish Ministers for progression to full business case. SFT and Scottish Government will endeavour to communicate the outcome of the process by mid September 2011. Following this, the three local authorities will be expected to commence the preparation of their TIF business case. The business case will definitively establish the viability of the project.
- 3.8 Given the tight timescale and the level of information required, a project must be at least “formed” in order to be able to complete the application.
- 3.9 The fact that one of the projects must have a renewables focus can be seen as a strength for Argyll and Bute and it is this aspect that the project team have focussed on.
- 3.10 The Oban area has been identified in light of the economic development opportunities and the possibility of stimulating the private sector investment that could meet the TIF objectives. Also, Oban / Barcaldine has recently been included as a key location in the renewables west coast cluster brochure produced by Scottish Development International, and identified as a key site as part of the Argyll and Bute Renewable Alliance.
- 3.11 An outline proposal to extend the North Pier in Oban exists and could significantly contribute to the transport hub already offered in Oban. If extended, the North Pier could act as a stimulus for renewables, tourism (through the cruise ship market) and aquaculture. In turn, this could attract ancillary businesses to establish in the Lorn area and locate at the Marine Resource Centre at Barcaldine (e.g. construction / engineering) or at Dunstaffnage / Dunbeg (e.g. light engineering, research and services). This package of infrastructure provision has been named the Lorn Arc project.
- 3.12 The provision of this infrastructure will reposition the wider Oban economy in terms of a number of sectors and provide significant additional economic activity at a local, regional and national level.
- 3.13 It is expected that demand for this initiative is likely to be high. If a proposal is unsuccessful, then it should be noted that following the pilot process a more general scheme may be enacted. The need for such general legislation will be informed by the level of response to this initiative.

4. IMPLICATIONS

POLICY	This initiative fits with the Council's Corporate Plan, Single Outcome Agreement, EDAP / REAP and approved Development Plan policy for regeneration. The economic outcomes from the project will contribute to the Government's Economic Strategy.
FINANCIAL	The Full Business Case will be required to prove the case for this investment and that the repayments can be afforded.
PERSONNEL	Resources will be required to progress the application and if successful, the Full Business Case.
EQUAL	The project will be required to comply with Equal Opportunities.

OPPORTUNITIES	
LEGAL	Legal resources may be required as part of progressing the Full Business Case.

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