

THE LORN ARC PROJECT

1. SUMMARY OF ISSUES

- 1.1 This report provides an overview of the Lorn Arc project and the approach to funding this project known as Tax Incremental Finance (TIF).
- 1.2 The Scottish Government and the Scottish Futures Trust (SFT) have worked together to develop this innovative approach to delivering economic growth by enabling local authorities to fund public infrastructure to encourage regeneration and growth. Local authorities bid for TIF funding and, if successful, repay it through revenues generated by the increase in business activity stimulated by the funded infrastructure.
- 1.3 Further to the submission of an outline proposal for this project to the SFT, Argyll and Bute Council received a letter from the Alex Neil, MSP, Cabinet Secretary for Infrastructure and Capital Investment on the 1st November 2011 to advise that the council had been selected as one of three projects across Scotland (out of 16 applications from 15 local authorities) to work with SFT to develop a full TIF business case for the Lorn Arc project. The Lorn Arc full business case will then be considered by Ministers and will be subject to regular review.
- 1.4 The anticipated capital expenditure related to this project is circa £20 million.

2. RECOMMENDATIONS

Members of the Economy Policy and Performance Group (EPPG) are invited to note the content of this paper.

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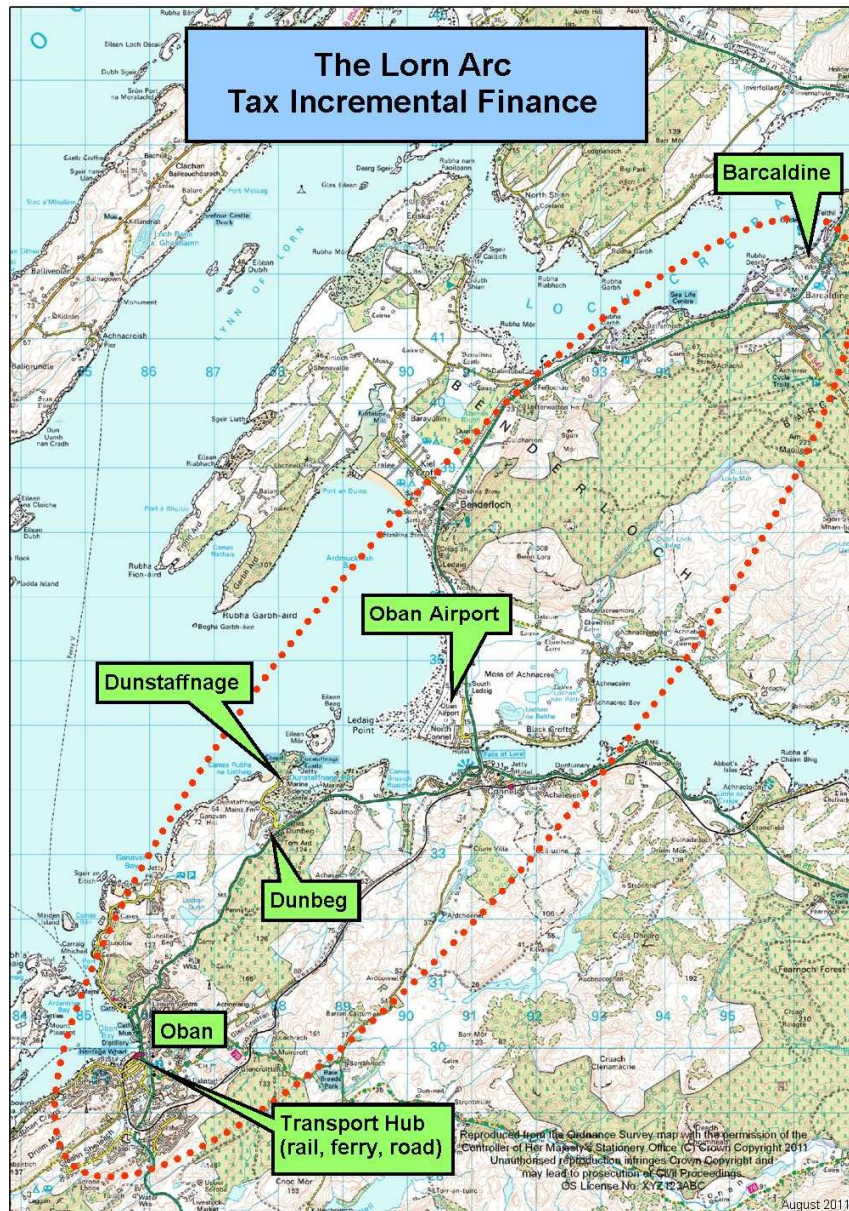
- 3.1 Oban's unique geographic location and function as the "Gateway to the Isles", combined with its marine resources, world class research, transport connectivity, quality of environment and produce represent distinct factors of economic advantage.

These sources of growth can create employment and wealth across a range of industries including renewable energy, marine sciences, tourism, manufacturing, transport and communication.

Oban has been an important economic and social centre for the Highlands and Islands for many years. With the town currently celebrating its bi-centenary the Lorn Arc project will develop Oban, and the surrounding area, as an important growth pole for the west coast of Scotland for the coming decades.

- 3.2 Argyll and Bute Council's bid for TIF funding relates to infrastructure investment for the extension of Oban's North Pier and road infrastructure in order to stimulate private sector investment and economic development in the Oban, Dunstaffnage, Dunbeg, North Connel and Barcaldine – the Lorn Arc area (see map overleaf) – as follows:
- the North Pier extension will be a catalyst for the growth of the renewables industry, marine tourism (including the cruise ship market) and aquaculture;
 - the road infrastructure will allow development of industries relating to the improved harbour facilities and other key investments at Dunbeg / Dunstaffnage, such as the European Marine Science Park; and

- the project will also facilitate the development of other areas of zoned industrial land e.g. Barcaldine (a location promoted by Scottish Development International for the renewable energy industry) and Oban airport.



- 3.3** The provision of this infrastructure will reposition the wider Oban economy in terms of a range of industries, including renewable energy, tourism and marine sciences, and provide significant additional economic activity at a local, regional and national level. It is anticipated that hundreds of jobs will be created by the project for local residents.
- 3.4** The proposed project aligns with both local and national plans and ambitions for economic development and will complement the Council's ambitious CHORD regeneration programme.

For further information and clarification please contact:
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