

LORN ARC – BUSINESS CASE

1. SUMMARY

- 1.1 The Draft Lorn Arc Tax Incremental Financing (TIF) Business Case is now largely complete. The Business Case outlines the proposals for delivering strategic road, port and site access infrastructure to enable the sustainable growth of Marine Science, Marine Tourism, Aquaculture, Renewable Energy and the wider economy in the Oban and Lorn area and beyond. The TIF arrangement, if approved by the Scottish Government, will allow Argyll and Bute Council to retain additional Non Domestic Rates (NDR) generated within an agreed boundary over a 25yr period to repay the borrowing.
- 1.2 The Steering Group, Project Manager and Council Officers have been involved in detailed discussions with key stakeholders, potential development partners and Scottish Futures Trust (SFT); and progress has been reported to the CHORD Programme Management Board and the Local Area Committee. This paper identifies the next key stages in progress the Lorn Arc Business Case.

2. RECOMMENDATION

- 2.1 The CHORD Programme Management Board note progress to date and agree to the approach being proposed in regard to the finalisation and future consideration of the Business Case.

3. DETAIL

- 3.1 The draft business case demonstrates tangible benefits at the national and local levels (for example, it is estimated that 1,300 net additional new jobs will be created at the Scottish level) and these will have a very positive impact in regard to employment, demography, infrastructure and housing in the Lorn and Argyll and Bute area. The TIF investment will also be a key delivery vehicle for the Local Development Plan.
- 3.2 The infrastructure that will be funded or part-funded by TIF will stimulate a range of industries that will have low levels of displacement and high levels of additionality e.g. marine science, marine energy, marine tourism, aquaculture and manufacturing. The investment and related infrastructure have the potential to make Oban and Lorn a “growth pole” for the west of Scotland and counter Argyll and Bute’s demographic decline.
- 3.3 The draft business case also demonstrates that the project can repay its borrowings within the stipulated twenty five year period. However, there is an accumulated short fall of c. £2million in the initial years of the project before revenues are generated for repaying the borrowings. The Council has requested

that the Scottish Government agree to a suspension of loan repayments for the initial years of the Lorn Arc project until income is generated. The Council is awaiting a response on this matter. Should the request be declined, it is proposed that the options for the Council repaying the borrowing in the initial years are given further consideration by officers in Strategic Finance and will be reported to SMT and the Programme Management Board.

- 3.4 The draft business case has been discussed in detail with the SFT at a senior level over the last five months and has been broadly well received. A draft of the business case has been passed on to the Scottish Government by the SFT for comment. The response from the Scottish Government will inform the level of adjustment that is still required in regard to current draft of the Business Case.

4. TIME SCALES & NEXT STEPS

It is proposed that the Business Case is not finalised and submitted to the Programme Management Board for onward passage to the Council, until the issues relating to the Suspension of Payments/initial income shortfall are clarified and the Scottish Government's initial comments in regard to the Business Case have been received and addressed. In light of these two factors, consideration of the TIF Business Case at the June Council is possible. However, a Council date after recess is a growing probability.

5. IMPLICATIONS

POLICY	The delivery of the Lorn Arc Business Case fits with the Council's Corporate Plan, Single Outcome Agreement and approved Development Plan policy. The economic outcomes from these projects will contribute to the Government's Economic Strategy.
FINANCIAL	The Council has made available the sums required to progress the Lorn Arc project to Business Case.
PERSONNEL	The resources have been allocated to progress the Lorn Arc project.
EQUAL OPPORTUNITIES	An Equalities Impact Assessment will be undertaken as part of the Full Business Case process.
LEGAL	Resources have been allocated as per the approved Project Initiation Documents.

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