

**LORN ARC
TIF BUSINESS CASE**

1.0 EXECUTIVE SUMMARY

- 1.1 The Business Case for the Lorn Arc Tax Incremental Financing (TIF) project was submitted to Scottish Futures Trust (SFT) for approval In December 2013 and then on to the Scottish Government who then approved the Business Case in January 2014. The Business Case outlines the proposals for delivering a £20million package of infrastructure improvements including access to the SAMS / EMS, 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 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 within an agreed boundary over a 25 year period. The infrastructure investment options will be reviewed and refined following agreement of the TIF arrangements and planned, phased, scrutinised and delivered through the council's robust governance process to ensure value for money and a return on investment over the coming years.
- 1.3 Following on from approval of the business case the conditional letter from the Scottish Government was examined by council officers before being returned for Minister sign off. The Council received the signed letter from Nicola Sturgeon on the 7th May 2014 which has now been countersigned by the Chief Executive and sent back to the Scottish Government. The Lorn TIF is now moving forward to implementation stage.
- 1.4 This report is a simple update on progress with the project. Members are requested to note both the progress made and the projects direction of travel.

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2.0 INTRODUCTION

- 2.1 This is an update report to the previous report considered by Members at the Oban, Lorn and the Isles Area Committee on the 11th June 2014.
- 2.2 By way of background, a TIF project must demonstrate that the project 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. TIF proposals are supported through the development of a Business Case by a local authority, which should detail the justification, including the financial and economic cases, for utilising TIF to deliver investment within the proposed area, the basis for the selection of the chosen enabling infrastructure and why it's believed this infrastructure will deliver the growth and additionality envisaged. This TIF Business Case also details how the project will be delivered and also how risk is allocated and managed.

3.0 RECOMMENDATIONS

- 3.1 That progress on the Lorn Arc TIF project and the projects direction of travel is noted.

4.0 DETAIL

- 4.1 An initial proposal for TIF was approved by Argyll and Bute Council and submitted to Scottish Futures Trust (SFT) in August 2011. The Scottish Government announced in early November 2011 that the bid was successful as one of three Council's across Scotland to be given approval to develop a TIF business case. Following the SFT approval the original Project Initiation Document was presented to the SMT in December 2011 and updated following comments made in February 2012. Formal instruction to the Project Team to proceed with developing the TIF Business Case was given in September 2013.
- 4.2 An update presentation and paper was provided to the CHORD Project Management Board on 3rd October 2011 and subsequent updates have been provided to the Oban Lorn and Isles Area Committee (10th October 2013) and Oban Lorn and the Isles Business Day (15th November 2013).

- 4.3 In January 2014 the Council was informed that the business case was approved subject to minor amendments that were deemed acceptable to the Council. Following a detailed appraisal of the conditional letter forwarded by the Scottish Government the Council received on the 7th of May 2014 a signed letter providing the Council with sufficient authority to commence the TIF project.
- 4.4 The TIF is now moving forward to the delivery stage with the recruitment of an additional project officer to support the implementation of the TIF over the next five years now underway and expected to be concluded by the end of October 2014, and the temporary recruitment of Adrian Jackson-Stark (by way of secondment to cover the recruitment period) from the Council's Development Policy team. This officer will be supported by the current Oban CHORD officer.
- 4.5 The team is working on establishing a robust and fit for purpose governance regime and establishing the decision making process for the Lorn TIF together with a Steering Group drawn from a wide range of key stakeholders including Council Officers, HIE, Power Companies, CMAL, tourist operators etc. This Group will help shape and inform the development of specific business cases for each of the individual elements of the TIF investments. The business cases will be considered at appropriate times and will follow Council procedures. A further report will be submitted to the OLI Area Committee in detailing proposed governance, decision making processes and steering group arrangements.
- 4.5 A series of internal and external meetings have and are continuing to take place to explain the significance of the TIF for Lorn and indeed wider Argyll and Bute. The focus of the TIF remains on delivering essential infrastructure to unlock private sector investment on a number of identified investment opportunities. The Council is mindful that the TIF represents a borrowing consent for up to £20million and not a grant. This requires that it be paid back by the Council over a 25 year period with additional commercial rates being used to pay this money back. The TIF 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 the TIF will require investment from outwith Lorn. The promotion and marketing of Lorn as a place to live, visit and invest in will therefore be a key aspect of the TIF Initiative and aligns closely with the Single Outcome Agreement's key outcomes. The TIF initiative will commence when the first work starts on the ground.
- 4.6 It should be noted that HIE have now installed new signage for Dunstaffnage / SAMs. Negotiations with HIE have secured one sign to be installed at a later date to be taken forward by TIF when required and this is intended to be the first physical action of the TIF Initiative.

5.0 CONCLUSION

- 5.1 Progress on the Lorn Arc TIF project and the projects direction of travel is taking place, with the recruitment of dedicated staff underway and proposed governance, decision making processes and steering group arrangements being progressed.

6.0 IMPLICATIONS

- 6.1 Policy - The delivery of the Lorn Arc Business Case fits with the Council's Corporate Plan, Single Outcome Agreement, EDAP and approved Local Development Plan policy. The economic outcomes from these projects will contribute to the Government's Economic Strategy.
- 6.2 Financial - The TIF business case has secured the ability of the Council to borrow up to £20 million to take forward the Lorn Arc Initiative.
- 6.3 Legal - Resources have been allocated as per the approved Project Initiation Documents.
- 6.4 HR - The resources have been allocated to progress the Lorn Arc project and work has commenced to recruit an additional officer to provide a dedicated resource.
- 6.5 Equalities - An Equalities Impact Assessment has been undertaken as part of the Full Business Case process.
- 6.6 Risk - An Risk Assessment has been undertaken as part of the Full Business Case process and will form an integral part of the Project Initiation Document (PID) and future individual project element Business Cases.
- 6.7 Customer Service – The Lorn Arc TIF will have a significant impact upon the communities within the Lorn area

Executive Director of Pippa Milne

Policy Lead [enter policy lead]

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APPENDICES

Appendix 1

Appendix 2