

LORN ARC TIF – PROGRESS APRIL 2020

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**1.0 INTRODUCTION**

- 1.1 This report provides a short overview of the current status of the Lorn Arc Initiative and recommends that officers continue to engage with the Scottish Government, Scottish Future Trust and the private sector in an effort to progress the programme within the context of the Covid – 19 response.

**2.0 RECOMMENDATION**

- 2.1 That Members consider this update on the Lorn Arc Initiative and agree that officers continue to engage with the Scottish Government, Scottish Futures Trust and the private sector to ensure the Lorn Arc can continue to be progressed subject to business case approval as appropriate and within the context of the current Covid – 19 response.

**3.0 CONTEXT**

- 3.1 An overview of the Lorn Arc Initiative and progress to date is provided in **Appendix A** of this report. Following a previous decision by the Policy and Resources Committee Officers have focused on the delivery of the half way roundabout as part of the delivery of the overall Dunbeg Corridor masterplan that has already been approved by the Council. Progress depended on working with the private sector in terms of the delivery of the overall viability of the commercial area that is required to be accessed by a new roundabout on the A85. Recent discussions have indicated that the delivery of both the commercial area and the roundabout is potentially feasible subject to further work on design, flooding impact and peat impacts. This work is being taken forward by the private sector at this time and will be used to inform a detailed planning application that will be lodged in the next few months subject to the impacts of Covid - 19.
- 3.2 Officers have also been engaging with both the Scottish Government and the Scottish Futures Trust in relation to clauses in the original business case that

sets end dates for the delivery of the overall

## **APPENDIX A**

### **1.1 In 2013 a Full Business**

- 1.5 By October 2016 there was concern within the Council that individual projects may not be able to generate the required uplift in Non Domestic Rates revenue to pay off the intended Council borrowing. Therefore Commercial Agents were appointed to review the economic assumptions contained in the 2013 Full Business Case.
  
- 1.6 In December 2016 a Commercial Agent's (Ryden) report, taken together with the Council's own knowledge of the prevailing local market conditions, suggested that timing and magnitude of future development and the associated incremental Non Domestic Rates ("NDR") generation is unlikely to be forthcoming as anticipated in the 2013 Full Business Case ("FBC"). So the Council carried out a financial re-modelling exercise. This indicated that in all cases (best to worst case scenarios), there would be a financial deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrated that, in its current form at this time (2016), the full TIF programme of £14.74m was not affordable, based on those NDR assumptions. No one event or issue had led to this affordability position. Instead, a combination of a number of factors, such as a change in property market assumptions, new business eligibility for Scottish Government reliefs and exemptions in terms of NDR, plus a change

ahead of agreements in relation to an Argyll wide Rural Growth Deal then it would be possible to seek develop a Growth Accelerator business case for Oban to replace the TIF model.

- 1.8 Meantime the existing Lorn Arc TIF individual projects were being progressed in different ways. In undertaking this project progress the team continued to take a cautious and prudent approach in terms of delivery and the drawdown of any further TIF debt. All such spend was subject to affordability testing and internal governance processes as outlined in the Project Initiation Document ("PID").
  
- 1.9 Given the above, in August 2017 the Lorn Arc team's focus for delivery of projects in the Oban area was the Dunbeg corridor, which would see development of the Halfway house roundabout (potentially via current TIF arrangements), Lorn Road/ Kirk Road development (via SG's Housing Investment

also the general shift in the investment programme being adopted by the Council and finally the scope / requirement of some of the remaining projects. These discussions have been constructive and officers have drafted an email that is proposed to be sent to the Scottish Government Minister requesting changes to the deadline for completion of the identified projects and also to the retention of NDR revenue pending project initiation / completion. In the midst of this the Covid 19 pandemic and its ramifications require to be considered.

- 1.12 In respect to Covid 19 pandemic the first consideration is related to NDR. Questions exist over the impact that the following will have on the finances of the programme in terms of:-
- NDR exemptions to certain industries / businesses as outlined by the government
  - Continued viability of businesses contributing current NDR
  - Potential NDR generation from new businesses particularly on sites opened up by Lorn Arc Projects (specifically commercial area at Project 3 at Halfway; Project 9 Oban Airport Business Park; Project 4 Oban South)
  - Potential impact on cruise ship income and transit berth income.
- 1.13 Questions also exist in relation to the ability to deliver projects within forecast timescales. In particular it is currently unknown how elements of projects such as consultant reports; site surveys and investigation works; design works; legal agreements; third party agreements; construction; site monitoring; health and safety etc. will be affected by the pandemic.
- 1.14 Further work is required on all of the above to better understand the impact but obviously it is too early yet to conclude on the above. That being said, the option already being pursued, implementing projects on the basis that they are affordable based on existing NDR collection rates continues to be the