

ARGYLL AND BUTE COUNCIL

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**POLICY AND RESOURCES
COMMITTEE**

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**DEVELOPMENT AND ECONOMIC
GROWTH**

13th MAY 2021

**LORN ARC TAX INCREMENTAL FINANCE PROGRAMME – GENERAL UPDATE
ON THE POSITION OF THE PROGRAMME ALONG WITH UPDATES ON SPECIFIC
PROJECTS**

5.1 Lorn Arc TIF Programme Wide Issues

5.2 The Lorn Arc TIF is primarily a Legal Agreement between the Council and Scottish Government. This Legal Agreement contains many clauses which require the Council or the Scottish Government to do certain specified things. Many of these are centred around the financial arrangements of the TIF, the delivery of the specified projects and t

- 5.8 The Scottish Government reply, whilst indicating a willingness and desire to see the programme completed, is still unclear. As such Council Officers have raised this issue again through the TIF Executive that consists of representatives of the Scottish Government, Scottish Futures Trust and the Council in order to achieve a clear solution to this issue. A TIF Executive Meeting was held on 4th March 2021 and at this both the Scottish Government and Scottish Futures Trust indicated that they considered that the Scottish Government had a strong willingness to be very flexible on this issue. One particular approach to mitigate this issue discussed was that should debt be fully repaid but NDR was still being collected, then such monies could be earmarked in the Council's general fund reserve until further expenditure/debt is incurred as long as there are still projects being progressed within the TIF Programme. Should a point be reached where there was little likelihood of future spend on TIF projects then any surplus NDR collected would require to be returned to the Scottish Government.
- 5.9 It is also important to report the overall Lorn Arc Programme financial situation as a whole, plus the latest situation with regard to borrowing and NDR income profile modelled on several different project delivery timelines. This is obviously important for due diligence but it is also critical in terms of modelling the potential NDR income against project borrowing which in turn provides the potential level of risk to the Council for different project spend delivery timescales.
- 5.10 **Financial Section**
- 5.11 The TIF Programme has delivered 3 projects to date with estimated expenditure by the end of 2020-21 as noted in the Table 1. This expenditure if funded via borrowing that is repaid using the additional NDR collected within the Oban area.

Table 1.

Project

Project 5 : North Pier public realm works – it is considered that the principle function of this area is as a carpark and that the limited new public realm works undertaken as part of the new North Pier Harbour Masters building are completed. As such this project is not actively being pursued at the present time.

Project 6 : Oban South. The Oban Strategic Development Framework has been approved to be taken forward and this is likely to be advanced now through a consultancy or when PLDP2 is adopted.

Project 7 & 8 : Barcaldine – projects deleted from programme following construction of Scottish Seafarms Hatchery on the site. This represents a £58m investment on this site by the private sector.

Project 9 : Oban Airport Business Park – originally envisaged investment of access spine road has been completed. There is renewed interest in the site and the Council is exploring the potential to create business accommodation. This will require a new business case for further investment, to be approved by P&R and agreed with Scottish Government and Scottish Futures Trust. It is recommended that members consent to utilising the remainder of the current funding previously approved for Oban Airport Business Park (£107,321) to support development of this business case which will be reported back to P&R.

- 5.17 All of the above projects have been discussed with the Lorn Arc TIF Executive at the 4th March 2021 meeting.

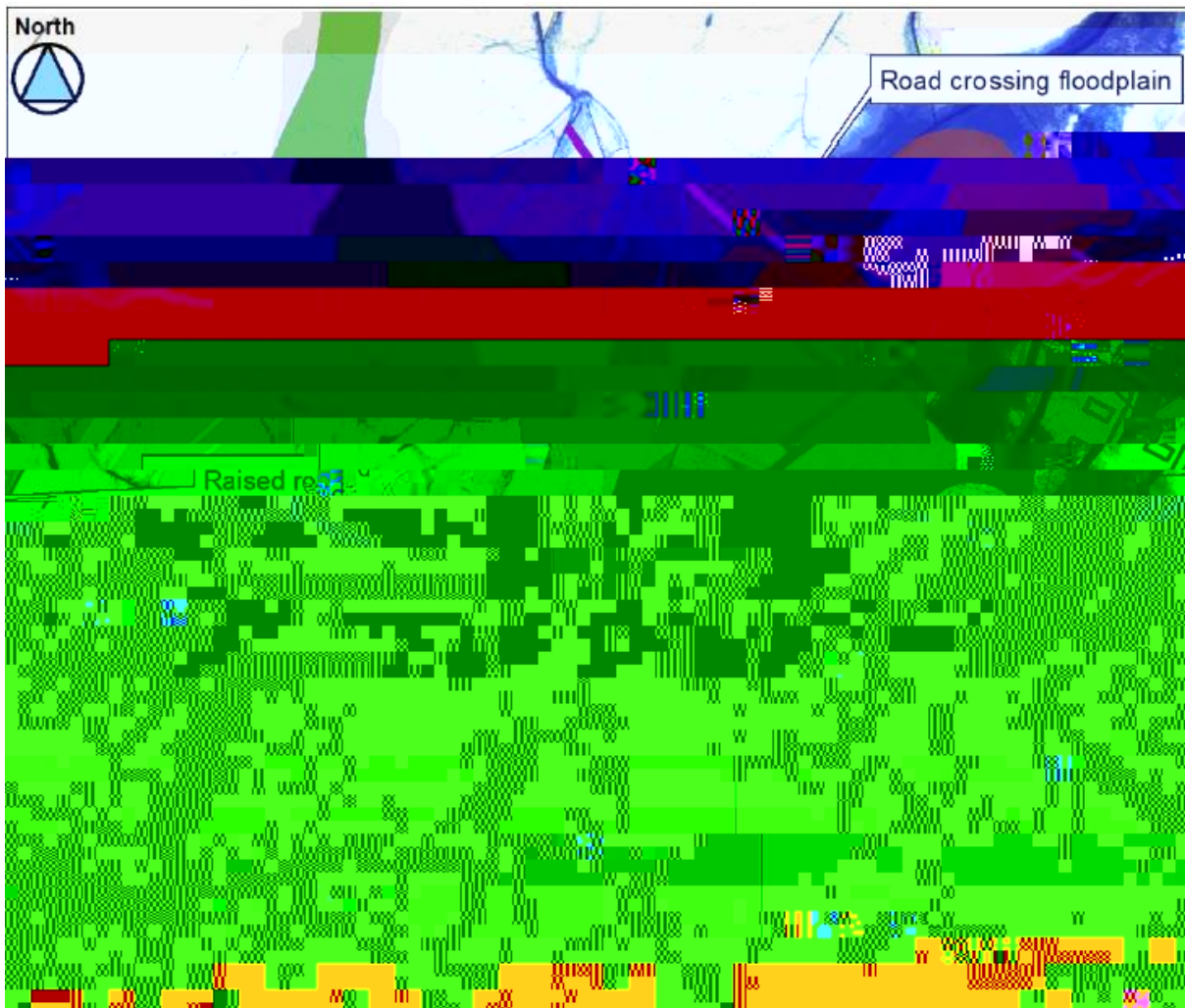


Diagram 1: Proposed Alternative Flood Solution – Dunbeg; (blue - showing flood plain; brown - peat; green - ancient woodland).

5.20 Consequently a potential alternative solution has been identified which relocates the commercial area in a southerly direction outwith the substantive area of flooding as can be seen in diagram 1 and 2. The proposed alternative solution has been agreed in principle with SEPA subject to further proof of technical aspects.

Diagram 2: Potential Alternative Commercial Area - Dunbeg

5.21 A full business case is now necessary to ensure that the project is viable and prudent. Preparatory works are required to inform the full business case and will include site surveys, design work, preparation of planning applications, economic impact assessments and procurement costs.

5.22 Start-up costs for each project typically equate

- d. **Engage with Scottish Water and Utilities** - to identify requirements and costs, this would include potential Drainage Impact Assessment (DIA) / Water Impact Assessment (WIA) – also need to ensure adequate power can be provided plus Telecomms & should allow for and include the potential future housing.
- e. **Confirm legal deliverability** of development in terms of titles and land acquisition.
- f. **Identify what development is being delivered by the Council** and the development model for that: i.e.

case for further capital investment.

- 5.25 Officers consider it would be useful to reconvene a working group to assist in taking forward proposals, similar to the former Dunbeg Corridor Working Group. Officers will look into this in more detail and prepare a report for P&R Committee in August.

6.0 CONCLUSION

- 6.1 The Lorn Arc TIF programme remains one of the principle methods that the Council can take advantage of to make infrastructure capital investment in the Lorn Area. The Scottish Government's agreement to amending the TIF agreement clauses allows for the Lorn Arc TIF to continue, providing opportunity for investment in infrastructure that enables critical investment in both large scale commercial and residential development in the Lorn area. The Scottish Government has shown a willingness to be flexible regarding the timeline for delivery and as a result the Council has four additional years within which to invest in these agreed infrastructure investments. The Council will consequently continue to take forward the projects listed in the report as agreed through the Lorn Arc Programme Board and continue to engage with the Scottish Government to secure NDR income.
- 6.2 Project 1 is now complete and it is requested that the P&R Committee approve £5,000 of final costs associated with this project be allocated to TIF.
- 6.3 Projects 2 & 3 are now at a stage when start-up cost monies are required to push these projects forward. As such the P&R Committee is requested to agree to a combined figure of £640k of total borrowing being allocated to these projects and that this borrowing will be recouped through TIF.
- 6.4 Project 9 has renewed interest and potential to identify further business supporting investment subject to a business case which will need to be developed and approved. P&R Committee is requested to approve utilisation of existing allocated funds of £107,321 to develop this business case.

- 7.3 Legal – the TIF agreement with Scottish Government has now been amended.
- 7.4 HR - none
- 7.5 Fairer Scotland Duty: none
 - 7.5.1 Equalities - protected characteristics - none
 - 7.5.2 Socio-economic Duty - none
 - 7.5.3 Islands - none
- 7.6. Risk – the Risks relating to the Lorn Arc TIF agreement remain the same.
- 7.7 Customer Service - none

**Executive Director with responsibility for Development and Economic Growth
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08th April 2021

For further information contact: