

TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk BY 19th AUGUST 2011.

LOCAL AUTHORITY

FALKIRK COUNCIL

The Falkirk Stadium

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ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.
- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?
- Provide basis for satisfaction of the but-for-test
- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.
- Provide a high level indication of the likely red-line area and basis for selection of this area
- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and
- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

1. PROJECT BACKGROUND - FALKIRK COUNCIL RESPONSE

This application presents the case for adoption of a pilot TIF project within the Falkirk area as a means to unlock and accelerate development, and to fully realise the economic growth opportunities that the area offers. The attached *Outline Business Case* seeks approval from the Scottish Government for Falkirk Council to participate as a TIF pilot scheme. Should pilot status be granted in September, the Council will prepare a Full Business Case by end of December 2011, with a view to implementing the TIF scheme early in financial year 2012-13. This can help achieve early wins, kick starting development at several high profile locations.

The Falkirk area makes a substantial contribution to the economy of Scotland and is pivotal to the nation's economic resurgence. The GVA of the area is of city scale, being in excess of £3bn annually and focused significantly on chemicals, manufacturing, logistics and distribution. The Grangemouth refinery, chemicals complex and port are major economic assets for the nation, recognised as such within the Scottish Government's National Planning Framework (NPF2), Strategic Transport Review, Chemical Sciences Strategy and in the National Renewables Infrastructure Plan (NRIP).

There remains significant untapped economic potential in the area. Through the local economic strategy *My Future's in Falkirk*, the Council, its partners and the local business community are committed to the area's economic transformation. This was demonstrated in its success in winning the *Enterprising Britain* Scottish Regional Award 2010. Projections for population growth (reaching 171,000 by 2033) are testimony to the Council's success in place making and the positive perception of Falkirk as a place to live and do business.

Significant potential for development exists through unlocking the area's capacity for business growth and overcoming key infrastructure constraints. TIF investment is needed to provide infrastructure that is of fundamental importance to Scotland's economic growth, to boost exports, and prevent decline in the high value chemicals sector and its supply chain. It is proposed that TIF supports £52m of direct investment to key strategic road improvements, the Grangemouth flood defences and site enabling works. The Council aims to work with partners, including national agencies, to agree a funding package for the total required infrastructure investment, estimated at £164m. Key to this is the Scottish Government and its ability to provide funding towards the flood defences which are estimated at a capital cost of some £108m. Similarly, the support of Transport Scotland and West Lothian Council is sought in delivering a £23.5m upgrade to the A801 at Avon Gorge, a strategic, yet highly constrained, connection between the M9 and M8.

The use of TIF to deliver key strategic road improvements and site specific investment to enable early development is an opportunity the Council is more than willing to grasp. The potential to leverage capital investment via this local TIF scheme and to part fund NPF2 priorities, alongside Scottish Government funding is a unique and exciting opportunity.

A prudent and risk based approach to investment in key strategic and site infrastructure is suggested in the Outline Business Case to enable long term growth in Scotland's 4th largest economy; ensure the retention of an existing economic powerhouse in the chemicals sector and resilience in the Scottish fuel supply chain; and improve the competitiveness of the area's manufacturing and distribution and logistics sectors. Efforts are also being directed towards securing Enterprise Zone status for the initiative as this will assist in realising the intent of the TIF initiative, boost its competitiveness and help realise the benefits it aims to secure for Scotland.

By investing in concerted regeneration, the initiative will act as a catalyst for the chemical sciences sector to grow its current strategic value to Scotland and help it become recognised at international level as a centre for research development and production excellence. In turn it will support the wider development of the port; expansion of a manufacturing and renewables base; and a major logistics and distribution hub, creating a truly strategic intermodal distribution facility which helps achieve the objectives set out in NPF2.

The Council cannot fund the infrastructure programme on its own through TIF and specifically requires the Scottish Government to provide the majority of funding for the Grangemouth Flood Prevention scheme. The Council, Scottish Enterprise, and partners supporting the *Upper Forth Development Framework* are committed to working with the Scottish Government to achieve an optimised funding solution and maximise the opportunity for sustained economic growth in Scotland with the Falkirk economy at the heart of this growth.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this

investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

The ambitions of this TIF scheme are to deliver a number of key infrastructure improvements which, through a concerted approach, will unlock development across multiple sites in the Falkirk area. Both the infrastructure programme and individual site developments deliver investment, economic and regeneration benefits in their own right. The economic analysis, in section 7 of the Outline Business Case demonstrates these benefits.

TIF backed investment of £52m forms the backbone of a total infrastructure programme of £164m. As a result of this investment, some 27 development sites have been identified as likely to have development unlocked, accelerated or enhanced as a result of the TIF investment. The Outline Business Case details that of these sites, 16 developments have been included in the core TIF funding case, where NDR growth can be realistically forecast to support the Council's proposed borrowing. The short term construction economic outputs resulting from the investment programme are: £528m of construction costs, 5,289 of construction FTEs and £264m of construction GVA. The Council's long-standing Community Benefits in Procurement programme, *Backing Falkirk's Future*, will ensure that additional training places are secured as a consequence of this investment.

In a wider context, the TIF scheme has the potential to generate 9,333 gross jobs which represent 5,849 additional net local jobs (5,170 when measured at a national level) and generate £372m of additional annual GVA to the Scottish economy as sites are developed over the life of the TIF. The sites provide 365,126 sqm of new business space created and a new hotel. The positive impact on place making and tourism for the area (linked to the Helix initiative) has not been captured in this analysis, but is expected to be significant.

The TIF scheme will be able to leverage substantial private sector funding for the development. The TIF expenditure on the scheme of £52m is forecast to attract £365m of private sector funding for the 16 core development projects. This represents a leverage of £7.94 for every pound that is invested in the TIF scheme.

The TIF scheme has the potential to generate substantial benefits not only for Falkirk but for Scotland as a whole. This analysis has been based on the infrastructure and 16 core development programmes only. While the remaining 11 projects within the red-line area have not been included within this analysis, as the programme develops it is expected that further economic benefits will be generated.

The initiative represents a unique, timely and unprecedented opportunity not only for Falkirk Council, but for the Scottish Government to provide complementary investment (e.g. in the Grangemouth flood defences) to ensure the retention of an existing economic powerhouse and achieve resilience in the Scottish fuel supply chain. Investment in the key infrastructure by local and national government will provide a platform for the economic growth scenario outlined in the *Upper Forth Development Framework* based particularly around the chemicals sectors capacity for growth. This will achieve a number of strategic benefits for Scotland:

- ▶ Recent acquisitions by Petrochina (INEOS), Aurelius (Calachem) and Arcus (Forth Ports) mean that these companies will be appraising future global strategy and investment opportunities. The provision of enabling infrastructure will be timely, aiding Grangemouth's competitive position for investment
- ▶ The GVA for chemical sciences is £160K per employee compared to £67K for manufacturing (second highest Scottish sector)
- ▶ The value of chemical sciences exported goods in currently Scotland's second highest export contributing sector at £2.7bn
- ▶ Chemical sciences sector in Grangemouth has invested in excess of £200m in the last four years, both in research and technology investment and manufacturing projects
- ▶ Resilience in the fuel supply chain, retaining the value of, and facilitating the growth of the Falkirk economy with particular emphasis on the chemical sciences sector
- ▶ Placing Scotland as one of the top EU locations for chemical sciences investment in research and technology development leading to manufacturing and export growth
- ▶ Introduction of biomass, biofuels and other renewables technologies and capacity.

The *Upper Forth Development Framework* identifies a need for a 'managed decline' strategy if key infrastructure issues are not addressed. Much of the advantage of Grangemouth as a location for its specialist and high value industries comes from the available synergies and vertical supply chains. These provide strong agglomeration benefits, but can be quickly eroded by a key player exiting the local market. The proposed TIF scheme would help secure the existing core industries through providing infrastructure that is fit-for-purpose. Of equal importance would be the drive to support a more diverse employment base, providing a robust and adaptable economy for the Falkirk area.

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow
- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment
- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

3. FINANCIAL VIABILITY

A bespoke and comprehensive financial model was developed by our financial advisors Ernst & Young LLP to model the complex interaction between the number of development sites and the infrastructure projects. The financial analysis was supported by Ryden LLP who provided an analysis of the property market and its potential arising through TIF. This work is set out in sections 5 and 6 of the Outline Business Case. The financial analysis confirms the viability of the TIF proposals within the Council's acceptable risk parameters.

The project is anticipated to enable £164m of infrastructure works over a 9 year period, with £52m directly funded through TIF. At this stage cost contingencies range from 28% to 60% per infrastructure project and these percentages are reflective of the early stage of some of the technical costings. Further work will be instructed at Full Business Case to refine these costings.

A staged programme of infrastructure combined with projected revenue flowing from year 3 results in a total borrowing requirement placed on the Council of £35.9m. The financial model identifies seven debt tranches being required over the first nine years of the TIF scheme, reflecting the requirement to fund the major infrastructure works projects. Repayment terms vary to ensure all debt is repaid within the 25 year TIF period.

The Council plans to raise the £35.9m of finance required via the Public Works Loan Board. A prudent interest rate, based on the PWLB annuity rate at the time of producing the Outline Business Case, of 4.73% has been applied. Rate changes impacted by market volatility have been considered through sensitivity analysis (section 6.7 of the Outline Business Case).

Some 31 sites have been subject to detailed appraisal as set out in the Outline Business Case and the Property Information Appendices. The development sites produce a diverse range of new business opportunities ranging from a new hotel and business parks as well as concentrated industrial growth at Grangemouth. A focus on delivering quick win projects swiftly, supported by targeted site specific enabling works, is anticipated to result in project revenue flowing from year 3 onwards. Total NDR revenues of £236m are estimated across the 16 core development sites.

The net revenues fall to £177m after adjusting for the 25% NDR displacement. At this stage we have applied a proxy displacement factor of 25%. There is a strong case for a lower displacement factor to be used in the Falkirk TIF and an evidence base will be developed to support this assertion at Full Business Case. This is on the basis that the growth will be manufacturing (much of this exports) rather than retail driven (for example, displacement in the chemicals sector is only 10%).

Projected debt repayment costs exceed the NDR revenues between years 2 to 9 as project revenues take time to materialise. As a result, a contribution of £12.3m is required to balance the cashflows and meet the financing costs. This is an important financial risk for the Council to manage in the early years of the TIF scheme. A number of options have been identified by the Council to address this gap funding requirement, including:

- ▶ Optimising private sector developer and partner contributions
- ▶ Earmarking of receipts from land sales, particularly those within the TIF red line zone
- ▶ Earmarking of Council reserves.

This strategy will be confirmed at Full Business Case.

The total net cash flow generated through the project is £117m equating to a share in NPV terms to the Council and the Scottish Government of £19.4m each. This assumes a 50:50 share in surplus revenues to be agreed following consideration of programme risk and commitment. A range of sensitivity analyses have been undertaken to reflect changes to base assumptions such as displacement, the investment plan and interest rates. These confirm that the financial exposure for the Council is within an acceptable range.

The Council is keen to work with the Scottish Government to develop the cost/benefit case for the national contribution to the flood defences, including the modelling of future taxation revenues for the managed decline scenario whereby no infrastructure investment is provided for flood defences.

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
 - o State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
 - o Procurement
 - o Private sector failure to deliver/ invest
 - o Certainty of NDR take
 - o Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

4. KEY RISKS AND POTENTIAL MITIGANTS

Key risks are identified within the Outline Business Case in Section 8 together with an analysis of their impact on the project and a suggested mitigation plan. Achieving appropriate levels of risk transfer at programme and individual project level will be key to the success of the TIF project and to provide sufficient safeguards so that the Council is not overexposed financially.

Infrastructure construction cost overruns are a significant risk area and cost contingencies are included within the financial model to reflect the early stage cost estimates of the proposed infrastructure projects. With regards to managing the variations in revenues, then the Outline Business Case only includes a limited number of core projects for repayment of debt and further work and scenario analysis will be undertaken at Full Business Case to agree the final base case / most likely revenue projections.

The TIF is being introduced during a period of continuing economic uncertainty. It is acknowledged that the underlying risk to the project is that due to continuing market failure, the expected economic benefits and business rate revenues may not materialise as predicted which would impact on the Council resulting in an ongoing debt service liability. The Falkirk-Grangemouth area experiences unique circumstances in respect of health and safety requirements exercised under the COMAH regulations. In some cases these present constraints to development and requirements for additional examination and mitigation works prior to commissioning. The risks to development associated with these requirements have been factored into the area's adopted Local Plan, which formed the basis for the TIF site selection.

The Council intends to mitigate the risk through managing the TIF as a programme, for example, staging funding drawdowns so that the Council is not fully exposed to financing costs. In gaining comfort over the take-up risk / development programme risk then a specific scenario was developed in developing the base case of the Outline Business Case whereby the financial model reduces development activity by 25% per annum across the life of the TIF development programme. Assigning a programme risk deflator across the total project of 25% reduces net revenue to £133m. The impact on the funding gap is an increase in the debt draw down to £39.5m with the required revenue contribution in early years projected at £13.9m. Project net cashflows reduce to £73m with the Council and Scottish Government's return in NPV terms decreasing to £11.6m.

A risk register and approach to risk management will be formalised should the project proceed to Full Business Case and implementation. Risk management will be embedded into the project management and governance arrangements which are considered in section 9 of the Outline Business Case. Robust project governance and management arrangements will be established by the Council to manage risk. The advantages of this include:

- ▶ The Council will maintain full control over the management and governance of the TIF investment
- ▶ It has a strong track record in project delivery in partnership with other public and private sector agencies
- ▶ There are clear lines of responsibility, communication and decision making within the authority
- ▶ Resources and expertise are available from individuals familiar with the culture and operations of the Council and of delivering projects of this scale
- ▶ The Council can draw upon its successes and experiences from previous infrastructure procurement and implementation of economic development strategies and regeneration projects, (including its NPDO schools programme, roads and flood prevention programmes and town centre regeneration projects in Falkirk, Bo'ness and Stenhousmuir).

Close links will be maintained with partners; however, a Council led delivery structure offers the greater advantages and is considered the most appropriate for this project. Procedures will be set up to ensure transparency and accountability. Strong links have been forged with the other public and private sector interests involved in the *Upper Forth Development Framework* and these links will be formalised through a project delivery programme and stakeholder engagement plan.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.
- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

5. TIMESCALES

Based on a working assumption that the Council is awarded TIF pilot status by early September then the Council proposes to work to a timetable of the end of December for submission of Full Business Case.

The target is to have the TIF scheme in place for the start of financial year 2012-13. This enables a number of early action wins to be brought forward and funded by TIF, most notable of this is site enabling activity at the Falkirk Gateway and Falkirk Stadium sites. As well as helping to kick-start future phases of work anticipated in *My Future's in Falkirk*, this will coincide with the delivery of the £45m Helix project which will upgrade the environment and help attract visitors to the area. The ability to commence works under a flagship TIF initiative in this timescale has the benefit of turning policy into reality in a very short space of time. The indicative infrastructure timetable is noted below and is detailed in Section 4 of the Outline Business Case.

Ref.	Project	Year											
		1	2	3	4	5	6	7	8	9	10		
A	Grangemouth Flood Protection												
C	M9 Junction 6 Earlsgate Signalisation												
D	M9 Junction 5 Cadgers Brae Signalisation												
E	Icehouse Brae Upgrade (A9 Laurieston Bypass)												
G	A904 Westfield Roundabout to West Mains												
I	M9 Junction 4 Lathallan Upgrade												
J	A801 Avon Gorge Upgrade												
K	Development Site Specific Enabling Works												

Year 1 is assumed to be financial year 2012-13. While the programming is indicative at this stage and will be refined at Full Business Case, in broad terms the timing reflects the interdependencies of road improvements and impact on traffic management. The site specific enabling works budget will be focused on early wins whilst the Avon Gorge upgrade is viewed as a longer term intervention requirement.

The staged programme will provide the Council with a mitigation tool for managing financial risk – should projected NDR revenues fail to materialise to the minimum requirements (to cover debt repayments) then the Council will have the ability to delay or reprioritise investment.

The TIF is a long terms initiative, offering significant benefits for Scotland including an additional 5,170 jobs and £372m of additional annual GVA to the Scottish economy. There are four areas where Scottish Government support and endorsement is welcomed to help deliver this TIF Business Case and we look to work with the Scottish Government on each of these areas in developing the Full Business Case:

- ▶ Endorsement and recognition of the value of the area to Scotland and commitment to work with Falkirk Council and its partners to achieve the desired outcomes
- ▶ Overcoming the challenges of flood prevention, acknowledgement of the challenges and constraints this raises, and commitment to work with partners to gain earliest possible resolution for this project be viewed as a strategic priority for Scotland
- ▶ Development of an enabling regulatory environment, working with the Council, statutory bodies and the chemicals sector to ensuring that regulation is fit for purpose, that decisions are made and implemented quickly and that Scotland gains a competitive advantage through enhanced investment in Scotland
- ▶ Facilitating infrastructure and recognising that, as a national project this requires a national approach with a commitment to work with Falkirk Council and its partners to ensure all available funding avenues are explored (including the potential for Enterprise Zone status) and that this project be viewed as a strategic priority for Scotland.

APPENDIX I

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.

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LOCAL AUTHORITY

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- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

Background to proposed TIF Project

This proposal relates to Energy Park Fife (EPF) and would deliver a step change in the status of Levenmouth to develop the EPF from a medium scale manufacturing site for renewables, to become a strategic site for integrated renewable energy manufacturing. EPF comprises a number of sites including, a) the former dockyard at Methil b) a number of adjoining development sites and c) other sites located within the wider Levenmouth area. These sites are either currently in public ownership or in respect of which discussions are underway to secure a legal interest. The EPF is a joint venture between Scottish Enterprise and Fife Council. The joint venture partners have already invested approximately £11m in physical infrastructure and a further £16m has been committed by Scottish Enterprise and Fife Council for further investment. The proposed TIF funding would not be intended to displace that capital investment but would be supplementary funding. EPF is a key strategic location for renewable energy investment with significant market interest and support from key strategy documents such as the Scottish Government's Renewable Action and National Renewable Infrastructure Plan (N-RIP). This is fully aligned to Scottish Government strategy to establish Scotland as a Centre of Excellence for the renewable industry and to achieve its stated target of 100% of electricity from renewable sources by 2020. This proposal will deliver a further c50 ha of land.

Reason for Selection

The proposal offers the opportunity to secure the first flagship renewable energy TIF project for Scotland building on previous and committed public sector investment and related adjacent potential opportunities to develop a major international HUB. The TIF proposal has been chosen as the project is one of the Council's key drivers in promoting sustainable economic growth and regeneration in the Levenmouth area specifically but also the Fife and Scottish economy as a whole. Levenmouth is one of Scotland's most deprived communities when measured by Scottish Indices of Multiple Deprivation (SIMD). Further investment would allow the Levenmouth area to exploit its excellent location on the Forth and east coast of Scotland and to secure significant economic, social and physical regeneration improvements which the long term growth and sustainability of the renewable energy sector provides. Similarly, this proposal, by building on the successful track record of the partnership and already committed projects, will minimise the risk in delivery of securing private sector investment.

Fit with Local Authority Plans

Levenmouth has been identified as a major growth area within the recently adopted Kirkcaldy and Mid Fife Local Plan with the a proposal for a mixed development of commercial, industrial and residential development of which is underpinned by the need to secure a strong economic development and growth which the successful delivery of the EPF will provide. The benefited land is identified in the Local Plan for employment uses and therefore is fully in accordance with Council planning policy.

Satisfaction of the "But for" test

Whilst significant investment has been made already it is clear that without further investment in infrastructure the full potential to maximise the regeneration and economic growth for Levenmouth from renewables related activity will not be achieved. The development of the UK Offshore renewables sector is a once in a generation opportunity and without continued investment in infrastructure that opportunity will be lost not only to the Fife but the wider Scottish economy.

TIF Assets, Estimated Costs and Private Sector Investment Enabled

- (i) improved vehicle and marine access to the EPF including land reclamation and quayside construction essential for manufacturers of large wind turbines, blades and sub sea platforms to allow long and wide loads to be imported and exported from the site. (est. TIF Contribution £10m)
- (ii) site remediation, platforming to allow existing land to be incorporated into the Energy Park including essential industry driven public realm improvements (est. TIF contribution £3m)
- (iii) Enhanced delivery of a Levenmouth Low Carbon Investment Park. (est. TIF Contribution £2m)

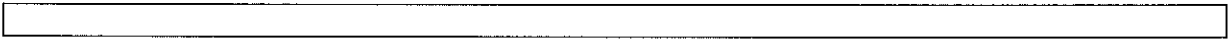
This investment shall deliver an additional 50ha of employment land to be brought into beneficial use for private sector investment by developers and operators working within the renewable sector.

Identification and Rationale of proposed red line area

The overall benefits of that infrastructure will not only come from new development opportunities in the EPF but would be expected to attract investment in new development throughout the Levenmouth area as the overall regeneration and economic benefits are delivered. It is therefore proposed that the red line would encompass the whole of Levenmouth area (see attached map).

Extent of Local Authorities Internal Support and Approvals

This submission is in line with The Fife Economy Partnerships Economic Strategy – "Growing Fife's Future" in Fife to support the Renewable Energy Sector. The submission is also supported by two of Fife Councils "Big 8" corporate priorities "Leading Green Council and Improving Conditions for local economic development. A report will be submitted to the Council's Enterprise, Environment and Transportation Committee on 8th September 2011 seeking endorsement of the exploration of securing TIF funding. The business case to secure TIF will be required submitted for formal Committee approval, if this proposal is selected as a pilot project.



2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
 - If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
 - Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
- Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this investment
- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

Private Sector Investment

It is expected that the improvements realised from delivery of infrastructure will allow approximately 50 ha of land to be brought back into beneficial use. In January 2010, the Crown Estate announced "Round 3" Offshore Wind Developments around the UK with potentially 1000 offshore wind turbines to be erected in the North sea within 60 nautical miles of the Energy Park from 2014 onwards. The Energy Park therefore provides an excellent location for private sector investment from wind turbine, blade and sub sea structure manufacturers. The Energy Park has already received significant investment in new infrastructure through the joint venture between Fife Council and Scottish Enterprise. As evidence of the success of the investment, Burntisland Fabrications (Bi Fab) Limited occupy around 170,000 sq ft of manufacturing space within the Energy Park. The company employs at any one time up to 400 FTE depending on contract activity and has increased its turnover from £20 million to £90 million in just four years and is now a market leader in the manufacture of jacket substructures for off shore wind turbines and has now diversified into the wave and tidal sectors. The company have proposals to extend the facility but this will also be subject to continued investment in infrastructure within the Energy Park. Further, new development already completed includes the Hydrogen Office at Methil Docks Business park which incorporates a demonstrator hydrogen fuel cell; an office and training facility occupied by Carnegie College; a private childcare facility and a proposed doctor's surgery. Fife Council has now commenced construction on a Renewables Innovation Centre. In conjunction with Scottish Development International, Fife Council and Scottish Enterprise are in ongoing discussions with a number of international companies who have expressed an interest in developing major manufacturing facilities within the EPF.

Initial calculations indicate the infrastructure proposed could have the potential to allow up to 69,677 sq m of new manufacturing space to be developed within the EPF in addition to associated commercial development which could be secured through the need for supporting service industries such as office, hotel, leisure, retail and other ancillary uses which could be developed as the regeneration of Levenmouth proceeds.

Economic Impact

Given the renewable energy sector is an emerging industry it would be expected that there would not be any significant displacement issues and there would be minimal reduction in non-domestic rates in other locations as a consequence of any diverted investment. Significant economic impacts would be expected through the provision of high quality infrastructure attracting significant private sector investment in new construction, employment, training and development. It is estimated that around 1000 new jobs directly employed in the renewable sector within Levenmouth can be secured. This will have corresponding benefits in the wider regeneration in the Levenmouth area encouraging new house building thereby supporting the construction industry and further through increased disposable income generated from such employment this will stimulate the local service economy through increased expenditure in retail, leisure and other service related industries.. As part of a detailed business case we would expect to show how such investment will benefit Fife's GDP as a whole and an analysis of Gross Value Added resulting from such investment. Through increased commercial activity in Levenmouth it would be expected there will be corresponding benefits for other key locations in Fife such as Burntisland, Rosyth and the proposed employment and skills hub at Halbeath, Dunfermline. By establishing Levenmouth as a national hub for renewable energy industries this will complement the competitive advantage that Fife has to offer in attracting international investment in the region as a whole. At a national level Fife has been identified through the NRIP as a key strategic location for the renewable energy sector and through such essential investment in infrastructure this will ensure that Fife can contribute to achieving the Scottish Government's national objectives for sustainable economic growth as well as ensuring it meets its Climate Change objectives.

Regeneration Impact

The proposed investment would assist in the economic regeneration of Levenmouth which sits within the top 15% most deprived areas of Scotland. Investment will also improve social regeneration in this area given over 40% of the working population have no qualifications and will provide opportunities for local people through training, skills development and employment. The proposals will bring back into productive use existing derelict, underused and blighted land and contribute to the physical regeneration of the area through improvements in infrastructure and public realm. In summary, Levenmouth is currently one of the most deprived areas in Scotland with higher than average unemployment levels with associated social issues. Through investment in the renewables sector it is expected that this will lead to greater employment and training opportunities thereby reducing levels of disadvantage and corresponding social issues.

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow
- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment
- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)****Estimated Cost of TIF assets**

Fife Council and Scottish Enterprise appointed Ironside Farrar to carry out a masterplan and investment strategy in respect of EPF and the results of that exercise was incorporated as part of a detailed report dated March 2011. The exercise identified a range of potential options for the long term development strategy of the EPF having regard to the opportunities presented by the energy renewable energy sector. The report identifies key strategic physical infrastructure investment requirements which will unlock the potential of the EPF including an indicative cost and timing schedule.

It is, however, essential that further investment is secured to achieve delivery of the infrastructure identified. Set out below is a summary of the infrastructure improvements TIF could be used towards

- (i) improved vehicle and marine access to the EPF including land reclamation and quayside construction essential for manufacturers of large wind turbines, blades and sub sea platforms to allow long and wide loads to be imported and exported from the site. (est. TIF Contribution £10m)
- (ii) site remediation, platforming to allow existing land to be incorporated into the Energy Park including essential industry driven public realm improvements (est. TIF contribution £3m)
- (iii) Enhanced delivery of a Levenmouth Low Carbon Investment Park. (est. TIF Contribution £2m)

It would be anticipated that the Council would require borrowing of approximately £15 -£17 million which would enable the investment in the infrastructure projects to proceed. It is anticipated that the investment funding would be drawn down over a 5-10 year period on a phase by phase approach. On the basis of current PWLB rates it is estimated that the annual cost over a 25 year loan term would be approximately £1.05 million per annum on borrowing of £15 million. If funding is drawn down in respect of infrastructure projects in the 5 years following the initial investment it is understood that any such borrowing would be repaid over the remaining period of the 25 year term. The cost estimates will be subject to further assessment following detailed design and feasibility studies and appropriate contingencies will be incorporated within any detailed proposals as part of a Business Case.

Potential Non Domestic Rates Increment

It is expected that the investment will enable new private sector investment to be secured through the construction of new industrial and office developments as well as supporting ancillary retail, leisure and other commercial development as part of the regeneration of the Levenmouth area. A high level estimate of the potential non domestic rates revenue is set out below :-

Industrial units	750,000 sq ft at say £4 per sq ft	Net Annual Value =	£ 3,000,000	pa
Office Units	50,000 sq ft at say £8 per sq ft	Net Annual Value =	£ 400,000	pa
Retail Units	20,000 sq ft at say £ 15 per sq ft	Net Annual Value =	£ 300,000	pa
Leisure/ancillary commercial	10,000 sq ft at say £10 per sq ft	Net Annual Value =	£ 100,000	pa
			£3,800,000	pa
		Rate poundage	0.41	
		Potential increase in rateable income	£1,558,000	pa
		Allowance for voids/displacement/ non- delivery of development say 30%	£1,090,6000	pa

This figure is an estimate, a further analysis would be required as part of any Business Case.

Very early initial calculations indicate that the investment in infrastructure would potentially generate sufficient NDR revenue to support the borrowing cost whilst allowing for an appropriate margin to allow for voids or non-delivery. It is recognised that there will likely be a period between the investment in infrastructure being made and the time when revenues will accrue. This would need to be considered as part of the detailed Business Case and the Council will ensure that appropriate measures are in place to ensure that the shortfall between borrowing repayments and revenues are minimised and appropriate funding cover put in place.

In addition to the potential increase in non-domestic rates that would be unlocked from the infrastructure investment it would also be expected that such investment will also unlock and/or increase the market value of land. In respect of the Energy Park, the Council has a 20% equity share in the joint venture and receipts generated from the disposal of land would be used to off set the infrastructure costs and/or provide additional cover for any short term shortfall between borrowing costs and revenue from NDR. It is also recognised that the cost of the infrastructure investment is

subject to fluctuation depending on cost inflation; identification of abnormal costs and delays and the Council would undertake a robust cost feasibility exercise as well as a detailed assessment of the prioritisation of such investment relative to the commercial returns and economic impact.

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
 - o State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
 - o Procurement
 - o Private sector failure to deliver/ invest
 - o Certainty of NDR take
 - o Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

The Council recognises there are a number of risk issues which need to be considered and addressed.

State Aid

The purpose of investing in infrastructure within the EPF is to unlock development sites for a range of potential private sector companies working within the renewable energy sector. It is not proposed to carry out infrastructure delivery for the benefit of only one company or to provide any form of subsidy which might trigger any State Aid issues. The Council would however secure appropriate legal advice to carry out a detailed review in this respect and ensure that it complies with all aspects of State Aid regulations.

Procurement

The Council and Scottish Enterprise have already undertaken significant procurement exercises in relation to the delivery of infrastructure works such as improvements to quayside and provision of roads and services as part of the first phase of developing the Energy Park. The joint venture partners, as part of the consultancy commission with Ironside Farrar have already carried out a significant amount of work to identify the infrastructure requirements and investment strategy. Further work will be required to translate those requirements into a detailed brief but the joint venture partners have a well established delivery structure in place comprising a highly experienced project team with a range of professional skills, experience and knowledge to deliver the procurement of the infrastructure investment.

Private Sector Delivery

The Council and Scottish Enterprise have a detailed understanding of the renewables industry and the criteria sought by private sector operators in selecting sites to establish renewable energy facilities. These requirements have been used to formulate the infrastructure investment strategy for the EPF. The EPF as part of the EPF is recognised as one of Scotland's strategic locations as evidenced by the inclusion within the National Renewables Infrastructure Plan. (NRIP). A significant level of private sector investment has already been secured and the Council and Scottish Enterprise are confident that through investment in essential infrastructure that the private investment required to stimulate regeneration and growth as well as generating increased non domestic rates revenues will materialise. It is however recognised that there are risks associated with the timing of that investment but it would be expected that being able to demonstrate to such private sector investors that there is the financial commitment and the delivery mechanism to provide the infrastructure that this will improve the likelihood of securing that private sector investment.

Certainty of Non Domestic Rates Take

The Council is also aware of the financial risks associated with the certainty of the timing and quantum of the potential non domestic rates revenue. As part of our initial calculations we have made prudent estimates of the level development that will take place, the level of net annual value appropriate to that development and an allowance for any development remaining unoccupied over the period of borrowing repayments. Further analysis including detailed cash flows and sensitivity analysis will be undertaken as part of the detailed Business Case which we would carry out in conjunction with SFT if selected as a pilot project.

Availability of Land

As referred to the Council has a long term joint venture agreement in place with Scottish Enterprise in relation to the EPF. The land is primarily within the ownership of Scottish Enterprise who are committed to the ongoing re-development of the Energy Park and there will therefore be no risk in respect of the availability of that land to allow the infrastructure to be delivered and thereafter allow private sector investment secured. Part of the infrastructure investment plan also includes the delivery of site servicing to create a Low Carbon Investment Park. The land required for that proposal is currently in third party ownership but it is identified as Employment Land in the Kirkcaldy and Mid Fife Local Plan and the land owner is required to bring forward that land for that purpose as part of a strategic development framework. The Council is in advanced discussions with the landowner to secure the land either on the basis of an outright purchase or long ground lease. The Council would consider using its statutory powers to the land by compulsory purchase. The Council has recently concluded the purchase of one property at the junction Percival Road/ Methilhaven Road, Buckhaven which will allow roads improvement to be undertaken in this location.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.
- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

As some significant work has already been carried out to identify the infrastructure investment strategy including both the extent, costs and timing of the infrastructure delivery it is expected that the Council, as part of the existing joint venture agreement with Scottish Enterprise, would be in a position to proceed with the procurement of Phase 1 infrastructure works on confirmation of TIF funding. Further feasibility studies will be needed for later phases which are underway. A feasibility study is due to be put in place in relation to the proposed land reclamation at the Energy Park and it is expected that the feasibility study will be finalised over the next few months. A further feasibility study has been commissioned in respect of the proposed Low Carbon Investment Park, Buckhaven and consultant engineers, Jacobs Baptye have been appointed to identify the infrastructure requirements as well as estimated costs. Again it would be anticipated that this feasibility study will be completed within the next few months. These feasibility studies will build on the work already undertaken by Ironside Farrar and will assist in the preparation of a detailed Business Plan. The TIF investment would be undertaken on a phase by phase basis and as part of the detailed long term project plan we would propose to undertake a Phase 1 project incorporating improvements to existing vehicular access to the Energy Park at Methil docks through road junction improvements and re-alignment works. Set out below is an indicative timetable for the preparation of a detailed Business Plan towards securing the investment of the TIF Investment :-

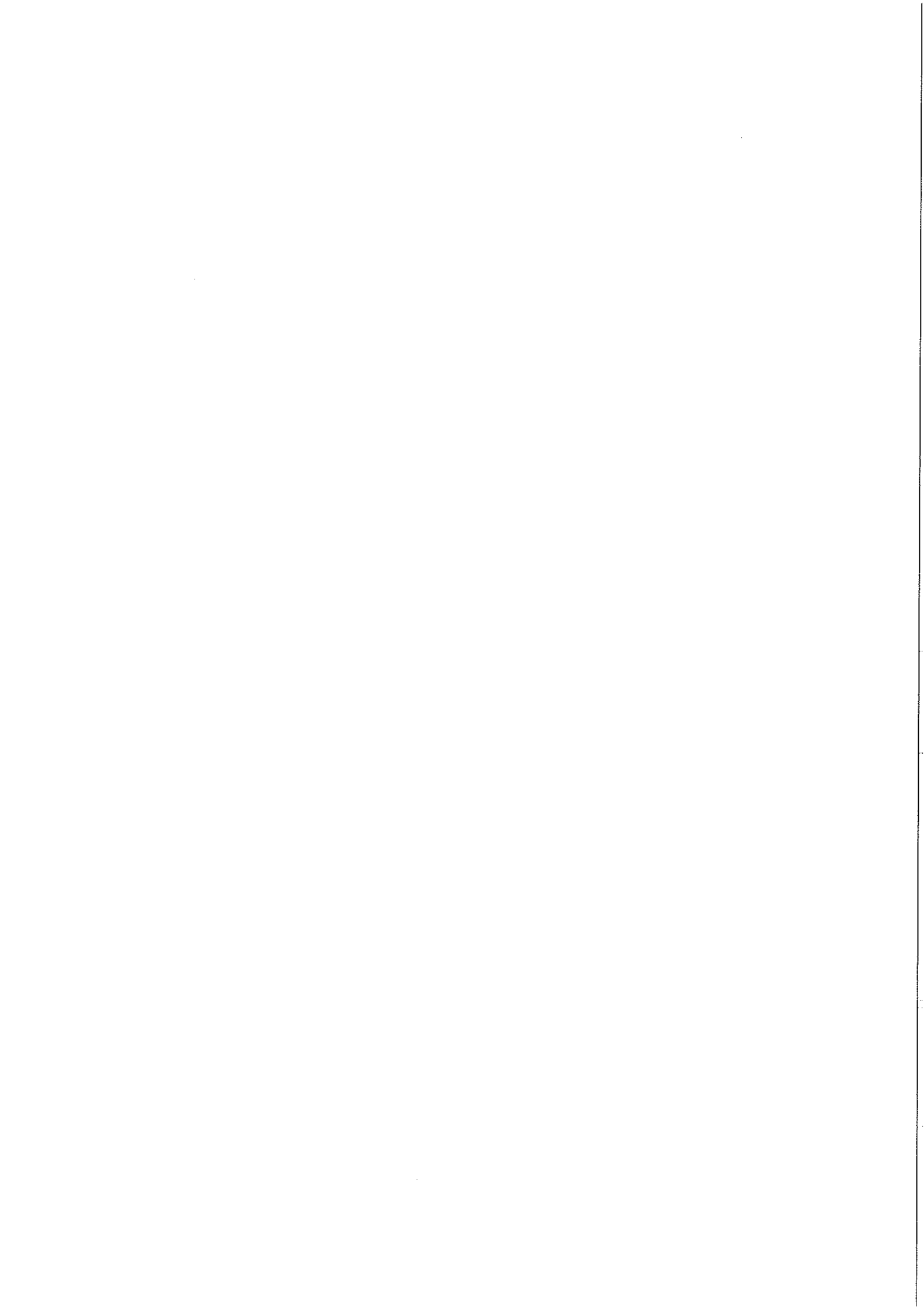
Notification of selection as a TIF pilot	September 2011
Completion of technical feasibility studies	December 2011 Status – underway
Preparation of detailed Business Case including financial appraisals, analysis of projected Net Annual Values and Non Domestic Rates income, Economic Impact Assessment	March 2012
Submission to of Business Case to SFT ; report to Council Management Team, Investment Strategy Group and Policy Finance and Asset Management Committee	March 2012
Prepare detailed design drawings, bill of quantities; secure statutory consents including Roads Construction Consent, Planning and other approvals as necessary for Phase 1 TIF investment	March 2012- May 2012
Prepare detailed tender documentation and issue through OJEU for Phase 1 infrastructure proposals comprising improvements to access road and site serving in relation to the EPF, junction improvements at Wellesley Road, Buckhaven	May 2012 – July 2012
Finalise procurement for Phase 1 infrastructure	August 2012
Appoint contractor, draw down TIF Investment and commence Phase 1 infrastructure works	September 2012

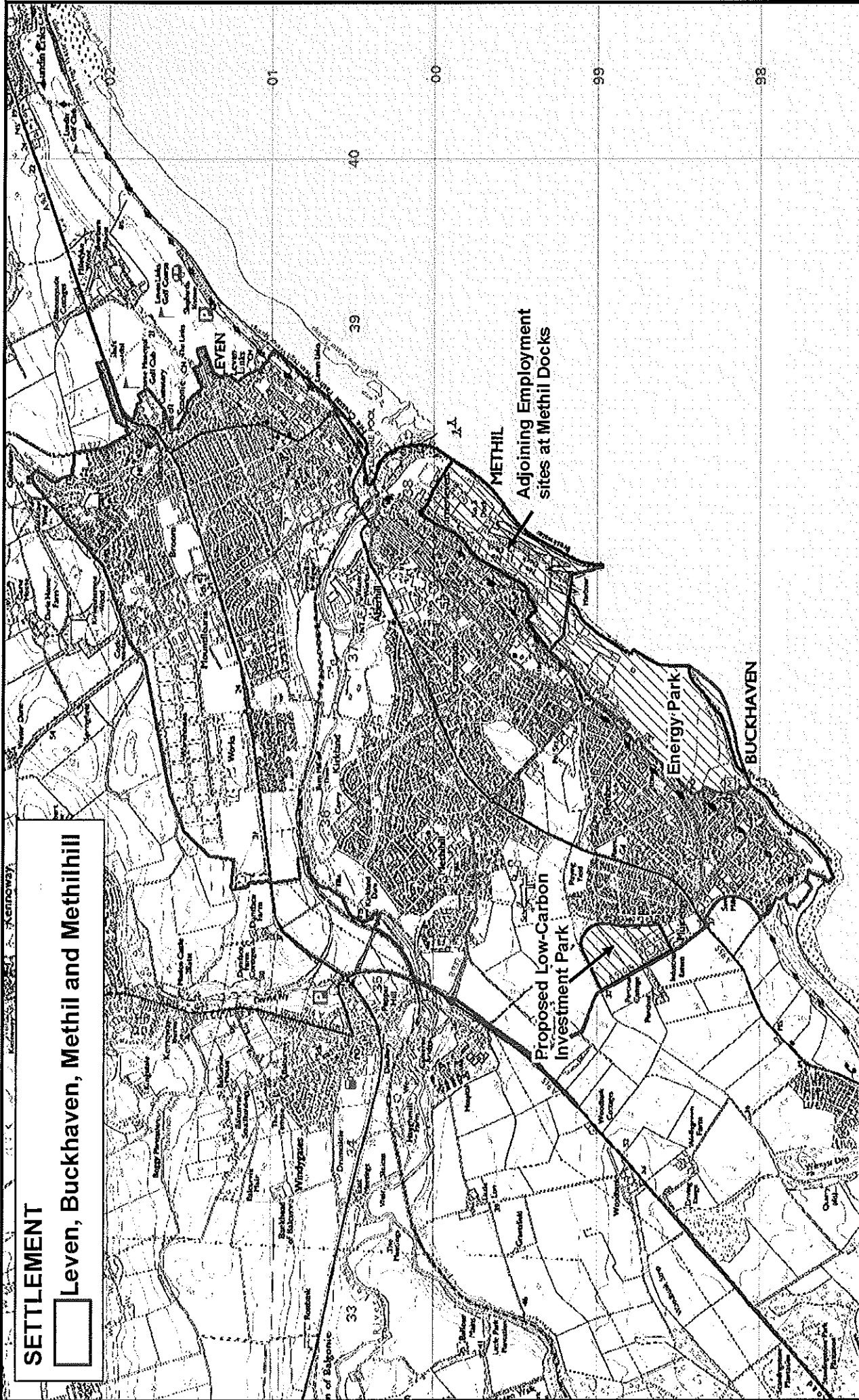
It would be proposed that the overall infrastructure identified under the TIF proposal would be delivered over a 5-10 year timeframe but it would be proposed that all work relating to feasibility studies as well as resolving any land ownership issues would commence as soon as formal approval to the TIF proposal was granted. The Council would seek to be in a position to procure such infrastructure projects at an early a date as possible. As much flexibility as possible would be sought in the project programme to match infrastructure requirements with anticipated private sector investment to minimise any mismatch between expenditure, borrowing repayments and return through non domestic rates revenue thereby reducing financial risk exposure. A detailed project plan will be provided as part of any detailed Business Plan.

APPENDIX 1

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.





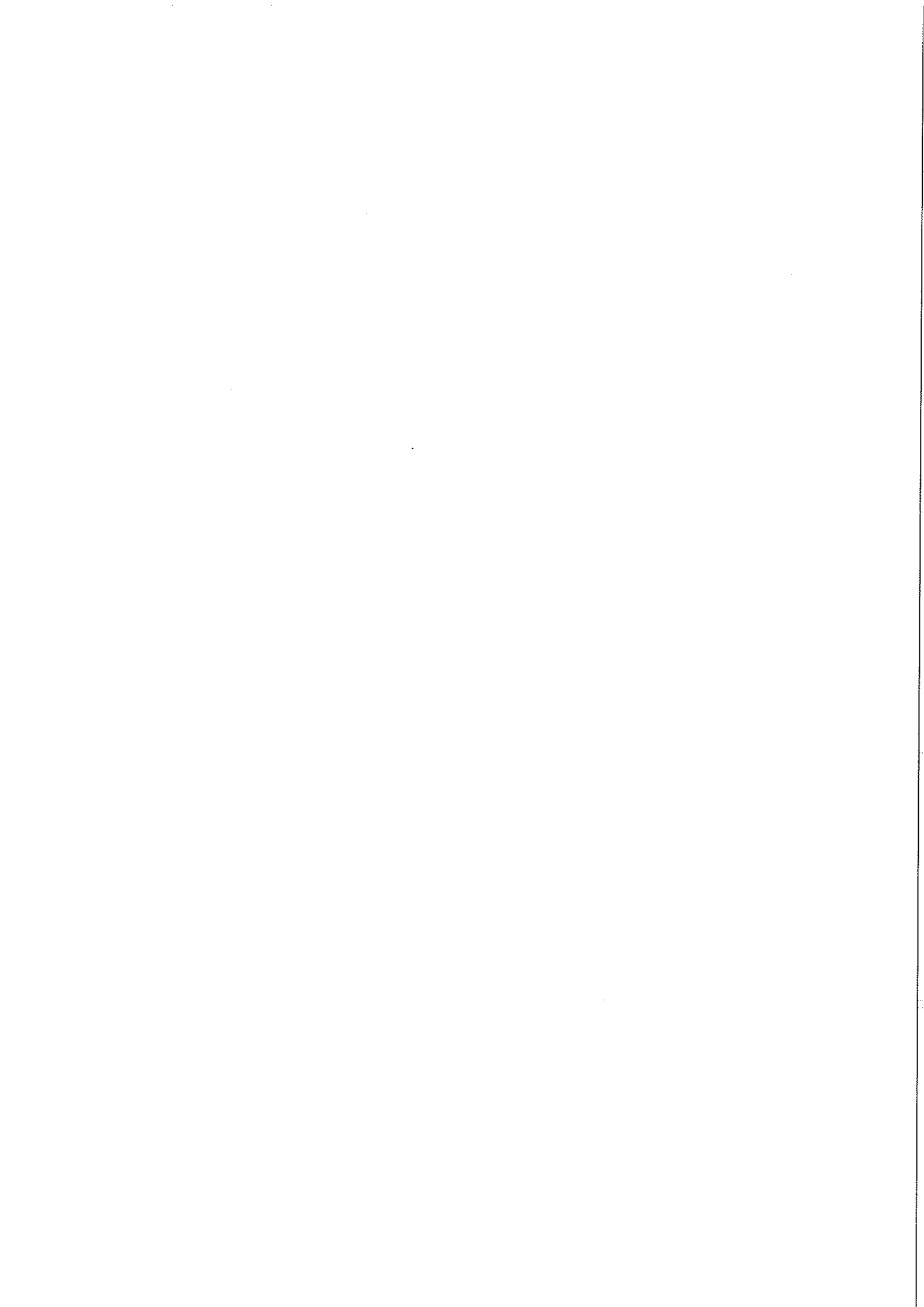
SETTLEMENT
 [] Leven, Buckhaven, Methil and Methilhill



Proposed Red Line TIF Boundary
 Prepared By: Dale Frodsham
 Service: Enterprise and Protective Services
 Printing Date: 19 August 2011

N
 Scale: 1:30,000

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TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk BY 19th AUGUST 2011.

LOCAL AUTHORITY

The Moray Council

High Street

Elgin IV30 1BX

TIF CONTACT

NAME [REDACTED] Planning & Economic Development Manager

EMAIL [REDACTED]@moray.gov.uk

PHONE [REDACTED]

MOBILE [REDACTED]

ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

Please see the accompanying cover letter and letters of support from the Moray Economic Partnership, Highlands & Islands Enterprise, Skills Development Scotland, Moray College and the Moray Chamber of Commerce.

The Moray Community Planning Partners are currently engaging with the community on its draft economic strategy. The key objective of the strategy is to diversify the economy of Moray. The Moray economy is presently too dependent on the public sector and in particular the Royal Air Force. With the closure of RAF Kinloss by 2013 and drawdown already under way, the Moray Economic Strategy has identified the intent to support the existing key sector of Food and Drink and to exploit the underdeveloped advantages of the area in the sectors of Life Sciences, Energy and Tourism. The Strategy identifies a number of actions and key projects to achieve this aim.

The Moray Council believe that TIF would be a key tool in facilitating the early provision of infrastructure to facilitate a step change in the economy. Working with Ernst and Young we have carefully selected several opportunities to accelerate development on allocated development sites in Elgin, Forres and Buckie that

would generate the non domestic rate to pay back funds borrowed.

Should this application be successful we are extremely excited about the prospect of taking the pilot forward and working with the Scottish Futures Trust to develop the business case. We are fully committed to delivering the TIF scheme and would propose that this is implemented in financial year 2012-13.

Please contact Gordon Sutherland, Planning and Economic Development Manager, if you require any further information or clarification.

The following links give access to the [Moray Economic Response Plan](#)

[The Moray Economic Strategy](#), [Elgin City for the Future](#) and the [Moray Development Plan](#). Also maps of [Elgin](#), [Forres](#) and [Buckie](#)

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.
- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?
- Provide basis for satisfaction of the but-for-test
- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.
- Provide a high level indication of the likely red-line area and basis for selection of this area
- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and
- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

The Moray Council area has historically experienced relatively low levels of unemployment and an economy that has hugely benefitted from the presence of two major military airbases. Recent events surrounding these bases have led the Council and its partners, including Highlands and Islands Enterprise and the Moray Community Planning Partnership, to question the sustainability of the regional economy's dependency upon the military contribution. There is a pressing need to further diversify Moray's economy whilst providing impetus to expand already successful sectors such as food and drink and tourism. The use of TIF to assist with the unlocking and acceleration of development sites through the funding of key infrastructure will be instrumental in achieving this, specifically by providing the access to funding in the short term. Since the bases were first threatened with closure in 2005 the Council and its partners have been developing responses at both a project and programme level with recent iterations consisting of the *Moray Economic Strategy and Elgin City Region for the Future*. The ambitions for economic growth have been greatly impacted by the collapse of land values and scarcity of developing funding available to the private sector.

The programme of TIF infrastructure investment presented in this proposal represents an opportunity for the Council and its partners to affect a step change in the regional economy. The potential benefit from TIF pilot status and a potential to complement this with Enterprise Zone status represent a unique 'once-in-a-lifetime' opportunity, which the Council is keen to grasp and lead and provide the access to debt funding for TIF via its Prudential Borrowing powers. The projects which make-up the infrastructure programme have been selected on the basis that the enabling infrastructure will unlock and accelerate regeneration and development activity which will facilitate substantial sustainable economic growth over the 25 year horizon of the TIF scheme and beyond. Indicative financial modelling work identifies that the combined programme will generate additional net NDR revenues that are capable of repaying the debt funding required to support the programme within the Council's risk parameters. Economic modelling has confirmed that the proposed TIF scheme will enable the stepped change required in the region and deliver the ambitions of the Council and its partners.

The development projects which are summarised in subsequent tables are all consistent with the partner's economic development strategy and all are currently stalled due to a lack of funding available to the private sector and the challenging environment that developers are faced with. The infrastructure and development projects can be grouped into three distinct geographical areas, representing a logical, physical diversification of economic activity within a highly rural region and would form three distinct red line areas. The three areas are Elgin, Forres and Buckie.

Forres is faced with the significant loss of GVA as a result of the closure of RAF Kinloss. The Council recognises that this will be partly offset by the relocation of army battalions onto all or part of the existing site; however, initial estimates indicate that two thirds of the existing GVA will be lost due to a loss of scale and the loss of a highly skilled workforce. The TIF programme will invest close to £3m in unlocking the remainder of the available plots at the Forres Enterprise Park for early occupancy by pipeline FDI projects, thus mitigating the loss of the RAF at Kinloss.

Businesses in Elgin have long been constrained by a lack of suitable expansion land and growth opportunities and this is partly due to the uncertainty around flooding issues in the area. Commercial developments have been proposed recently; however, these have been stalled due to planning issues, such as flood mitigation issues and the cost related to these and other infrastructure requirements. By facilitating the development of space at Barnuckity Business Park then much needed jobs will be generated and successful businesses will be retained within the region. This will be enhanced by the proposal for a rail freight depot to benefit the timber, whisky and food sectors and commercial and life sciences opportunities within the city. The required enabling works to facilitate these projects are estimated at £10m.

The last area is Buckie which suffers from its relative isolation and from the decline in its traditional employment sources of ship building and fishing and fish processing. Although not costed within the scheme due to its early stage of technical development the proposal for a Renewables Operation & Maintenance Facility will deliver high-value skilled engineering jobs.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure

Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

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- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

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PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this

investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

The economic benefits of the enabling works and the project which they will stimulate are summarised in the following table:

Additional gross jobs	4,975
Net national job impact	1,816
Net local job impact	2,378
Construction jobs	1,257
Construction trainee jobs	126
Annual GVA (£000)	119,960
Construction GVA (£000)	62,951

The economic rationale for each area is set-out below.

Forres: The proposed response within Forres is identified as being the provision of serviced industrial and commercial space as an expansion of the existing Forres Enterprise Park which is owned by HIE. The provision of space would largely be targeted at meeting the demand for new businesses looking to invest in Moray. HIE's vision for the Enterprise Park is a bold statement of intent to replace the lost jobs from RAF Kinloss and to demonstrate that the region is 'open for business'.

The proposals differ from other developments in the area in that it will largely target investment from outwith Moray. Since 2010 there has been a significant increase in the number of enquiries HIE has received from abroad and elsewhere in the UK. However, given the availability of suitable land and HIE's own financial constraints, then it has been challenging to convert these into physical projects. HIE propose to develop the site in partnership with the private sector. HIE has held discussions with the private sector as to how this could be structured and delivered, however, infrastructure costs represents a block to development at this time and TIF offers the means of addressing current development viability issues.

Elgin: The City is the regional economic hub and the second city of the highlands. The proposals for reinvigorating the City have been designed to maximise the areas current strengths and position whilst ensuring that the wider region is able to benefit from the opportunities generated. The diverse number of projects within the City is a reflection of the Council's ambitions for a more diversified regional economy.

The drivers underpinning the strategy are designed to take advantage of a number of opportunities including the incubation of start-ups by former RAF personnel and to address the historical restraints upon business growth. In addition, the scheme will seek to support Moray's offering in relation to life sciences which is relatively unique within Europe given the regions demographics.

These projects, alongside the investment in flood defences which secured funding in March 2011 and the Business Improvement District will combine to generate significant economic momentum within the City thus increasing opportunity for the community and existing businesses.

Buckie: The potential opportunities within Buckie relate to the further expansion of the industrial space around March Road and the harbour being the location of a future Operations & Maintenance (O&M) facility to service off-shore wind farms in the Moray Forth and beyond. These projects potentially require TIF support to provide sector specific requirements and would result in opportunity to improve facilities at the harbour thus allowing for existing users the opportunity to seek additional commercial opportunities and therefore secure related employment for the longer term.

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow
- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment
- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix I for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

The Council commissioned Ernst & Young LLP to support the preparation of the pilot status submission and in particular to assist with the calculation of potential NDR revenues associated with the identified enabling works. This work consisted of optimising the infrastructure intervention, calculating debt requirements and payback period and financial analysis in order to develop the base case presented in this application. This work was supported by Montagu Evans who provided specialist property advice and Roger Tym & Partners who considered the economic position of the region and the proposed programme of interventions.

The analysis and modelling work undertaken has included a high-level appraisal of the available information and market viability of the projects. As a result of this work, a number of projects have been excluded from the programme of TIF funded enabling works. Similarly given the early stage of development of some projects the Council has classified a number of projects as being less well defined and/or longer term in the development pipeline. These projects will be included in the TIF red line, but the NDR revenues have been excluded on the basis of prudence in determining the base case position and level of borrowing the Council could commit. Most notable amongst these is the proposed renewable energy facility at Buckie Harbour, which requires further work in relation to the potential land requirement of the scheme.

The financial analysis undertaken demonstrates that the Council would borrow £16.6m as part of the investment in the TIF infrastructure programme between years 1 and 5. At this stage the proposed strategy would be to draw these funds down on an 'as required' basis, with a peak borrowing requirement of £5.7m in year three. The model assumes prudential-style borrowing of the full requirement, however, it may consider alternative approaches should they present an enhanced value-for-money opportunity, including the optimisation of private sector developer contributions.

The £16.6m invested in enabling works would unlock about £116m of additional NNDR revenues, which would fall to £87.1m once an allowance had been made for displacement (which has been assumed at 25%). As per the following table, it is expected that this would be sufficient to repay the debt by year 25 and result in a revenue surplus of £57.4m or £21m in NPV terms. Debt tranches are in 20 year terms with all debt repaid within the 25 year time horizon of the TIF scheme. In the early years the TIF cashflows are in deficit due to debt and interest repayments exceeding the projected NDR revenues (between years 2 and 5 and total £2.2m). The Council will consider its treasury management strategy in detail at Full Business Case stage.

Project name	Area	Enabling works (£'000)	Net NNDR revenue (£'000)	New business space (Sqm)	Comment
Moray Infrastructure Enabling Fund	Regional	1,064	-	-	Early win
Forres business park - phase 1	Forres	-	4,721	4,180	Early win
Forres business park - phase 2	Forres	2,829	9,028	9,345	Early win
Barmuckity Business Park	Elgin	2,750	21,539	34,373	Early win
Alexandra Road Improvements	Elgin	2,726	-	-	Early win
South façade leisure/retail	Elgin	-	25,935	30,000	Early win
Elgin West Business Park	Elgin	2,261	-	-	Medium term
Elgin rail freight facility	Elgin	2,181	6,591	9,290	Medium term
Moray Campus (education)	Elgin	-	-	-	Medium term
St Giles Centre (office/retail)	Elgin	-	7,608	6,640	Medium term
North Port (hotel)	Elgin	-	2,352	2,400	Medium term
Harbour site reconfiguration	Buckie	-	-	-	Medium term
Buckie Renewables O&M Site	Buckie	-	-	-	Medium term
March Road Industrial space	Buckie	-	-	-	Medium term
Forres business park - phase 3	Forres	-	2,509	6,689	Longer -term
Lossie Green (mixed use)	Elgin	-	6,784	10,081	Longer -term
Contingency adjustment		2,762			
Total		16,573	87,065	96,228	

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
 - o State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
 - o Procurement
 - o Private sector failure to deliver/ invest
 - o Certainty of NDR take
 - o Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

The strategy which underpins our submission is a programme of infrastructure investment and interventions across a number of geographical locations. The scale of the programme and the scale of the impact upon the Moray economy will require close co-ordination between the public and private sectors and we see this as being one of the key strengths of our approach but also potentially one of the key risks.

However, the close co-operation required to manage the transformation can already be demonstrated and evidenced through the close partnership working in relation to the community's response to the potential base closure through the Moray Task Force, co-operation on the delivery of flood defences and the development of both the Moray Economic Strategy and the Moray Economic Response Plan.

Given the level of potential support for private sector led development, the Council has given careful consideration to the eligibility of individual requirements to ensure that these are aligned with guidance and legislation in relation to state aid. At this stage the Council is confident that the proposed delivery structures and procurement processes will mitigate potential issues and this will be considered further with the Scottish Government's State Aid Unit at Full Business Case stage.

In developing our programme we have also had an initial discussion with the Assessor for the Grampian region. The purpose of this was to outline to the Assessor our programme and our NNDR projections, thus allowing him to comment and contribute to the viability of the Moray TIF proposition. We are pleased to report that the Assessor did not raise concerns in relation to our approach and methodology and we look forward to working with his office in more detail.

The methodology we have assumed is to test the viability of each project on an individual basis. We have done this through cash flow modelling of the investment and revenue projections, undertaken by Ernst & Young LLP. In accordance with guidance from the Scottish Futures Trust these assumptions can be considered conservative and include allowances for phased development and uptake of business space. In addition to this, the development assumptions have been reviewed by Montagu Evans who 'sense checked' each project against current market conditions and likely future trends and also take into account the wider planned programme of development planned across the TIF scheme.

The Council confirms that the majority of sites which would likely be developed first are all within the ownership of the Council or HIE. The exception to this is the proposed Barmuckity Business Park which is under the control of the developer. However, the developer is committed to working with the Council to unlock the development. In addition to this all of these sites benefit from the appropriate zoning and have or will secure detailed planning consent in the short-term.

The subsequent phases of the programme all benefit from appropriate zoning with the exception of potential expansion of Forres Enterprise Park which is surrounded by undesignated agricultural land. The Council is confident that following the successful population of the existing development land then a limited expansion maybe supportable through an exception to the Local Plan. However, this would be subject to due process and evidenced demand for further expansion. Likewise, all sites within the subsequent phases are controlled by the private sector partners or the Council with the exception of one. On this site the Council is committed to continuing dialogue with the owner and that a successful and mutually beneficial solution can be found.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.
- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

Supporting evidence and analysis

A significant degree of economic analysis and master planning work has been prepared in relation to the *Moray Economic Strategy* and in relation to the individual commercial developments. However, the Council recognises that some of the projects are further advanced than others and this is reflected within the time scales identified. Many of these key documents are included with the submission.

Business case

Given the degree of preparation which has been undertaken by all of the partners then the Council is planning that a business case would be developed within four months of notification of pilot status for Moray with a view to having approval for the TIF scheme for implementation early in financial year 2012-13

Project Management

It is envisaged that the Council would coordinate the public and private sector activity in close partnership with HIE and the private sector and other public bodies. This approach will allow the phasing of developments to be complementary and also matched with the pipeline of enquiries being managed by HIE and other bodies.

Early wins: Business space

Amongst the early wins for the programme there are Forres Enterprise Park and Barmuckity Business Park. Both of these projects will meet the natural demand which exists for quality industrial and office space from businesses wishing to invest in Moray or to expand their existing operations. It is envisaged that up to 45,000 sq ft of offices and 100,000 sq ft of industrial units would be developed and occupied within the first five years of the programme. Both of these projects are currently stalled due to the cost of enabling works in relation to historically low industrial and commercial land values.

Early wins: Enabling works

The first five years of the programme would see the road infrastructure enhancements necessary to unlock further development of Elgin's tourism, office, leisure and retail ambitions. The key project in this is the creation of a pedestrian friendly boulevard on Alexandra Road which currently acts as a barrier between the City centre and natural assets such as Cooper Park. Such works would complement the Council's revised Tourism Strategy and the Business Improvement District.

Education and life sciences

The investment in the Moray Life Sciences Centre and investment in the Moray Campus represents an opportunity to realise the regions natural competitive advantage in specialist medical research. These facilities will not only produce high-value research and spin-offs, but will also provide local students with the opportunity to study at a national-level facility within their home region. Linked to the educational investment there are a number of foreign direct investment projects currently being explored by HIE and the Council. It is possible that as a result of these then there is scope for a research facility to be located at the Elgin West site.

Renewable energy

There is a significant opportunity for Buckie Harbour to host an Operations & Maintenance facility which would serve the off-shore wind farm sites within the Moray Firth. At this stage further technical studies are required to assess the potential investment requirements and although the Council is the predominant land owner some site assembly may be required subject to requirements. Given the current needs of the industry then it is feasible that this project could be brought forward early in the programme.

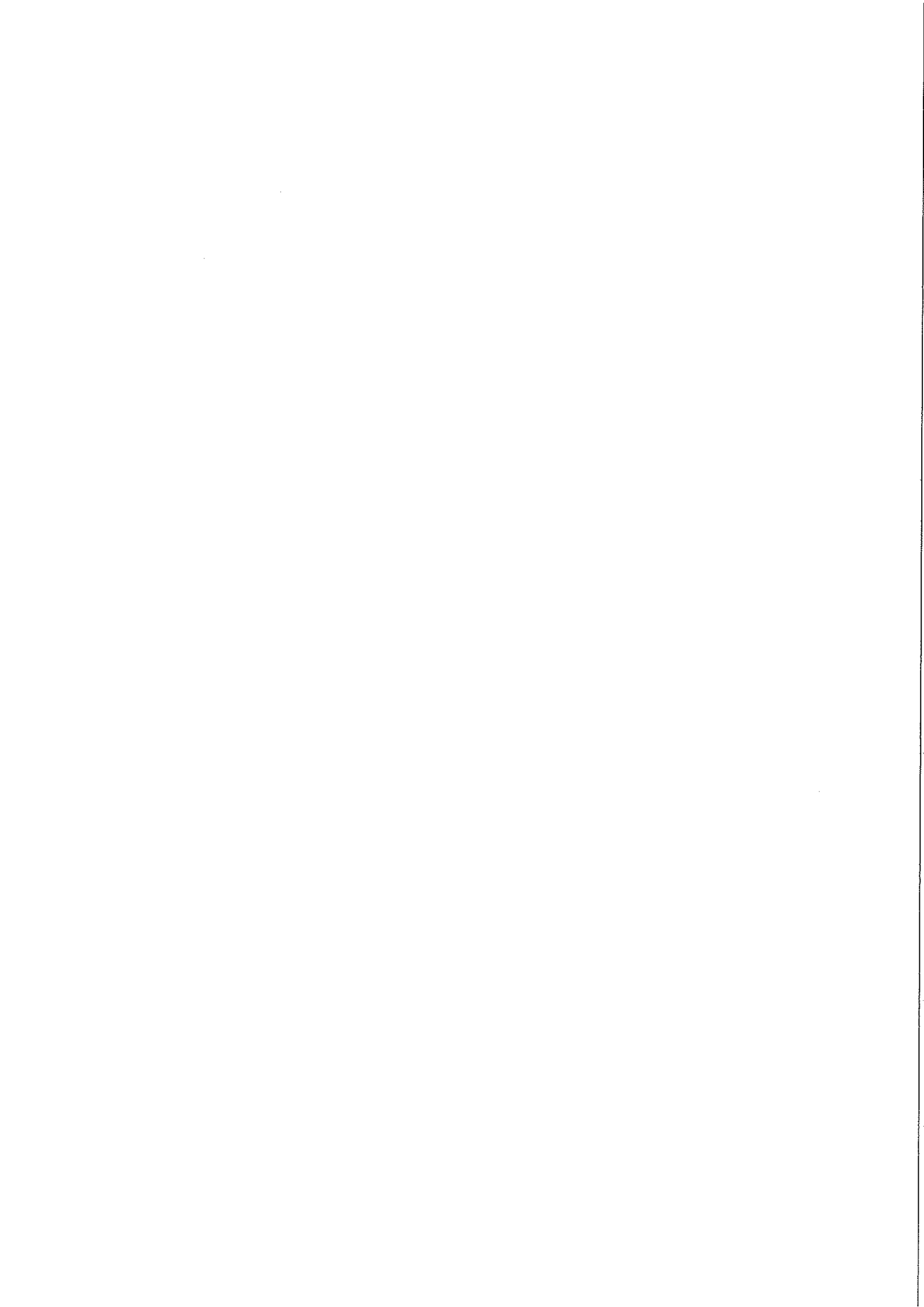
Medium to longer term:

In the medium to longer term a number of schemes such as the potential rail freight depot and further expansion of Forres Enterprise Park will be developed. These projects will facilitate further economic diversification and generate significant opportunities for the local community and businesses. With the momentum created by the early win projects then these projects could be well developed by year ten of the programme.

APPENDIX 1

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.



TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk BY 19th AUGUST 2011.

LOCAL AUTHORITY
North Ayrshire Council Cunninghame House, Irvine, KA12 8EE
TIF CONTACT
NAME -- [REDACTED] Team Manager Regeneration EMAIL [REDACTED]@north-ayrshire.gov.uk PHONE [REDACTED] MOBILE
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
Alternative contact: [REDACTED] Chief Revenues and Benefits Officer [REDACTED]

1. TIF PROJECT BACKGROUND

North Ayrshire Council ("the Council") works closely with Irvine Bay URC ("Irvine Bay") to promote regeneration and economic development within the Irvine Bay coastal area which encompasses Irvine, Kilwinning, Stevenston, Saltcoats and Ardrossan. As a result of reductions to the funding sources available, the number of regeneration projects has been reduced, and the potential for economic growth has therefore been limited. As a response to this, the Council and Irvine Bay have explored alternative funding sources including TIF to supplement funding of regeneration in the area and compliment other funding sources.

Regeneration is a key priority of the Council given levels of unemployment and deprivation in the area. The use of TIF would contribute towards the goals of the Council's Economic Development and Regeneration Strategy and generate opportunity for the local population and economy. The project is aligned with the Proposed Local Development Plan, published in April 2011.

The project represents a total infrastructure investment of £16.2m over 5 years, fulfilling SFT's requirement for a project of less than £20m of investment. Based upon preliminary analysis undertaken in support of this proposal we are satisfied that the project meets the required characteristics. More specifically, the investment proposals will unlock regeneration and sustainable economic growth; will generate additional public sector revenues (net of the displacement effect); and are capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

In conjunction with the Council, Irvine Bay began considering options for a TIF proposal towards the end of 2010. Since then, a feasibility study has been undertaken to consider the viability of TIF funding projects that would not be funded otherwise. A key element in the study was an appraisal of potential projects for inclusion based upon projected costs and revenues. The Council and Irvine Bay consider that the proposed short-list of projects represents the optimum solution for minimising public sector support whilst maximising private sector investment and economic outputs. The projects all satisfy the 'but for' test in that they would not be taken forward in the current funding environment or would be significantly delayed. In addition the scheme has the potential to create around 2,870 jobs and increase Scotland's annual GVA by £61m per annum as demonstrated at Section 2 'Private Sector Investment, Economic and Regeneration Impact'.

Four 'red line' geographical areas are proposed to maximise the funding and economic leverage of TIF within the Irvine Bay area (plan of red line areas enclosed). This offers a new approach from the existing pilot schemes and one which incorporates a wide range of target uses. The four zones considered and their infrastructure investment requirement are: Irvine Town Centre (£5.8m), Irvine Business Parks (£2.2m), Irvine West Coast (£4.6m) and Ardrossan (£3.5m). These were identified following the assessment of potential infrastructure projects and a consideration of impact as a result of investment. Full details of the option appraisal and selection methodology is provided in the *Feasibility Study July 2011* (Ernst and Young for Irvine Bay/the Council) which is appended to this submission.

The proposed TIF scheme gained Executive approval from North Ayrshire Council on 16 August 2011. Internal Resource and support is available within the Finance, Planning (Regeneration) and Economic Development Services of the Council.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

The proposed approach is to utilise the funding available under TIF to supplement the limited regeneration funding available and to leverage private sector investment and economic growth in North Ayrshire. The following table summarises the financial and economic projections for each zone.

Zone	Infrastructure requirement	Leveraged development activity	Additional* NNDR receipts	Employment space created	GVA (additional p.a.)	Employment (Gross jobs)
Zone 1 - Irvine Town Centre	£5.8m	Private - £14.3m Public - £18.0m Total - £32.3m	£4.9m	60,000 sq ft leisure 7,880 sq ft retail 62,500 sq ft enhanced retail 2,500 sq ft office 44,000 sq ft enhanced office	£15.5m	815
Zone 2 - Irvine Industrial & Innovation Park	£2.2m	Private - £10.0m Public - £10.0m Total - £20.0m	£6.5m	190,000 sq ft commercial & office	£21.4m	1,258
Zone 3 - Irvine West Coast	£4.6m	Private - £50.0m Public - £10.0m Total - £60.0m	£6.0m	60,000 sq ft office 100,000 sq ft industrial 25,000 sq ft hotel	£19.3m	487
Zone 4 - Ardrossan	£3.5m	Private - £10.7m Public - £3.0m Total - £13.7m	£7.2m	49,000 sq ft office 25,000 sq ft hotel 12,000 sq ft care home	£5.1m	311
Total	£16.2m	£126.0m	£24.7m		£61.3m	2,870

*Includes enhancement to existing NNDR receipts as well as additional NNDR created. Assumes a private operating mechanism for the primary leisure component of Zone 1.

Financial modelling undertaken as a part of the feasibility study indicates that the programme of projects has the potential to generate in the region of 2,870 gross jobs in the area. This would be a significant boost to North Ayrshire's economy and go a long way to meeting the Council's economic and social ambitions for the area and its inhabitants. Additional GVA to the Scottish economy is projected at £61m per annum.

The feasibility study assumes 25% displacement which is based upon experience of economic development projects, early discussions with SFT and analysis of other TIF schemes.

The development of the programme has been based upon discussions with the intended private sector partners for each zone which includes the Ayrshire Golf Company in Zone 3 and Clydeport in Zone 4. The lead development partners in Zone 2 are Irvine Bay and Scottish Enterprise.

The programme seeks to maximise the opportunities available to local people. This will be achieved through the breadth of projects being considered which range from the provision of start-up space through to the creation of additional space in established sectors such as leisure. The programme will be aligned with the Council's existing employment and training programmes to ensure that local people are able to secure the opportunities available.

The Council and Irvine Bay have identified that the success of the programme will generate significant regeneration benefits for the wider North Ayrshire economy. These will include:

- Increased business activity, employment and spend in the local economy
- Employment and training opportunities for local people secured through local training initiative schemes and with a focus on youth unemployment
- Development of major redundant or brownfield sites
- Improved perception of the area
- Increased demand for local services
- Stimulate the local housing market

Irvine Bay has an impressive record in enabling the physical delivery of projects working collaboratively with private sector developers.

3. FINANCIAL VIABILITY

The programme is projected to generate a surplus of £5.2m. Of the £5.2m, £4.0m is generated in years 11 through to 24 to facilitate early debt repayment thus allowing for a potential reduction in overall finance costs. These indicative results are based upon the preliminary financial modelling undertaken in support of the Feasibility Study.

The proposed funding solution considered within the Feasibility Study was for five tranches of debt covering the borrowing requirements of each of the first five years. This approach provides the programme with additional flexibility to react to changing economic conditions and opportunities. It also provides an additional risk management solution in that the decision to drawdown each of the tranches can be held until required. The financial modelling assumed an interest rate of 4.75% over 20 years – which corresponds to current Public Works Loan Board rates. The mechanism for borrowing would be determined by a Business Case and the identification of the most advantageous route at that time.

Zone	Infrastructure investment requirement £'000	Additional NNDR receipts* £'000	Borrowing requirement** £'000	Projected Finance costs*** £'000	Unsupported finance costs £'000
Year 1	(3,558)	-	3,558	(279)	(279)
Year 2	(5,018)	40	4,978	(671)	(631)
Year 3	(5,043)	350	4,693	(1,039)	(690)
Year 4	(1,102)	590	511	(1,079)	(489)
Year 5	(1,476)	742	734	(1,137)	(394)
Sub-total (Yrs 1-5)	(16,197)	1,722	14,474	(4,205)	(2,483)
Sub-total (Yrs 6-25)	-	22,966	-	(18,534)	(835)
Total	(16,197)	24,689	14,474	(22,739)	(3,318)

* Includes enhancement to existing NNDR receipts as well as additional NNDR created.

** Assumed to be the net funding requirement and drawn-down in five tranches over years 1 through to 5

*** principle and interest payments

The Council and Irvine Bay propose to fund the unsupported finance costs through contributions from the URC's operational revenue budget. This is an ideal solution as it allows the URC to unlock a number of projects with minimum financial impact upon the URC's limited financial resources and helps to de-risk the Council's borrowing position.

The sensitivity analysis below support our conclusion that the project is robust.

Sensitivity analysis	Infrastructure investment requirement	Additional NNDR receipts*	Borrowing requirement**	Unsupported finance costs	Surplus
Base case	(16,197)	24,689	14,474	(3,318)	5,267
Increase in interest rate by 1%	(16,197)	24,689	14,474	(4,624)	4,583
Increase in displacement to 30%	(16,197)	23,043	14,589	(4,148)	4,271

Other issues would be explored further within a full business plan such as the inclusion of additional land as opportunity is investigated further, and additional sensitivity testing. The project demonstrates a surplus given a reduction of 15% in commercial development across the four zones.

4. KEY RISKS & POTENTIAL MITIGANTS

In developing the preferred option the Council and Irvine Bay identified two key requirements:

- Firstly that the programme should seek to minimise the potential risk to the public purse, and
- Secondly that there should be limited scope for potential delay between infrastructure investment and development activity.

These two specific requirements and the wider mitigation is addressed through the characteristics of the programme as described below.

All of the projects within the proposal have been considered by the Council and Irvine Bay for a number of years. They have all been subject to discussions with the Planning Department and appropriate due diligence has been undertaken with regards to site remediation and surveying reports. Advice has also been sought from the market on the potential options and this has included the use of commercial property advisors. Development plans are therefore well advanced; however the delivery of the projects is at risk as a result of funding constraints.

The majority of land which is directly enhanced by the investment in infrastructure is either owned by the Council or Irvine Bay (either outright or in partnership with the private sector). This allows for a high degree of certainty around land availability and ownership, reduces the impact on development timetables and assists compliance with state aid guidance.

This approach also allows for the public sector to share in the enhancements to property values, thus compensating for the opportunity cost of intervention. Uplifts will be captured via enhanced Non Domestic Rates (NDR) on private sector sites and through rental income and or disposal values on public sector sites. The latter two options reduce the programme's dependency upon NDR revenues for debt repayment.

The programme envisages a phased development of the sites which allows for specific developments to be brought forward, postponed or amended in light of market developments. This, in conjunction with the drawdown of debt in five distinct tranches, minimises financial exposure.

As detailed in previous questions, we intend to have four distinct red-line zones. This provides further risk mitigation through geographical and sector diversification as each zone will have its own unique blend of development and objectives.

Further comfort is provided by the track record of the Council and Irvine Bay in delivering regeneration projects in partnership. The URC has been established for seven years and since inception it has delivered on a wide range of economic development and regeneration projects. This is down to strong project management, effective private sector and other stakeholder engagement, robust procurement management and by having clear objectives.

Further risk analysis and management will be undertaken once the funding position becomes clearer. This will include the development of a risk register, cash flow analysis including sensitivity and scenario analysis. Each project will also benefit from a dedicated and experienced project manager who will lead the development through to completion.

Because new development of office and industrial accommodation has not been economically viable for some years in the Irvine Bay area, there has been very little supply available which meets modern requirements. However, where new offices or small industrial units are provided (eg. Kilwinning Station 15,000sq ft, Irvine Industrial Estate 10,000sq ft, Various Ardrossan 9,000sq ft) then occupancy levels are very good.

5. TIME SCALES

Should the proposals be successful in being identified as a TIF pilot project, then the preparation of a business case will proceed immediately. As evidenced by the feasibility study, preparation work is well advanced and this would allow for a business case to be developed within 3 months.

All of the proposed projects are supported by the recently published Proposed Local Development Plan (April 2011) and are supported in principle by both the Council and the Board of Irvine Bay. Following approval to progress to a detailed business case, consents would be progressed in parallel.

This, alongside the absence of land ownership issues will allow the first TIF investment to be made within 6 months of approval of the Business Case, potentially in early 2013. The following table summarises the timetable for each zone:

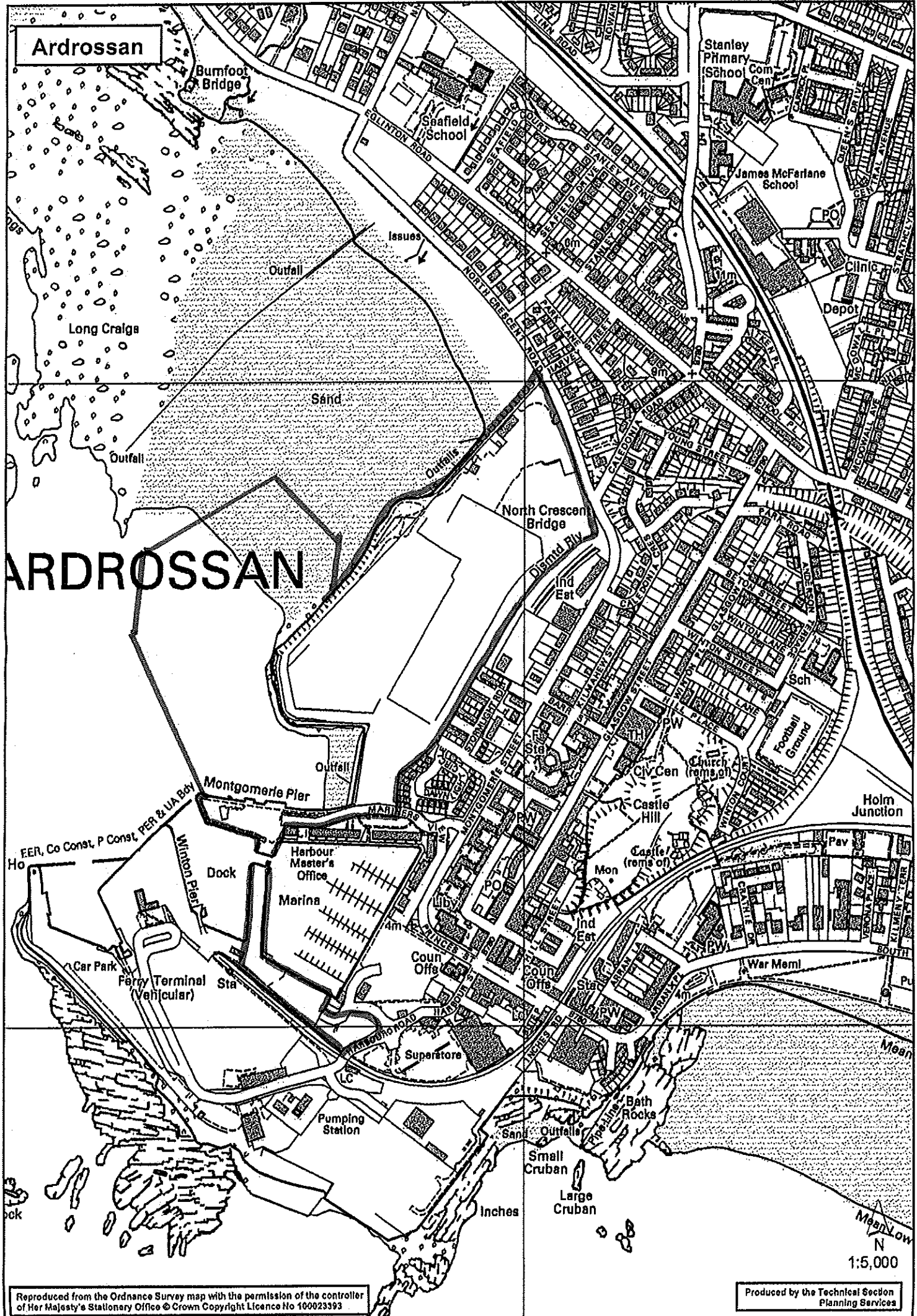
Zone	Planning status	Expected infrastructure investment	Expected development activity	NNDR revenues commence in	Full NNDR revenues achieved by
Zone 1 - Irvine Town Centre	Bridgagate planning application expected Autumn 2011. Townhouse etc Design Team to be appointed	Yrs 1-3	Bridgagate public realm works to start onsite 2012.	Yr 3	Yr 5
Zone 2 - Irvine Industrial & Innovation Park	Permission granted for Annickbank. Masterplan prepared for Riverside	Yr 2-5	Framework for future applications set through local plan	Yr 2	Yr 9
Zone 3 - Irvine West Coast	Planning application expected Autumn 2011	Yrs 1-5	Planning decision expected early 2012	Yr 2	Yr 11
Zone 4 - Ardrossan	Planning application for office development submitted, masterplan for area being prepared.	Yrs 1-3	Planning decision expected Autumn 2011 on office development, other aspects to follow	Yr 2	Yr 9

Early actions

The bulk of the enabling works will be undertaken in years 2 and 3 and this reflects infrastructure investments across Zones 2 to 4. However, the first and second years will witness a focus largely on Irvine Town Centre (Zone 1). The infrastructure investment for this Zone will enable three transformational projects to begin which will act as a catalyst for the enhancement of the wider area.

The three projects are Bridge Gate, the Town House and the proposed Leisure Centre. These developments represent a combination of office, retail and leisure space which will increase footfall within the Town Centre and help to create a modern experience whilst retaining the historical linkages and atmosphere of the area. The proposals were widely consulted upon and have the wide support of businesses in the area.

These projects are all at an advanced stage of preparation and are ready to proceed quickly following the approval of the business plan.



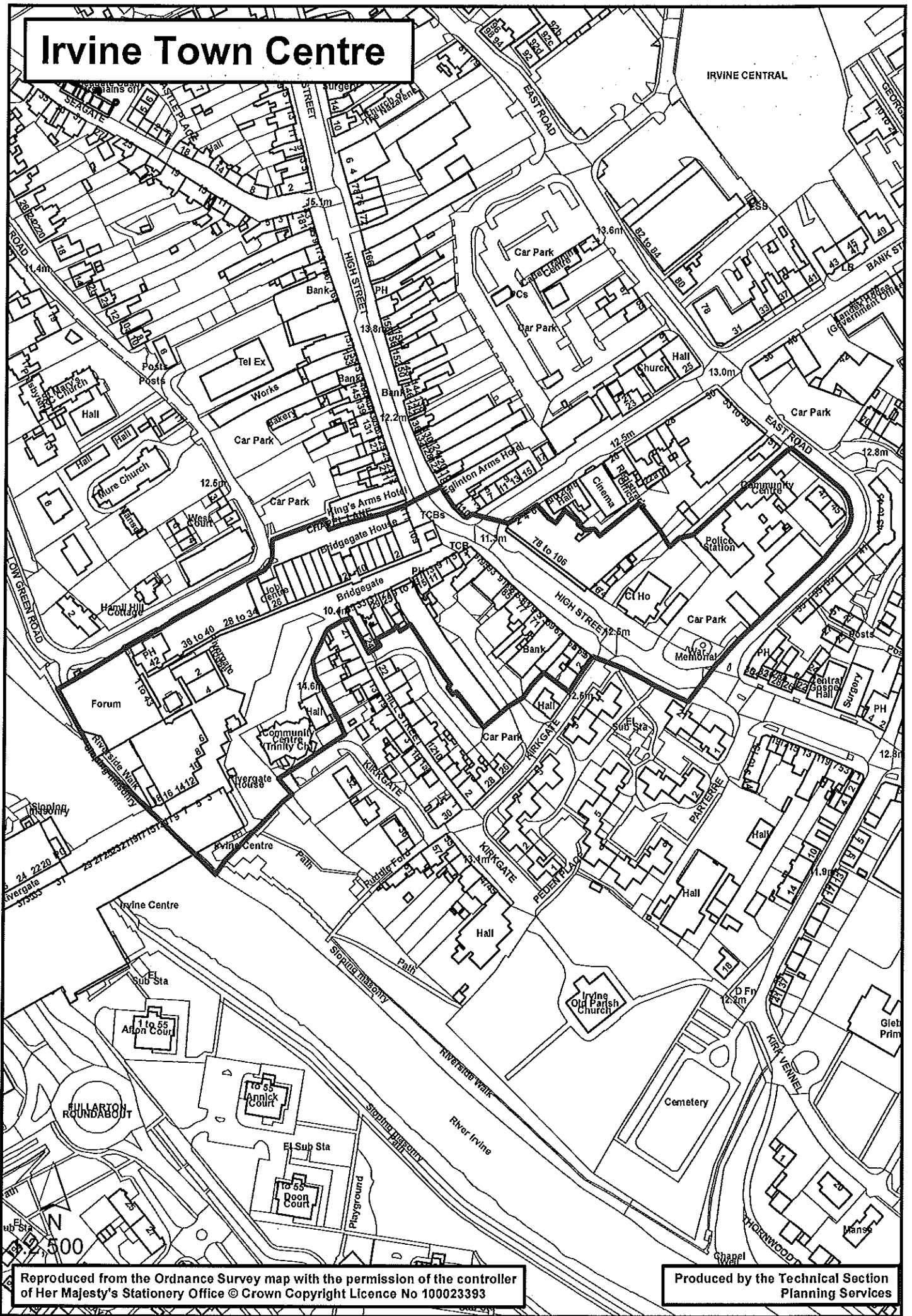
Ardrossan

ARDROSSAN

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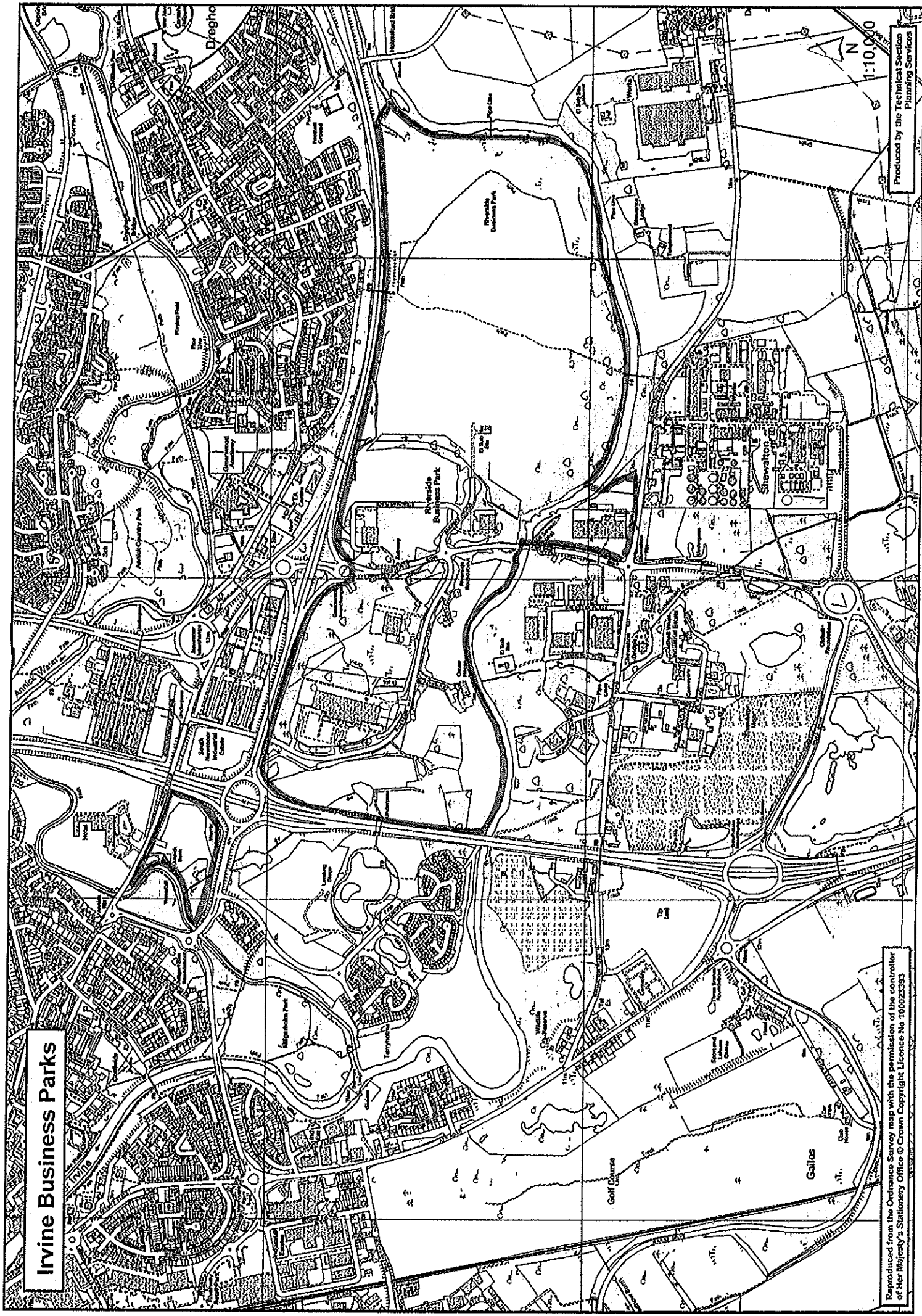
Irvine Town Centre



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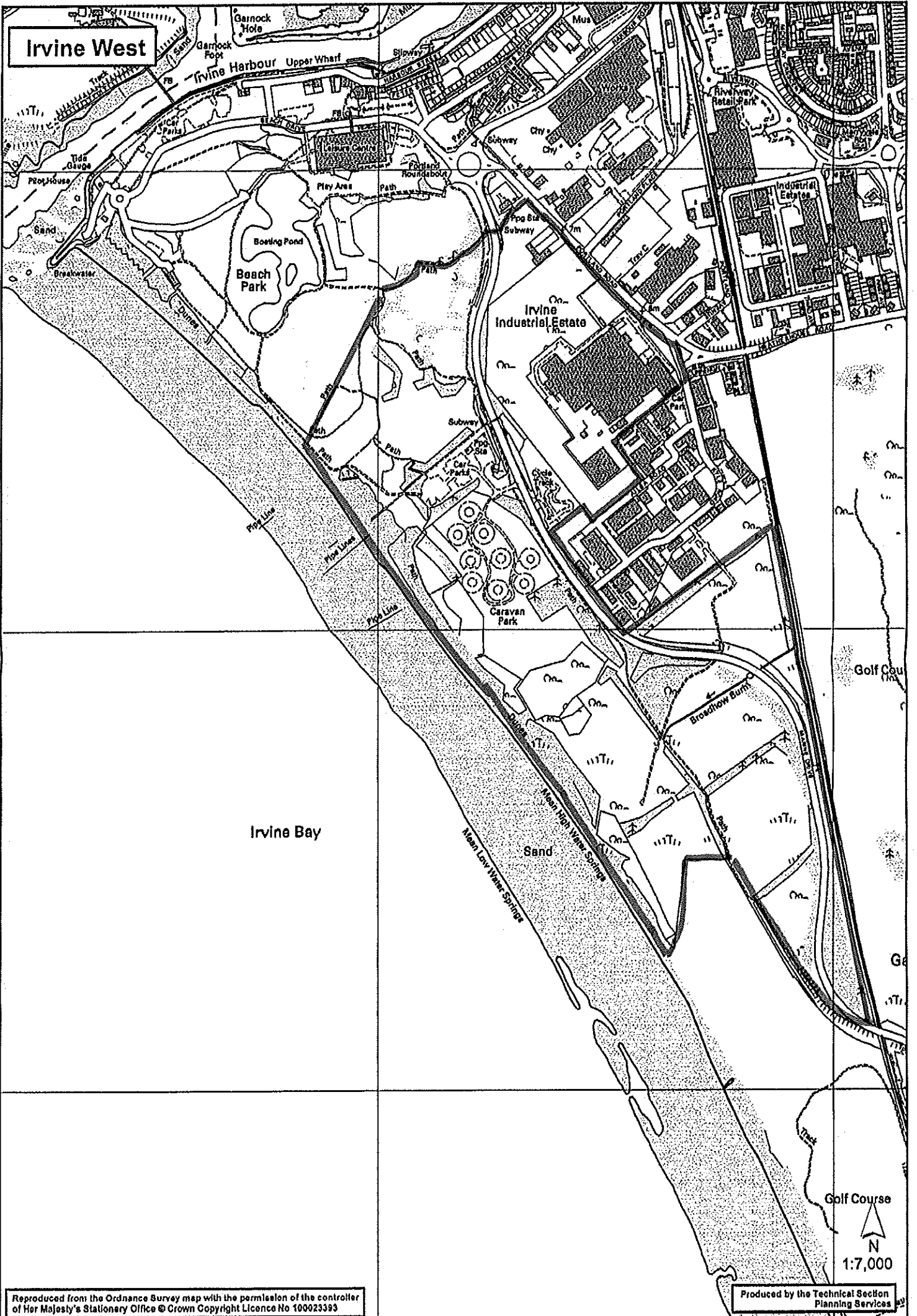
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Irvine Business Parks



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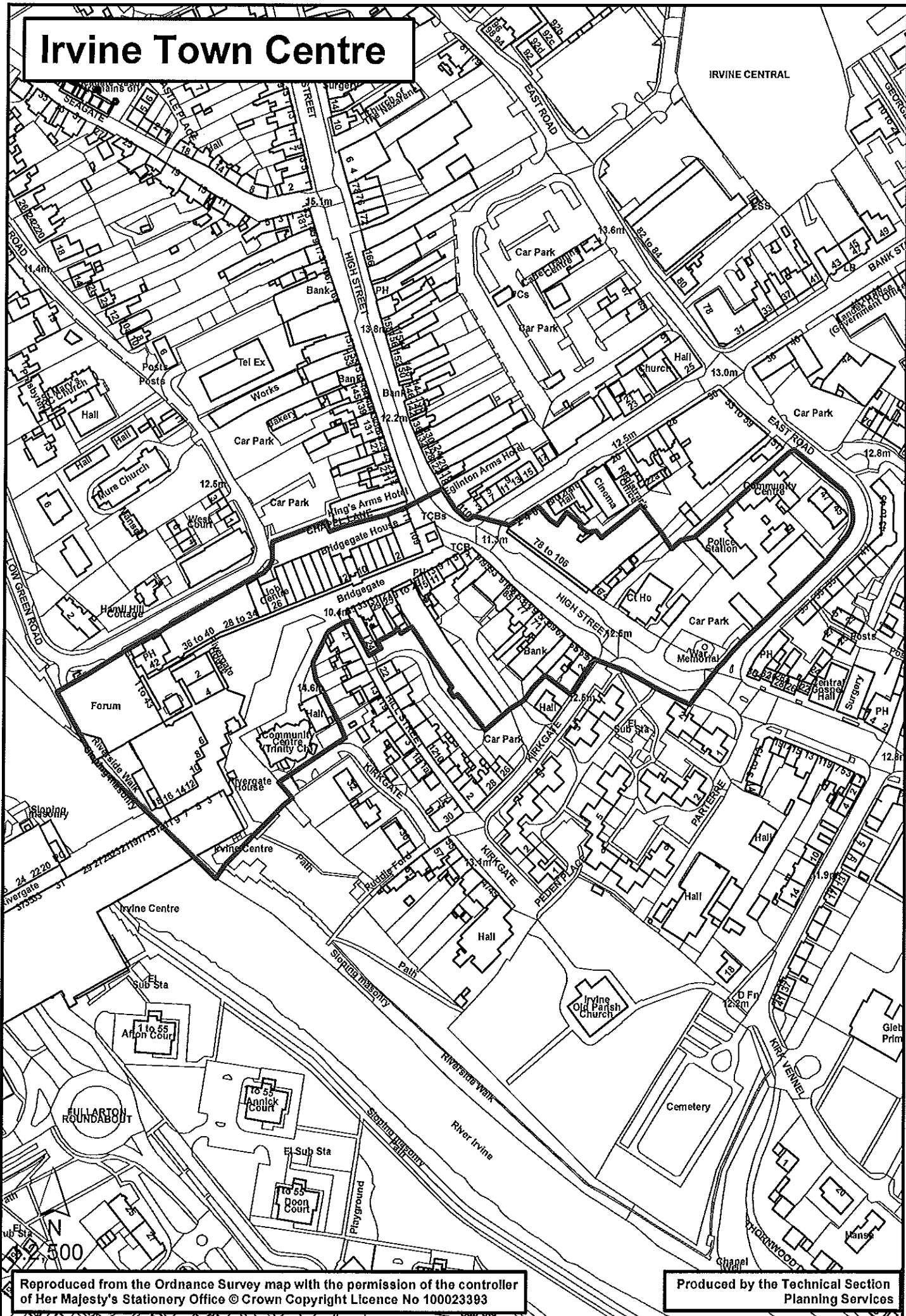


Irvine West

Irvine Bay

Golf Course
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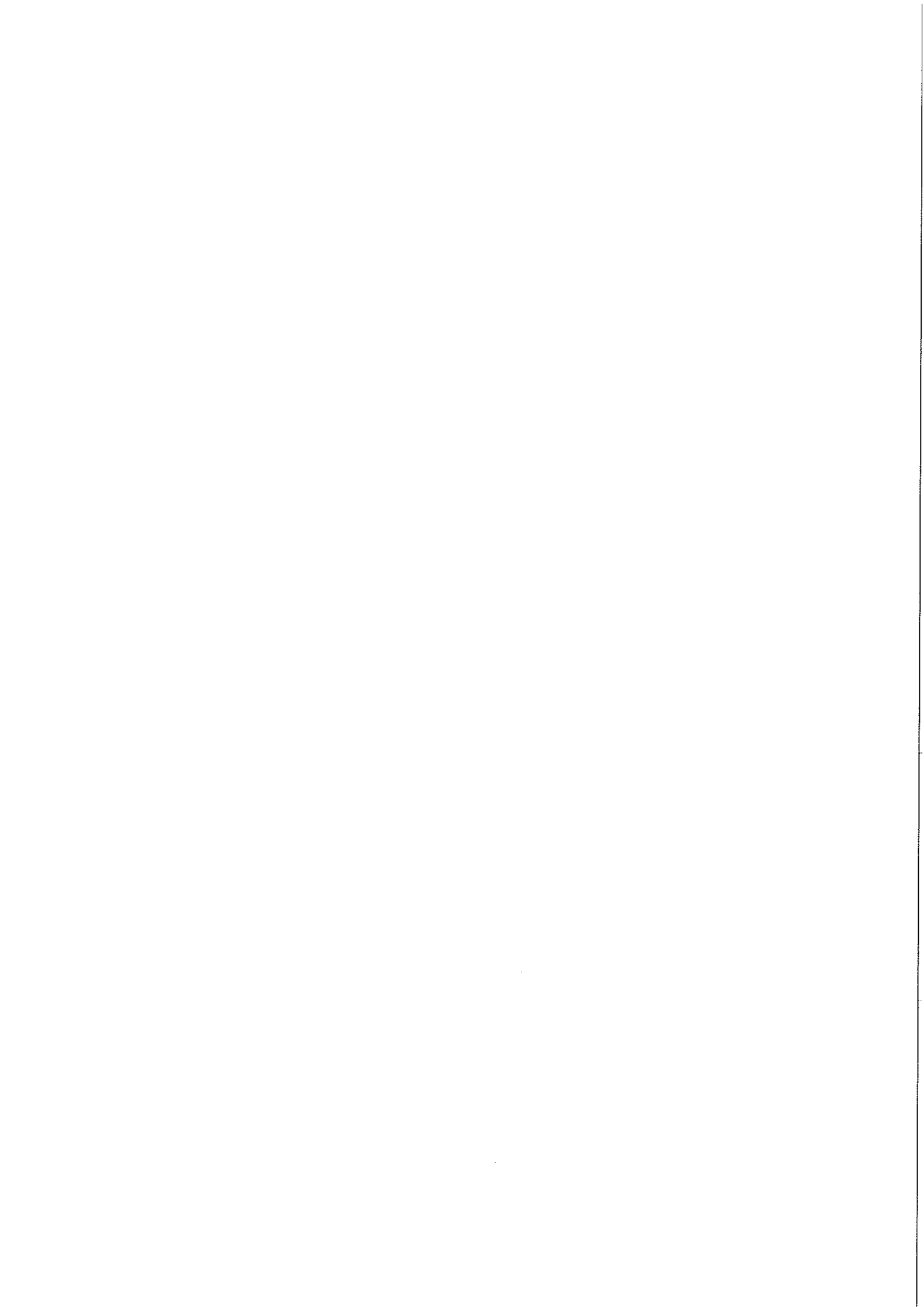
Irvine Town Centre

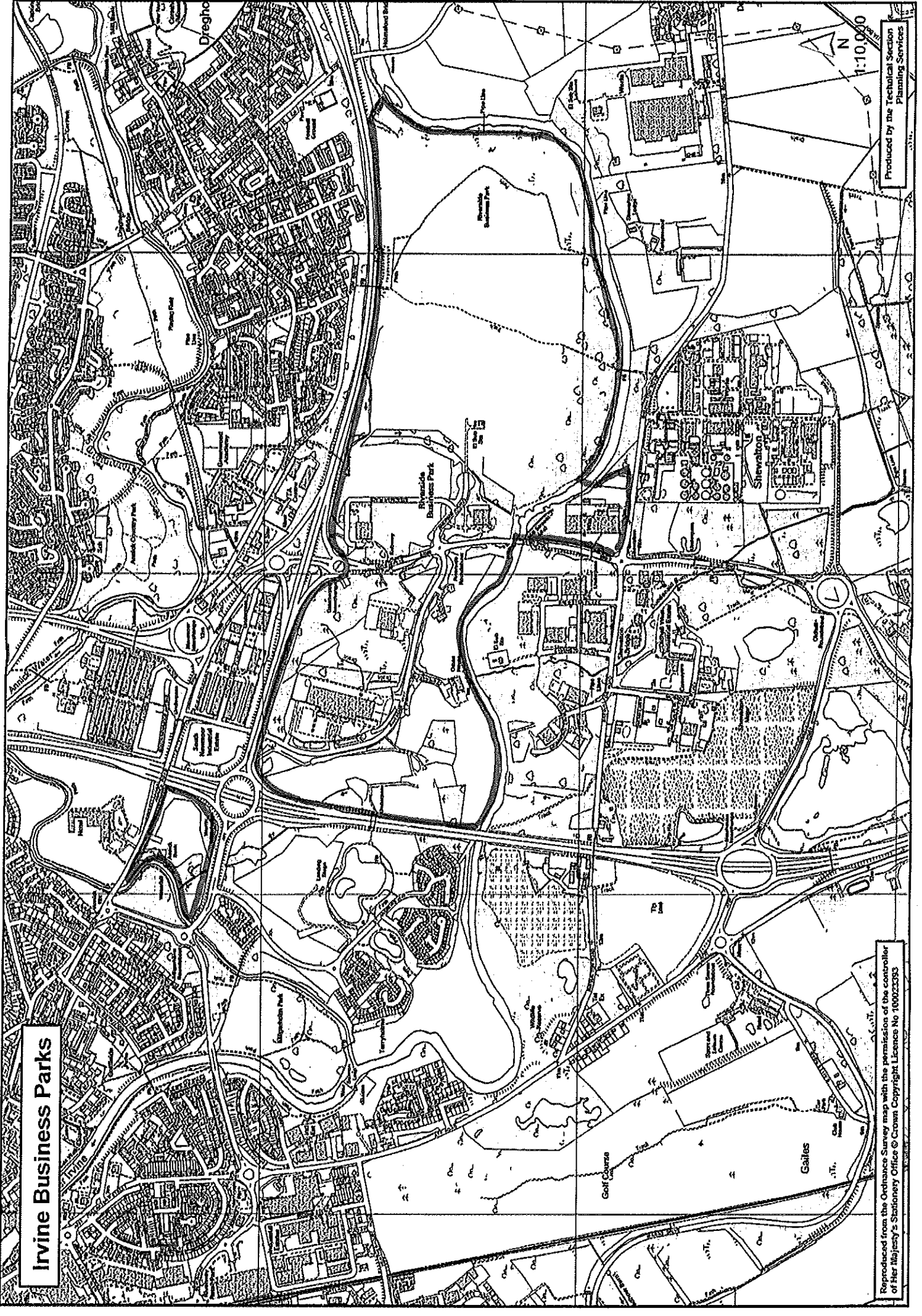


IRVINE CENTRAL

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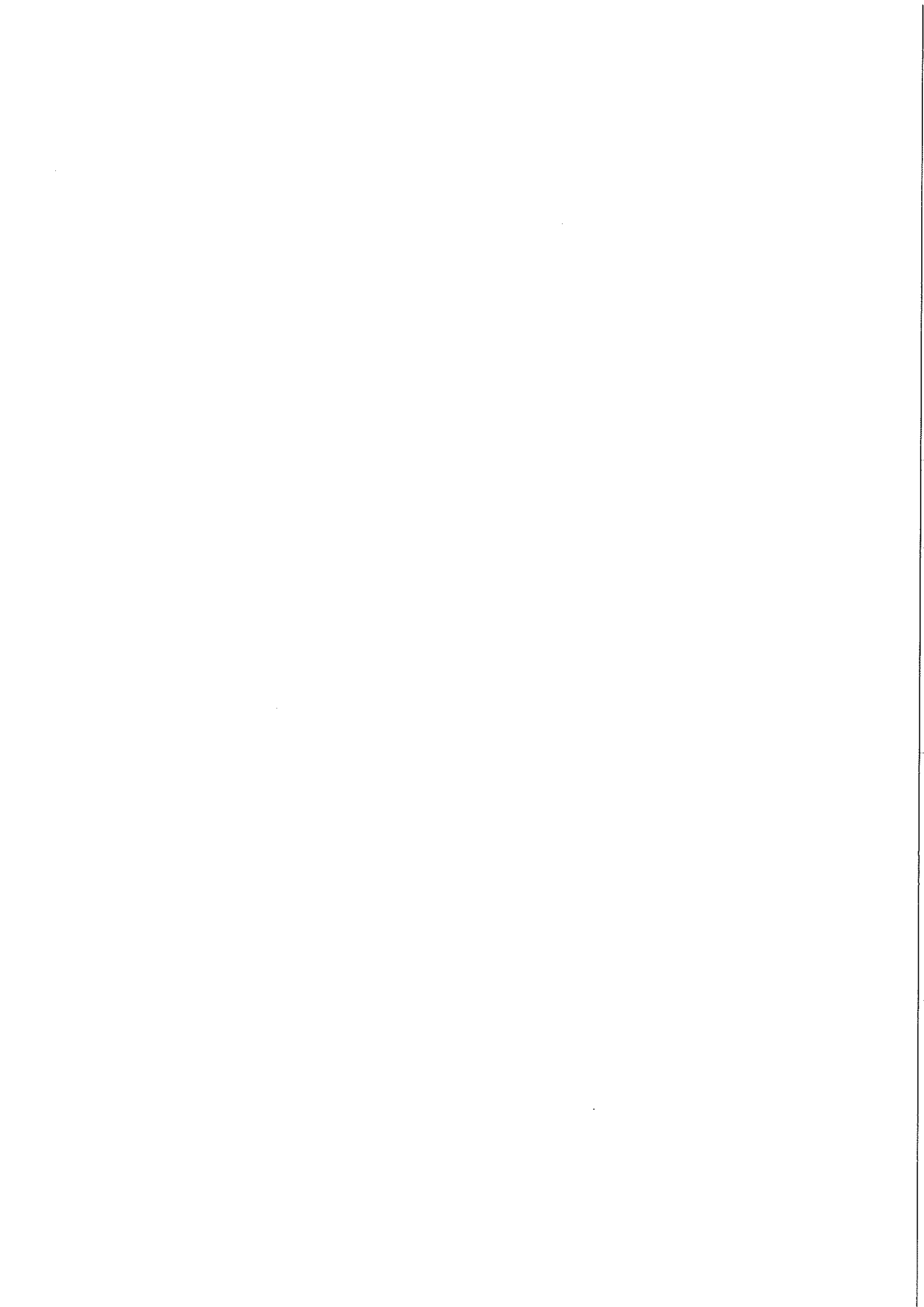


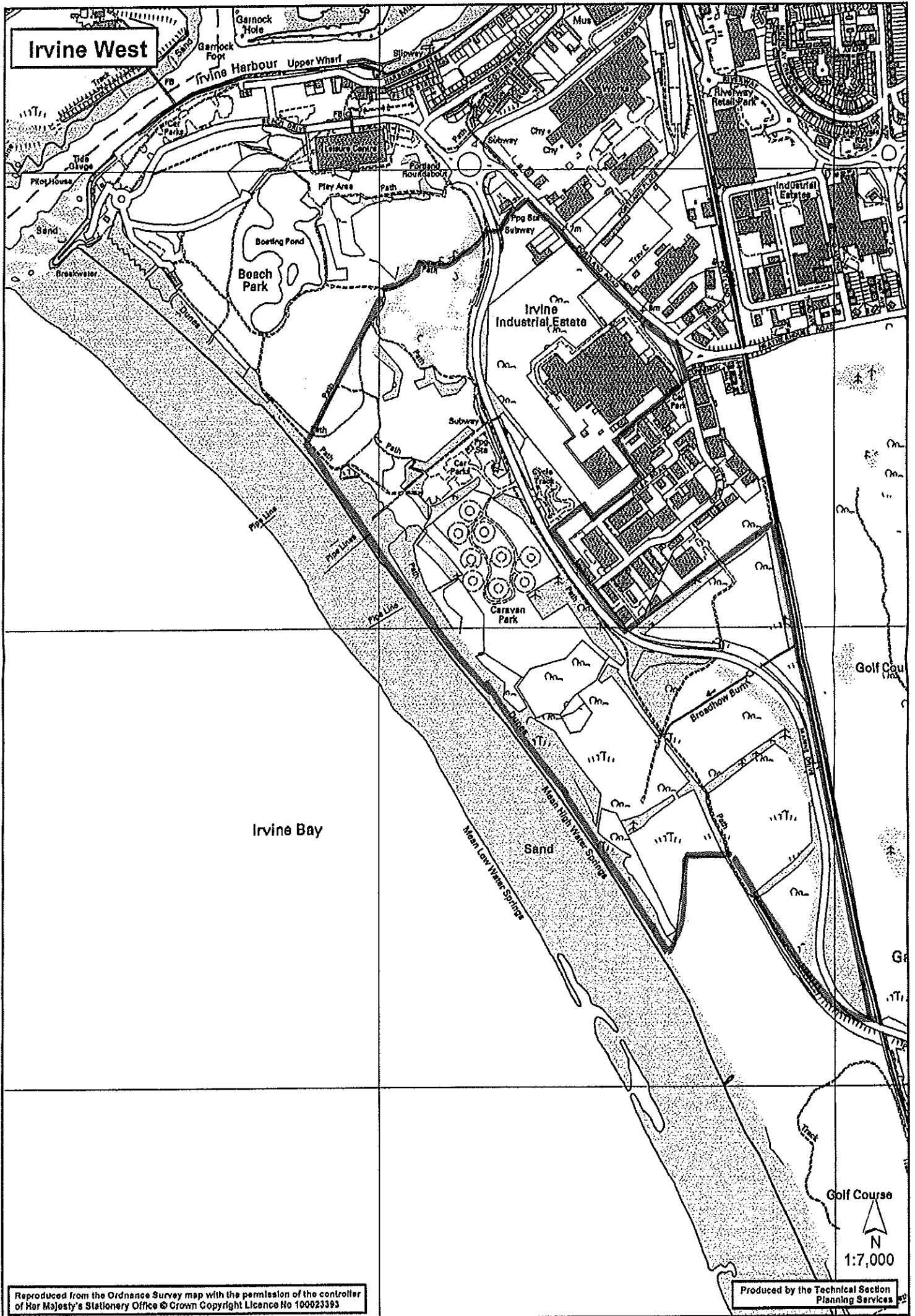


Irvine Business Parks

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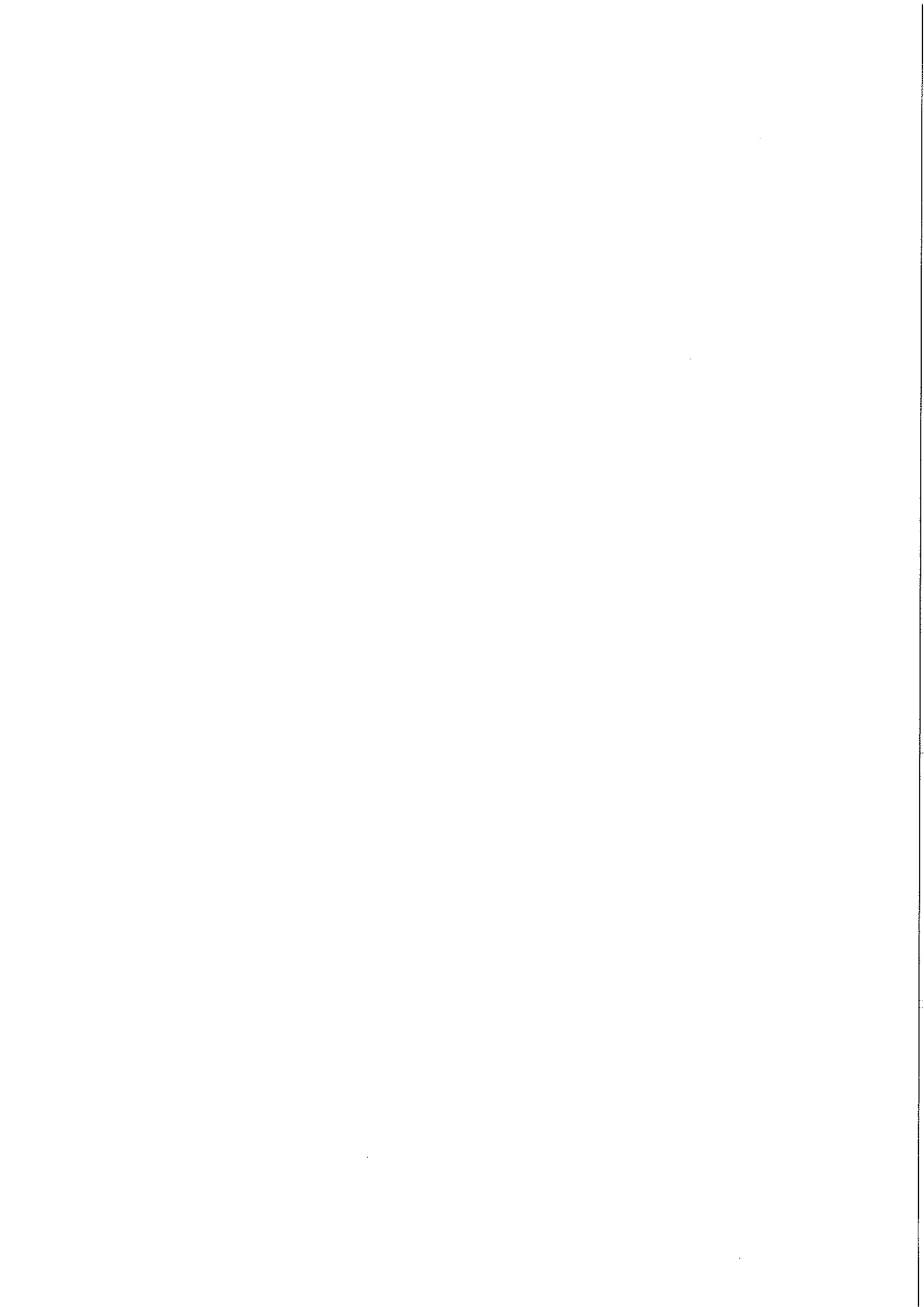




Irvine West

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TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk **BY 19th AUGUST 2011.**

LOCAL AUTHORITY

Orkney Islands Council

School Place

Kirkwall

Orkney, KW15 1NY

TIF CONTACT

NAME: [REDACTED] Strategic Development Officer

EMAIL [REDACTED]@orkney.gov.uk

PHONE [REDACTED]

MOBILE [REDACTED]

ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.
- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?
- Provide basis for satisfaction of the but-for-test
- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.
- Provide a high level indication of the likely red-line area and basis for selection of this area
- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and
- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

Orkney's continuing, central role in developing marine renewable energy devices in the UK has accelerated considerably with the Crown Estates announcement in March 2010 of the successful bidders for 10 sites in Scotland's Pentland Firth and Orkney Waters. It is the world's first commercial wave and tidal leasing round and designates 10 sites with the expected energy return by 2020 of 1.2 GW of installed capacity and is enough electricity to meet the needs of 750,000 homes. Many of these sites (see 'Crown Estates' Site Map at Appendix 1) are to the north and west of Orkney and not in the Pentland Firth, as was initially anticipated. The 7 named developers have begun planning to harvest energy on a commercial scale at the 10 sites, building up the production of a nationally significant supply of renewable electricity over the next 10 years.

The European Marine Energy Centre (EMEC), the only accredited testing facilities for marine renewable energy devices in Europe, continues to support developers in testing their commercial scale devices, in establishing industry standards research and development work. With investment in additional grid connected cabling EMEC have additional berths available to meet unmet demand, and it is expected that there will be a further increase in activity at both the wave and tidal sites.. Along with such a vast, exciting development comes a requirement to support the sector with suitable infrastructure. In the case of marine renewables, dock space, assembly yard space and maintenance facilities located in proximity to the generating sites will be an essential requirement, along with the appropriate skilled workforce, communications infrastructure and academic capabilities and activities. Hatston is the most immediate pinch point for the sector being essential for the research and development activity in the next few years as well as having an obvious longer term role in the development of an operations and maintenance base..

The proposal is to create a **Marine Energy Service Base** at the Hatston facility. The renewables industry has already started to use Hatston to support deployment of tidal devices at the EMEC test site in Eday and it is clear that the present berthing and lay-down facilities are inadequate for any additional usage. The marine energy service base will consist of an extension to the Hatston pier and hinterland, with the current L shape pier extended by 150m to form a more versatile 'T' shape. Additionally land immediately adjacent to the pier will be serviced. The newly formed Quay, workspace and laydown area of 5,300sqm would be dedicated to marine renewables business.

Two of the key principals of the 'Orkney 2020' Community Plan are 'promoting survival' and 'promoting sustainability'. Provision of facilities at Hatston for storage, assembly and maintenance of marine renewable devices will help address both of these objectives by providing appropriate support facilities for the developing renewable energy development in the area and provide employment opportunities for the fragile island economy of Orkney.

In real terms the whole of Orkney could be identified as the 'red-line' area for this project which will have a significant impact in terms of accessibility for the renewables industry. For the purposes of this proposal the 'red line' area has been identified as Hatston Industrial Estate as shown on the Map at Appendix 2. For practical purposes this has been further split as Phase 1 (4 sites), Phase 2 (an additional 15 sites), and Ancillary Developments (in the region of 4 additional sites). The project will support the following objectives:

- Providing businesses with the infrastructure/industrial property required to undertake work related to R&D and the commercialisation of research;
- Providing a base which provides a focal point for businesses to develop knowledge, technology and techniques which will improve their competitiveness in the emerging marine energy industry;
- Providing a base from which R&D will take place over many years, helping to foster a globally competitive Scottish marine energy sector.

The anticipated cost of the Marine Energy Service Base, is £8,000,000 with a further £400,000 for additional radar facilities, and £600,000 for the servicing of Phase 2 sites. The project is well advanced with the full approval of Council and tenders are due back on 24th August with an anticipated start date in February 2012

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure

Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this

investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

The project will help to generate a wide range of economic benefits for Orkney. It will support the diversification of the local economy at a time when employment in traditional industries continues to decline, eg total employment in agriculture fell from 2,111 in 2004 to 1,971 in 2009, a drop of 7%, while employment in aquaculture decreased from a peak of 135 in 2003 to 65 in 2008.

The marine energy sector provides the opportunity to boost the Orkney economy through the creation of new businesses, the expansion of existing businesses and the creation of high wage jobs in an economy with a high proportion of employment is in traditionally low wage sectors such as agriculture, retailing and seasonal tourism.

It has been estimated that Orkney's population could swell by 1000 or more within the next 10 years. The additional job creation will support population growth within Orkney through in migration and provide employment opportunities for Orcadians returning to Orkney after they have completed Higher Education (and perhaps part of their careers) away from home.

It is anticipated that the additional employment that would be generated in marine renewables over the next 10 years could create additional induced and indirect employment in sectors such as construction, transport and local services.

The proposed Marine Energy Service Base at the Hatston Facility forms part of the investment being undertaken in Orkney to support this emerging sector. The benefits however will be Scotland wide. In March 2010, HIE published "*Pentland Firth and Orkney Waters – A regional marine energy road map – Spring 2010*". This document contains job estimates at the Scottish, Highlands and Islands, and Pentland Firth area levels. The estimates are based on the job predictions in the Marine Energy Group's Marine Energy Supply Chain Survey, 2009. The estimates are as follows:

MEG Scenario	MEG Scottish Direct Jobs	Highlands & Islands Direct Jobs	Pentland Firth Area Direct Jobs
Low – 500 MW	1,500	765	445
(Operations & Maintenance)	75	75	55
Total	1,575	840	500
-----	-----	-----	-----
Medium – 1000 MW	2,600	1,310	760
(Operations & Maintenance)	150	150	115
Total	2,750	1,460	875
-----	-----	-----	-----
High – 2000 MW	5,300	2,640	1,540
(Operations & Maintenance)	300	300	225
Total	5,600	2,940	1,765

The project will form a core facility within the wider Orkney network of port and business development resources which will be necessary to fully develop Orkney's renewable energy potential. It is anticipated that there will be significant spin-off benefits from the development, including the potential to develop a larger scale industrial facility at Hatston (linking in to the HIE business unit development which is currently on-site) and the longer term development of land which is now in Council ownership to the north of the port (see attached sketch proposal at Appendix 3). The Orkney Local Development Plan has identified a generous land supply (circa 35 ha Greenfield sites in addition to unoccupied

sites within the existing 45 ha Hatston industrial estate) in this area and it is anticipated that a combination of private and public sector development will follow to service the emerging renewables industry.

Taking the 3 composite sections of the project It is anticipated that the project could deliver NDR as detailed below. A full breakdown can be found at Appendix 4.

Phase 1 (4 Sites) £558,501

Phase 2 (15 sites) £1,748,943

Ancillary Developments (4 sites) £325,890

Total NDR (2012 – 2035) = £2,307,444

There is an anticipation that all private sector investment will be in the renewables sector

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow
- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment
- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

The Council's estimates of project costs are as follows:

A Hatston FacilityMain Contract Works

	£
1. General items – site establishment, etc	1,000,000
2. Tubular steel support piles with anchors, concrete, etc	2,725,000
3. Reinforced concrete deck	2,250,000
4. Fendering for quay	600,000
5. Facility furniture and services (lighting, etc)	400,000
6. Wave screens	400,000
7. Cathodic protection system	125,000
Main Contracts Work Total	7,500,000

Other Costs

1. Pre-contract implementation professional fees	380,000
2. Contract implementation professional fees	120,000
Other Costs Total	500,000

Total Cost **8,000,000**

Phase 2 Serviced Sites costings **600,000**

B VTS (Vessel Tracking System) Radars

	£
1. Purchase of land	20,000
2. Site establishment and servicing	30,000
3. Concrete foundations	12,000
4. Communications equipment	6,000
5. Radar equipment	302,000
6. Radar towers and cabins	24,000
7. Pre-contract professional fees	3,000
8. Contract implementation professional fees	3,000
Total Cost	400,000

C Total Project Cost **9,000,000**

The Council has secured ERDF (European Regional Development Funding) of £3,360,000 and would be required to fund or borrow the balance of £5,640,000.

A full breakdown of the anticipated incremental NDRs can be found at Appendix 5, but is summarised below.

	2012-15	2016-2020	2021-2025	2026-2030	2031-2035
Phase 1	£89,888	£117,153	£117,153	£117,153	£117,153
Phase 2	£51,440	£377,255	£428,665	£428,665	£428,665
Ancillary		£3,828	£92,016	£95,850	£95,850

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
 - o State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
 - o Procurement
 - o Private sector failure to deliver/ invest
 - o Certainty of NDR take
 - o Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE**(Limit to 1 page only)**

A detailed risk assessment was undertaken as part of the Capital Project Appraisal and the single biggest risk identified was the 'lack of take up' by private investors. However, at this early stage, negotiations are already underway with regards to leases for 2 of the 4 first phase sites. Given the increasing emphasis on renewables development and provision it was felt that the risk of low take up of sites was minimal.

Given the financial thresholds for both the works contract (marine energy service base) and supply contract (VTS information services) these are being undertaken in accordance with the Public Contracts (Scotland) Regulations 2006 and were advertised in the EU Journal. Orkney Islands Council has its own approved contract standing order procedures which detail all aspects of management of contracts and tender process. Contractors interested in tendering for the works submit pre-qualification information and are assessed for suitability. The minimum number of contractors invited to tender is five to ensure genuine competition.

All required land is in the ownership of the Council and site will be leased or sold on a commercial basis using an independent valuer.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.
- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

LOCAL AUTHORITY RESPONSE

(Limit to 1 page only)

The timescales for the marine service base is as follows:

Pre Contract:

Design / Document Preparation, Site Investigation, Surveys etc -1 March 2011 – 31 July 2011

Contract Implementation / Tender / Analysis / Review – 1 August 2011 – 30 September 2011

Contract Implementation / Site Supervision - 1 October 2011 – 30 September 2012

Construction Period

Main Construction – Feb 2012 – Feb 2013

There is an anticipation that NDR will be payable on 3 of the 4 phase 1 sites from 2012 with the 4th site coming on stream in 2013. The 15 phase 2 sites are anticipated to come on stream from 2014 – 2017. With ancillary sites generating NDR from 2017.

APPENDIX I

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.