

The background of the slide features the Falkirk Council Coat of Arms. It is a shield divided vertically. The left half shows a sailing ship on wavy lines representing water. The right half shows a stag's head with antlers. Above the shield is a crown with four fleur-de-lis. Below the shield is a ribbon with the motto 'A'NE FOR A'.

AGENDA ITEM

7

Falkirk Tax Incremental Finance Initiative and Falkirk Gateway

Falkirk Council

Title: Falkirk Tax Incremental Finance Initiative and Falkirk Gateway

Meeting: Executive

Date: 21 February 2017

Submitted By: Director of Development Services

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on the Falkirk Tax Incremental Financing (TIF) initiative including the next phases of work planned for delivery of the project and the development of an Investment Zone proposal involving Scottish Government and other partners as agreed in the Falkirk Economic Strategy.
- 1.2 In addition the report identifies land ownership issues relating to the Falkirk Gateway site and a proposed resolution of these issues through a land transfer (excambion) to take place between Falkirk Council and Callendar Estate.

2. Recommendations

It is recommended that the Executive agrees:-

- i) to note the update of progress of the Falkirk TIF Initiative;
- ii) that the Director of Development Services be authorised to commission a business case for the investment zone project, to include canal corridor opportunities, at an anticipated cost of £140,000, to be joint funded by Scottish Enterprise and Falkirk TIF;
- iii) to progress the transfer of land between Falkirk Council and Callendar Estate relating to Falkirk Gateway sites 1 and 2 as identified in appendix 1 (existing ownership) and appendix 2 (proposed ownership);
- iv) to establish a five year temporary position of Economic Development Officer (TIF), Grade J, as part of the Growth Investment Unit team for the project's delivery
- iii) the revised implementation schedule for TIF projects as outlined in appendix 3;

3. Background & Project Update

- 3.1 The Falkirk TIF initiative is a key priority of the Council and is designed to increase development activity taking place in the Falkirk area through the creation of enabling infrastructure. Following Executive approval on 18th June, 2013, the Council entered into a formal agreement with Scottish Government in July 2013, and following that, initiated the first contract to upgrade Junction 6 on the M9 at Earlsgate. The first TIF contract was completed in June 2014 with additional improvement works carried out during 2015 and 2016 including additional parking provision at the Stadium and site-enabling works for Abbotsford Business Park funded through TIF supporting the Council's development of 10,000sqft of flexible industrial space at Abbotsford. Since commencement the TIF has assisted the delivery of c47,000sqm of business space which accommodates c660 FTE employees.
- 3.2 The Falkirk [Economic Strategy](#) 2015-25—*Growth: Investment: Inclusion*, agreed at Executive in December 2015 set out ambitions for the area's economy including a proposal to establish an investment zone to realise the area's economic opportunities in chemicals, energy, logistics and manufacturing. The investment zone is already a commitment in the Scottish Government's National Planning Framework 3 document. It aims to expand the work being undertaken via the TIF initiative to enable a wider programme of assistance covering further measures relating to infrastructure provision, energy, resilience, skills and enterprise growth. Recent discussions with Scottish Government and other stakeholders have taken place in relation to the development of the project and it is intended to progress this towards the next stage of delivery.
- 3.3 The Falkirk Gateway is a priority project for the TIF and during 2015 the Council's designers, WSP, prepared a preliminary development framework for the creation of a new urban quarter at the eastern entrance to Falkirk. The main areas included were the former Falkirk Gateway development site, the Falkirk Community Stadium site, the Helix and the Forth Valley College site. The framework provides a context for development-led masterplans for the various elements of the area.
- 3.3 The road network connecting each of the Gateway sites is to be upgraded and widened as part of the TIF infrastructure programme. This will help to improve vehicular access and movement and help stimulate investor demand in the area. The previous Executive report in March 2016 identified proposals for a bridge crossing, seeking partial funding through Sustrans. Unfortunately Sustrans has confirmed that this funding is not available for the project and therefore the Council's design team is preparing revised proposals for the design of the TIF's A904 upgrade project.
- 3.4. Marketing of the Gateway development site is commencing following the appointment of a specialist commercial agent, GVA. Coinciding with this, work is underway to prepare the site and make it 'shovel ready' for development. This includes site investigations, topographical surveys, a review of broadband and utility provisions and an overall drainage strategy for the site. The Council has instructed its term contractor, CH2M to progress this work over the coming months. The design and development of the access point to the main part of the Gateway site will also be prepared. This requires resolution of site ownership issues.

4. Considerations

a) Investment Zone Business Case

- 4.1 Recent discussions with Scottish Government have taken place in order to pursue the investment zone on similar lines to City Deals or Growth Accelerators being pursued across Scotland. As with TIF, these initiatives permit investment to be made by public sector bodies in anticipation that the economic growth (and subsequent tax revenues) arising will reimburse the public bodies for the expenditure incurred. However they offer additional flexibility and a wider range of measures to be adopted and it is this flexibility which is sought for our project.
- 4.2 Scottish Government has indicated willingness to discuss this proposal further with a view to forming such an initiative. It is intended to take forward this work through establishing a joint agreement with the Scottish Government on project delivery and to commission a business case to take forward the work. The business case would be jointly funded by the Council (via TIF) and Scottish Enterprise at a cost of up to £140,000. Discussions with UK Government on the proposal are also being pursued and are considered relevant given the significance of the Grangemouth industrial cluster for the UK economy. Similarly, the opportunities for canalside regeneration and tourism have been highlighted by Scottish Canals as a means of diversifying the area's economic base and it is proposed that this work will also be examined as a means of adding to the investment zone package.

b) Falkirk Gateway Land Ownership

- 4.3 The Council shares the ownership of the Gateway site with Callendar Estate (see appendix 1) and, although the Council could arrange a development agreement which would cover both ownerships, this would restrict potential development as the Council would require Callendar Estate's consent for future development opportunities. Importantly, there would also be limitations on providing site enabling infrastructure investment funded through TIF as this would be affected by State Aid restrictions.
- 4.4 To address this issue it is proposed to rationalise the ownerships as outlined in appendix 2, providing areas of land to match the existing land values of each party's interest in a revised format which provides each party with a site that can be marketed independently. This excambion (land transfer) avoids the restrictions mentioned above, particularly State Aid restrictions affecting TIF investment in the Council's site. A report has been prepared by the District Valuer which confirms that the proposal is acceptable on the basis that the value of the Council's interest as existing and proposed will not change.

- 4.5 Approval of this excambion will enable the site preparation works anticipated for the Falkirk Gateway site to be commenced during 2017/18.

c) TIF Development Programme

- 4.6 The TIF Development Programme has been updated to take account of the above proposals. Appendix 3 identifies a revised schedule of enabling and infrastructure works covering the 11 year programme period and compares this with the schedule agreed at the Executive in March 2016. While there are no changes to the original approved package of works, the principal amendments to this involve:

- i) Delivery of Junction 5 phase 1 has been brought forward to commence in 2016/17 given the progress of development proposals relating to the Ineos and Forth Ports sites. During 2016/2017 the Council is undertaking preparatory works with the main physical infrastructure works to be undertaken during 2017/2018
- ii) Defer delivery of the Westfield roundabout project to confirm the design requirements for the revised crossing proposals. Delivery is now programmed for 2018/19.

c) Stadium Solar Canopy Development

- 4.7 The Falkirk Gateway development framework highlighted the potential of a sustainable transport initiative at this location. The Council has prepared a first stage submission to Transport Scotland through consultants Evolt, to establish a solar photovoltaic car park canopy and electric vehicle charging points to be located at the Falkirk Stadium site. The canopy would form a hub for low carbon travel in the area and form a central EV charging facility for use by visitors and users of the Falkirk Stadium, The Helix & The Kelpies.
- 4.8 The submission was the first stage of a two stage process to secure part funding for this development from an ERDF backed Low Carbon Travel and Transport programme managed by Transport Scotland. If secured, the funding will lead to a viable and deliverable project which will be a major asset for the emerging Falkirk Gateway. The project aims to create an environmentally positive, income generating piece of infrastructure. If funding is secured, the match funding will be identified via TIF, to be recouped through income generated from the canopy. The submission has now been made to Transport Scotland and a response is awaited.

5. Consultation

Consultation will be undertaken in regard to the future infrastructure projects undertaken as part of the TIF Initiative.

6. Implications

Financial

- 6.1 Delivery of the TIF initiative is being met from the dedicated funds established for this purpose. The current spend on the TIF project amounts to £3.655m. A total of £2.563m has been received in revenues from non-domestic rates with an additional planning gain contribution of £0.389m. Expenditure and income is currently within the budget identified at the outset. The updated financial delivery programme is contained in Appendix 3 and includes:

- the cost of work to commission drainage and public realm strategies in the next phase of work for the Falkirk Gateway.
- The appointment of the Gateway marketing agent, GVA, on the basis of a fixed fee of £4,500 and a 0.45% on site disposal value (with the fixed fee funded through TIF and balance through site sale value)
- An additional £25,000 for marketing of the Gateway site
- A £50,000 contribution towards the commissioning of the business case described above.

Resources

- 6.2 Council officers will work in partnership with the marketing agents to attract commercial interest in the Gateway development site. A 2 year temporary Economic Development Officer (TIF) position was previously put in place. This position now needs to be extended for a period of 5 years to assist in the delivery of the Falkirk TIF and the Investment Zone Business Case. The post will be funded through TIF.

Legal

- 6.3 A legal agreement will require to be entered into with Callendar Estate for the transfer of land at the Falkirk Gateway.

Risk

- 6.4 A risk matrix is maintained for the delivery of the TIF and will be updated to reflect the recommendations of this report.

Equalities

- 6.5 No implications.

Sustainability/Environmental Impact

- 6.6 The vision outlined in the Gateway development framework is for the development to be a focus for low carbon technologies and a leading initiative in sustainable living and working in Scotland. This will extend to the design of buildings, supporting infrastructure (including the potential for district heating) and create an aspiration for enhanced environmental performance promoting a zero carbon approach.

7. Conclusion

- 7.1 The TIF project is a major initiative for the Council and is being pursued to assist in the economic transformation of the area. The development of the Investment Zone proposal will extend and enhance the delivery of opportunities relating to the TIF. The Falkirk Gateway development provides exciting opportunities at a key growth node in the Council area. To progress the delivery of the Gateway it is important to finalise an agreement on the excambion with Callendar Estate, enabling active marketing and site preparation to commence.
- 7.2 The revised implementation programme attached as Appendix 3 highlights the change in focus and priorities and resultant effects on the expenditure programme. It is proposed that further reports be provided to the Executive on the progress of the TIF, Investment Zone, Falkirk Gateway and the Solar Canopy project.

Director of Development Services

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Date: 07 February 2017

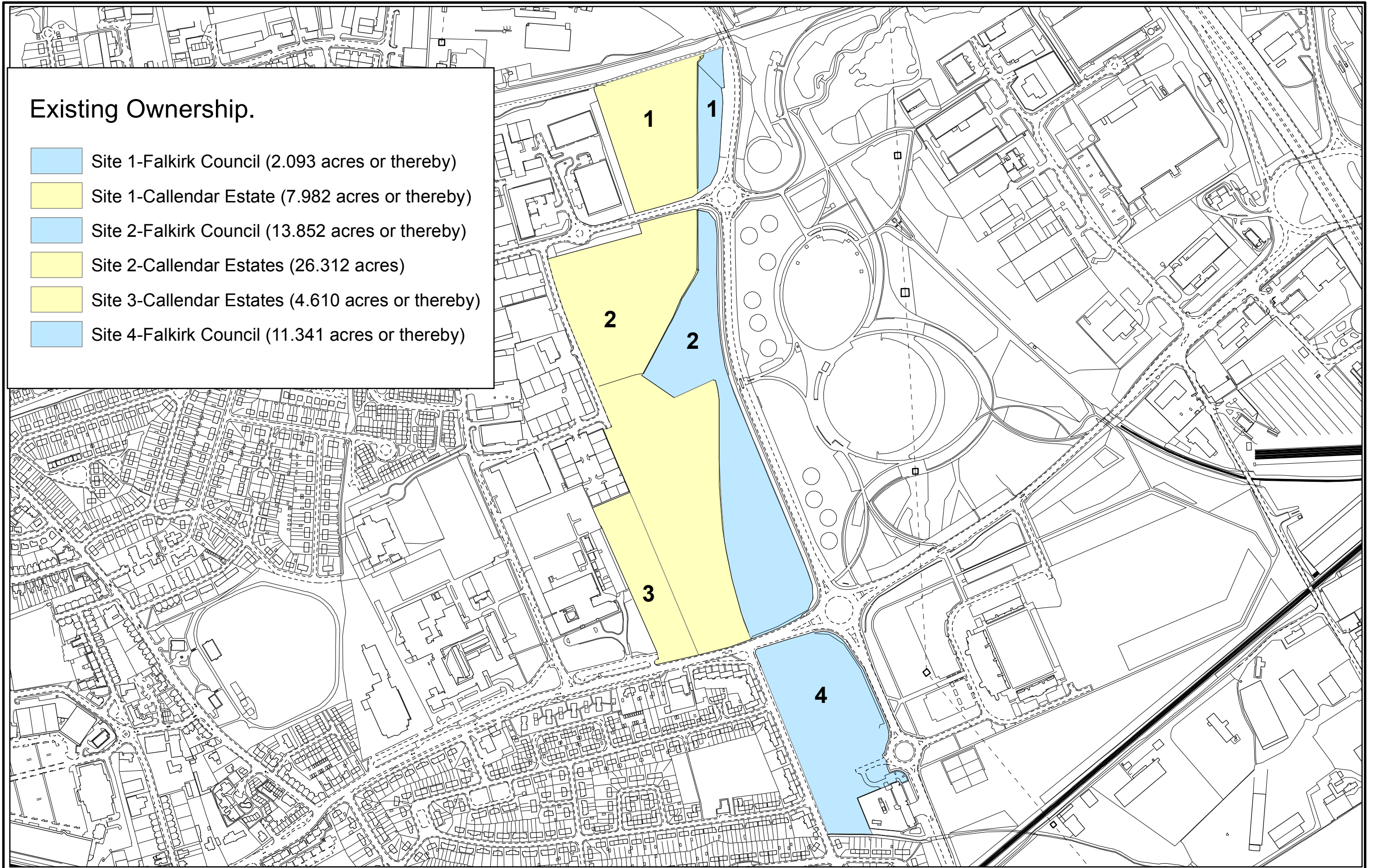
Appendices:

1. Original Gateway site ownership
2. Proposed Gateway site ownership
3. TIF Implementation Schedule

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:-

1. TIF Files.



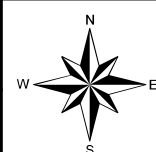
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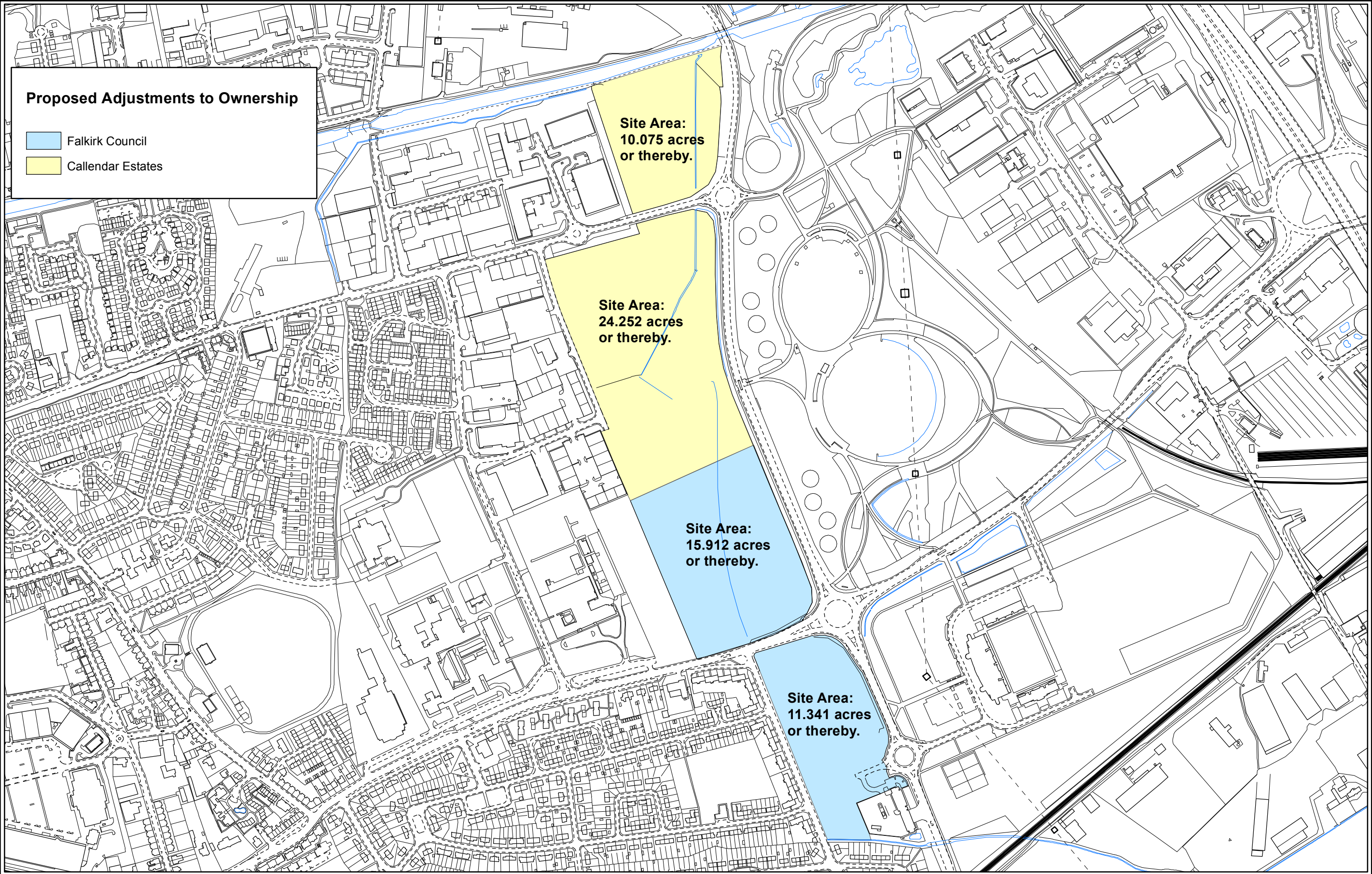
Gateway- Existing Ownership Plan

0 125 250 500 Meters



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TIF Implementation Schedule (Feb 2017)

Year	Revised Implementation Schedule (Approved through Executive 15 March 2016)			Revised Implementation Schedule February 2017		
	Name	Cost	Cumulative Expend	Name	Cost	Cumulative Expend
1 (13/14)	Junction 6	£1.134m	£1.135m	Junction 6	£1.134m	£1.135m
	Westfield (R/about & Spurs)	£0.001m		Westfield (R/about & Spurs)	£0.001m	
	Total	£1.135m		Total	£1.135m	
2 (14/15)	Junction 6	£1.285m	£2.499m	Junction 6	£1.285m	£2.499m
	Westfield (R/about & Spurs)	£0.026m		Westfield (R/about & Spurs)	£0.026m	
	Enabling Works (Abbotsford)	£0.027m		Enabling Works (Abbotsford)	£0.027m	
	Enabling Works (Stadium)	£0.026m		Enabling Works (Stadium)	£0.026m	
	Total	£1.364m		Total	£1.364m	

3 (15/16)	Junction 6	£0.050m	£3.792m	Junction 6	£0.026m	£3.444m
	Westfield Design (R/about & Spurs)	£0.050m		Westfield Design (R/about & Spurs)	£0.033m	
	Enabling Works (Abbotsford)	£0.516m		Enabling Works (Abbotsford)	£0.132m	
	Enabling Works (Stadium)	£0.627m		Enabling Works (Stadium)	£0.704m	
	Gateway Masterplan	£0.05m		Gateway Masterplan	£0.05m	
	Total	£1.293m		Total	£0.945m	
4 (16/17)	Junction 5 (Phase 1)	£3m	£.7.062m	Junction 6	£0.016m	£4.544m
	FPS	£0.27m		Enabling Works (Abbotsford)	£0.384m	
	Total	£3.27m		Junction 5 Phase 1 Advance Works	£0.7m	
				Total	£1.1m	
5 (17/18)	Westfield (R/about & Spurs)	£3.63m	£15.692m	M9 Junction 5 Phase 1	£2.30m	£10.184m
	Gateway Phase 1 site enabling	£3m		Investment Zone	£0.070	
				Gateway Phase 1 site	£3m	

	FPS	£2m		enabling		
	Total	£8.63m		FPS	£0.27m	
				Total	£5.64m	
6 (18/19)	Westfield (R/about & Spurs)	£1.895m	£23.587m	Westfield (R/about & Spurs)	£5.525m	£19.709m
	Crossing	£4m		Enabling Works	£4m	
	FPS	£2m		Total	£9.525m	
	Total	£7.895m				
7 (19/20)	Westfield (Earlsgate R/about)	£4.8m	£33.570m	Westfield (Earlsgate R/about)	£4.8m	£27.692m
	Junction 5 (Phase 2)	£2.183		Junction 5(Phase 2)	£2.183	
	FPS	£2m		Enabling Works	£1 m	
	Enabling Works	£1m		Total	£7.983m	
	Total	£9.983m				

8 (20/21)	Junction 5 (Phase 2)	£0.03m	£48.020m	Westfield/A904	£6.22m	£40.142m
	Westfield/A904	£6.22m		Junction 5 (Phase 2)	£0.03m	
	FPS	£2m		A801 Avon Gorge	£2.2m	
	A801 Avon Gorge	£2.2m		Enabling Wks	£4m	
	Enabling Wks	£4m		Total	£12.45m	
	Total	£14.45m				
9 (21/22)	FPS	£1.73m	£52.750m	A801 Avon Gorge	£3m	£43.142m
	A801 Avon Gorge	£3m		Total	£3.00m	
	Total	£4.73m				
10 (22/23)	A801 Avon Gorge	£1.47m	£54.220m	A801 Avon Gorge	£1.47m	£49.612m
				FPS	£5.00m	
				Total	£6.47m	
11	Icehouse Brae	£2.5m	£57.826m	Icehouse Brae	£2.5m	£57.826m

(23/24)	Enabling Wks	£1.106m		Enabling Wks	£0.984m	
	Total	£3.606		FPS Total	£4.73m	
					£8.214m	
TOTAL		£57.8m		TOTAL	£57.8m	

TIF ASSETS (Identified in the legal agreement)

The enabling infrastructure assets within the Wider Red-Line Area which are to be funded under the TIF Project comprise the following assets as such list of assets is amended from time to time with the agreement in writing of the Scottish Government (the "TIF Assets"):

Cluster 1

- c. £2.2m investment by the Council in the M9 Junction 6 Earlsgate Signalisation
- c. £5.2m investment by the Council in the M9 Junction 5 Cadgers Brae Signalisation
- c. £2.5m investment by the Council in the Icehouse Brae Upgrade
- c. £16.8m investment by the Council in the Westfield roundabout and A904 Upgrade
- c. £14.4m investment by the Council in Development Site Specific Enabling Works

Cluster 2

- c. £6.7m investment by the Council in the A801 Avon Gorge Upgrade

Cluster 3

c. £10m investment by the Council in the Grangemouth Flood Prevention Scheme

Total is £57.8m