

Council using new funding model for waterfront development

- ✘ An £84 million investment in Edinburgh's waterfront is to be progressed using a new method of public financing.

The project has the potential to unlock £660 million of private investment and create up to 4,900 jobs.

Finance Secretary John Swinney has backed [The City of Edinburgh Council](#)'s proposal to use Tax Incremental Financing (TIF) in the development of a new cruise liner terminal, lock gates, esplanade and link road.

- ✘ [The Scottish Futures Trust](#) (SFT) has developed TIF for use in Scotland and is working with a number of local authorities to develop pilot projects. The scheme in Edinburgh is the most advanced and will be the first time TIF – which involves borrowing the money needed to finance key infrastructure against future increases in business rates income in an area – has ever been used in the UK.

In a speech to the Scottish Futures Trust (SFT) conference in Edinburgh, Mr Swinney revealed that a business case for the scheme had been provisionally approved by the Government. SFT, whose role includes developing and providing guidance on innovative funding mechanisms such as TIF, has worked closely with the city council to develop the business case.

Mr Swinney said:-“Westminster cuts to the Scottish Budget have emphasised the importance of finding new funding models to deliver crucial infrastructure projects such as the Edinburgh Waterfront, that can unlock further economic development, whilst ensuring maximum value for the public purse.

“We established the SFT to do exactly that – an approach endorsed by the findings of the recent Independent Budget Review. Approval of this pilot project shows that greater collaboration across the public sector through SFT can achieve positive results. SFT and City of Edinburgh Council have presented a convincing case for use of TIF to kickstart this project, which presents real opportunities for the city and wider Scottish economy.

“This is another significant step forward for SFT. In its first full year, SFT achieved £111 million of net benefits and savings as it built up its capacity and portfolio of projects – well within the 100 to £150 million target we anticipated. Just last week we announced that the National Housing Trust, spearheaded by the SFT and Scottish Government, will provide 1,000 new homes for rent across Scotland and safeguard around 1,000 construction sector jobs.

“We expect SFT to become an increasingly valuable asset in dealing with the challenges which lie ahead.”

✘ Councillor Jenny Dawe, Leader of City of Edinburgh Council, said:-“Attracting new investment is critical to the city’s future and I warmly welcome the Scottish Government’s support. We produced a clear and compelling business case for the use of TIF to help transform Edinburgh’s Waterfront into a more attractive area for living, working and leisure. Our aim is to kick-start growth, which will protect and create jobs now rather than waiting until the economy recovers. As well as being an innovative step, this shows we are being proactive and looking out for Edinburgh’s long-term success. This is crucial for the country as a whole, because when the capital performs well it benefits all of Scotland.”

✘ Barry White, Chief Executive of the Scottish Futures Trust, said:-“Tax Incremental Financing is an innovative way to fund growth from growth which supports jobs and aids economic recovery. This pioneering £84m waterfront development brings

TIF to the UK for the first time and will unlock up to 660 million pounds investment from the private sector.

“SFT is working with other local authorities to help develop TIF projects to support growth in their area. Such innovation is key to SFT’s work with the public and private sectors to attract additional investment while ensuring value for money for the taxpayer.”

The Cabinet Secretary also announced the appointment of Sir Angus Grossart as SFT Chairman for a further three years, following an open and transparent appointment round. Since his appointment as interim Chairman in 2008 Sir Angus has overseen the development of SFT into an organisation which currently leads on or supports a portfolio of projects worth £7.3 billion.

Mr Swinney added:-“Sir Angus has provided strong, effective leadership, applying his years of private sector expertise to cement SFT’s role as a centre of expertise on infrastructure investment. Together with Chief Executive Barry White and his colleagues, a senior management team is in place to ensure the value of SFT continues to grow.”

Sir Angus Grossart is Chairman of merchant bank Noble Grossart Limited. He has served as financial and strategic advisor to many public and private companies and other bodies. He has also served as Chairman or Director of numerous companies in the UK, US and Canada. He has held appointments with many public, cultural and charitable bodies. He is former Chairman of the National Galleries of Scotland. He is currently Chairman of the Board of Trustees of National Museums Scotland, a position for which he receives no remuneration. He was interim Chair of SFT from 2008 – a position which runs until September 30.

This appointment will be for three years and will run from October 1, 2010 to September 30, 2013. This post is part-time

and attracts a remuneration of 512 pounds per day for a time commitment of around three days per month. Sir Angus has elected not to receive any direct payment for his activities as Chairman of SFT. Given Sir Angus's role in the National Museums Scotland the sum of his fees as SFT Chair will be paid to benefit National Museums Scotland.

This Ministerial public appointment was made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. All appointments are made on merit and political activity plays no part in the selection process. However, in accordance with the original Nolan recommendations, there is a requirement for appointees' political activity within the last five years (if there is any to be declared) to be made public. Sir Angus has indicated he has not undertaken any political activity in the last five years.

Pioneered in the United States, TIF involves using anticipated incremental tax revenues to fund infrastructure projects. TIF allows councils to borrow cash for the project and use the increased revenues from the commercial development that the infrastructure encourages to pay it back. Scottish Ministers are supportive of a small number of pilot schemes to test TIF's suitability to Scottish circumstances.