

**PIERS & HARBOURS - MARINE ASSET MANAGEMENT PLAN FEES & CHARGES
2024 / 2025**

1.0 INTRODUCTION

- 1.1 This report allows Members to consider the necessary increase in fees and charges for the forthcoming financial year 2024 / 2025, in order to meet the requirements for the Argyll and Bute Council Asset Management Plan referenced in the August 2023 Harbour Board report.

2.0 RECOMMENDATIONS

- 2.1 Members are asked to:

- 2.1.1 Recommend to the Council, when setting the fees and charges for 2024 / 2025 that it approves an increase to piers and harbours fees and charges of 3% to generate sufficient income to develop the Council's marine infrastructure.
- 2.1.2 Note that this presents a stepped "proposed increase to allow smoothing" over a 10 year period for meeting both the sustainability costs and future improvement costs associated with the marine infrastructure which Argyll and Bute Council has responsibility for.
- 2.1.3 Agree that the asset management plan will continue to be updated on a rolling 10 year basis.

3.0 BACKGROUND

- 3.1 It was agreed at the December 2022 Harbour Board meeting that any fees and charges; "...increase will be in-step with the motion passed at the Harbour Board meeting in January 2018 that agreed to set charges that meet both the asset

sustainability costs and future improvement costs associated with the piers and harbours which the Council has a responsibility for.”

4.0 DETAIL

In order to fund the various works identified in the Marine Asset Management Plan it is necessary to increase fees and charges on a year-on-year basis. Annual increases in future years are expected to be in the order of between 3% and 5%, depending upon confirmed works identified for that particular year (plus any discretionary inflationary increase).

4.1 Current Works

Marine Services are presently engaged in a number of long and shorter term projects and works across Argyll and Bute which include:

4.1.1 Iona breakwater – protection of ferry berthing slip

The breakwater planning application has been uploaded and is on schedule to tender this year. Contractor award should be in the summer of 2024 and completion by summer 2025 which will now include the adjacent slipway repairs as well as the replacement toilet block. The present forecast of 1 year construction may be subject to the contractor work scope and supply chains, particularly rock armour.

4.1.2 Fionnphort overnight berthing facility

Preparation is progressing with Fionnphort to ensure:

- Overnight berth
- Safe access for crew
- Sheltered berthing
- Charging and supply facilities
- Traffic survey to enhance the passenger road user interface at the terminal area.

An Environmental Impact Assessment (EIA) is in process including the socio-economic assessment. Design colleagues have addressed all potential issues with CalMac Marine regarding swept paths and approaches. When Marine Scotland approve the EIA we will continue with the marine licences, public engagement and other preparations with a view to tender in the summer of 2024.

Public engagement visits with drop in day and presentation at Fionnphort and Iona took place in April last year and were well attended.

4.1.3 Port Askaig – Marshalling area development for new CalMac vessels

Port Askaig will be upgraded to accommodate the larger capacity CalMac ferries with the first vessel expected to be delivered in October this year and subsequently entering service following sea trials and crew familiarisation. The

second vessel will follow in early 2025. Consultants SYSTRA were commissioned to carry out a study to determine options for the existing marshalling area when initial attempts to purchase land for additional space were unsuccessful.

The concept design will provide nominal marshalling space of 129% of the new vessel PCU capacity and in occasional or extreme circumstances can be increased to 186% of the vessel PCU capacity while still incorporating extra safety features.

Additional off site space of c.50 PCU will also be progressed.

4.1.4 CAT 5 Water Supply Protection

In line with The Water Supply (Water Fittings) (Scotland) Byelaws 2014, Scottish Water require a number of piers under A&BC ownership to be upgraded to ensure private and local public water supplies are protected from backflow contamination and that harbours/terminals/pontoons etc. are adequately protected to fluid category 5.

Argyll and Bute Council were notified of an initial four sites requiring immediate upgrade works in relation to private water supplies, in order to provide backflow protection, and for the prevention of contamination back into the local mains supply network:

- Campbeltown Old Quay
- Oban North Pier
- Carradale
- West Loch Tarbert

We can report that these works are being completed and post works site inspections by Scottish Water, where works have been completed have been very positive. A planned programme to cover our other facilities is being developed.

4.1.5 Shore Side Electrical Supply

New ferries and infrastructure upgrades today require an electrical supply for rapid and / or overnight battery charging which outstrips the existing network.

Argyll and Bute Council have been working closely with CMAL and SSEN to programme these upgrades, some of which have equipment lead times of up to 4 years. This work is to ascertain the feasibility of providing a shore supply to the vessels and to confirm and outline the electrical and civil engineering requirements for providing such a supply, ensuring that the port developments are fit for the introduction of the new vessels. Initial meeting with SSEN was positive and they do not foresee any major problems in meeting the capacity required within the timescales.

The works to date include:

- Craignure - completed
- Fionnphort – planning (up to 3 years lead time)
- Gigha – feasibility planning (up to 4 years lead time)

4.2 Variations to Asset Management Plan

Unfortunately some of the programme’s planned works have been delayed. The significant items slipping to future periods are detailed below:

4.2.1 Kilcreggan

The Gourock, Dunoon and Kilcreggan combined works plans remain paused while Transport Scotland completes its work on the vessel funding.

Ground Investigations preparations for both Kilcreggan and Dunoon remain ready to tender when confirmation is received that the funding for the vessels has been secured.

4.2.2 Dunoon

Although the combined programme of works for Gourock, Dunoon and Kilcreggan has been paused while Transport Scotland completes its work on the vessel funding, areas where improvements are required have been identified irrespective of the outcome of the larger project.

The intention is that these improvements will form ‘Phase 1’ of the larger works if they go ahead, however that decision is not required to justify these particular improvements to the facilities and utilities connections. Interim plans are in development and will be reported in due course for approval.

Dunoon link span remains subject to sporadic and intermittent issues with one of the hydraulic arms. Work is progressing behind the scenes to procure spare and replacement parts and fit these with minimal disruption to the service. The staff on site however are safely managing the issues with the assistance of our framework engineers.

4.2.3 Craignure Terminal

Following recent advice from the Scottish Government’s Marine Directorate we have unfortunately had to stand down our ground investigation (GI) contractor.

Ground Investigation (GI) works have been awarded to DUNELM Geotechnical and Environmental Ltd with an initial plan to start on site 24th August 2023 for around 4 weeks. We were not made aware that a licence would be required, having previously been advised that the exploratory works would be an exempted activity being outside the protected area.

Notification was received from NatureScot regarding a ‘Likely Significant Effect’ (LSE) regarding Harbour Porpoises ‘near’ the protected area, however subsequent communications with NatureScot were concluded positively and the LSE decision revoked.

The Marine Directorate have since advised us that they will now require us to apply for a Marine Licence for the GI works. The licence period is at least 14 weeks – this would have taken us into the worst of the weather over the New Year, so we are now looking at these works starting in the spring.

We do not anticipate our works proposals will change through the process.

This will have cost implications for the project which will be in the region of an extra £500k and a slippage of the works into next financial year, however our immediate priority is now getting through the licence process as quickly and efficiently as possible and having everything in place for these important works to go ahead in the spring 2024.

4.2.4 Craignure PAS

The current Passenger Access System (PAS) is beyond the working life of the equipment which is being maintained for safe operations by CMAL. Revision of design options based on CFL / CalMac operational requirements has been completed and the design and build tender will be issued shortly to allow costs to be assessed. The most cost effective solution will see as much of the new PAS used in the new terminal design.

4.3 Previous Expenditure

Since 2017/18 the council has increased Fees and Charges for Piers and Harbours above inflation to fund prudential borrowing which in turn is financing the Asset Management Plan. The table below shows the expenditure and financing costs since 2017/18 with any residue being placed in earmarked reserves to fund future expenditure. There is currently £2,789,311 held in earmarked reserves to fund prudential borrowing for Piers and Harbours.

Table 2: Previous expenditure since 2017/2018

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Actual	319,873	1,485,304	2,759,589	788,161	1,191,927	690,904	7,235,758
Loans Charges	6,797	48,330	167,337	265,299	317,932	359,117	1,164,813
Additional Income generated by uplift	113,590	177,012	515,873	560,657	987,525	1,505,617	3,860,274
Surplus income added to earmarked reserves	107,041	133,050	367,750	362,384	672,586	1,146,500	2,789,311

4.4 As shown in Table 3 below, the increase proposed for 2024 / 2025 is 3%.

Proposed increases are smoothed over future years to avoid large spikes in the increases which would be required to fund the asset management plan in the years where large expenditure is planned.

Table 3: Smoothing of Asset Management Plan Fees and Charges

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Planned expenditure £'000	3,200	28,000	50,000	2,695	0	0	0	0	0
Anticipated Annual Loans Charges £'000	389	561	2,065	4,750	4,895	4,895	4,895	4,895	4,895
Additional funding required to pay loans charges £'000	19	172	1,504	2,686	145	0	0	0	0
Increase required if fully funded in year	0.24%	1.92%	16.34%	28.34%	1.48%	5.00%	5.00%	5.00%	2.50%
Proposed increase to allow smoothing	5.00%	3.00%	3.00%	3.00%	3.00%	5.00%	5.00%	5.00%	2.50%

4.5 The proposed increases will cover Argyll and Bute Council's present Marine Infrastructure Asset Management Plan, involving upgrades to Council infrastructure which are required for CFL / CalMac (CFL) ferry service improvements. We continue to have close liaison with Transport Scotland, CMAL and CFL to ensure lifeline services are prioritised, co-ordinated and resources are targeted accordingly. The work carried out to support ferry traffic is generally financed through these fees and charges which are used to service loans charges for capital borrowing.

4.6 Future income

The Asset Management Plan is an adaptable plan that is required to have flexibility to cope with changing priorities and circumstances. It also relies on steady and predictable income from those ferry services utilising Argyll and Bute Council infrastructure.

A close watch on fees and charges income and its effect on future projects is maintained to ensure the statutory and priority works are delivered.

The following table shows the anticipated income which will be generated by the increased fees and charges and the effect it will have on the earmarked balance.

Table 4: Profile of income and borrowing costs on Asset Management Plan

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Planned expenditure £'000	3,200	28,000	50,000	2,695	0	0	0	0	0
Anticipated Annual Loans Charges £'000	389	561	2,065	4,750	4,895	4,895	4,895	4,895	4,895
Anticipated additional income generated £'000	1,908	2,176	2,452	2,737	3,029	3,532	4,060	4,630	4,938
Surplus transferred to / from earmarked reserves £'000	1,519	1,616	388	-2,014	-1,866	-1,363	-835	-265	43
Cumulative balance on earmarked reserves £'000	4,309	5,924	6,312	4,298	2,432	1,069	234	-31	12

5.0 CONCLUSION

5.1 The proposed fees and charges increase is required to fund future asset sustainability and improvement costs for the Council's present plans for piers and harbours.

6.0 IMPLICATIONS

6.1 Policy - None directly arising from this report.

6.2 Financial - The proposed increase of fees and charges will ensure that future income is sufficient to maintain and develop the Council's marine assets.

6.3 Legal - Considered to be none directly arising from this report.

6.4 HR - None.

6.5 Fairer Scotland Duty:

6.5.1 Equalities - protected characteristics - None directly arising from this report.

6.5.2 Socio-economic Duty - None directly arising from this report.

6.5.3 Islands - Completed works and projects will enhance service reliability and community connectivity.

6.6 Climate Change - there are no direct impacts in regard to climate change from this report, due regard will be given to climate change with a view to minimising any climate change impact and these will be considered as and when they arise.

6.7 Risk - Completed works will reduce the repair and maintenance on existing infrastructure.

Above inflation increases may have a detrimental economic impact on businesses using the facilities for example:

- fishermen
- bulk importers
- timber exporters
- wind farm developers
- Cruise companies.

Significant increases may also reduce usage and customers while making attracting new business more difficult.

External influences may come to bear on ferry usage patterns which may, in turn, impact on income from ferry fees and charges i.e. Vessel breakdowns and redeployments, Environmental issues (car use), Brexit, Covid 19 and potential changes in RET.

6.8 Customer Service - Customers and key stakeholders will be informed of fees and charges when set. An overall improvement in travel experience and reliability should result with improved and maintained infrastructure.

Executive Director with responsibility for Roads and Infrastructure:

Kirsty Flanagan

Policy Lead for Roads and Transport: Councillor Andrew Kain

January 2024

For further information contact:

Scott Reid, Marine Operations Manager

Jim Smith, Head of Roads and Infrastructure Services