

**PIERS & HARBOURS –
ASSET MANAGEMENT PLAN / FEES AND CHARGES – 2021/22**

1.0 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to allow Members to review the current version of the 10 year asset management plan and consider necessary increases in fees and charges for the forthcoming financial year, 2021/22, in order to meet borrowing requirements for the plan.
- 1.2 It has been highlighted in previous reports that fees and charges will be set at a level which ensures that income generated at each of the Council's main ferry ports covers total costs for each individual port plus a contribution to central 'piers and harbours' related costs.
- 1.3 The first draft of the Council's marine asset management plan was presented to Members at the November 2016 meeting of the Harbour Board. The plan is regularly updated, on a 10 year rolling basis, to reflect the condition of the asset, any related works required, and our aspirations to develop the asset in future years. The asset management plan is the subject of regular reports to the Harbour Board – see the latest version of the 10 Year Marine Asset Management Plan (Revision H) attached to the appendix in this report.
- 1.4 Overall, asset management costs for the next 10 years, as indicated on the current version of the plan, are currently expected to be circa £94 million; since inception in 2016, total value of works either completed over recent years or planned for the next 10 years, is circa £99 million. Likely costs, attributable to works planned for year 2021/22, are expected to be £10,335,000. In order to generate sufficient funds in year 2021/22, to meet capital borrowing costs, it has been estimated that fees and charges will require to be increased by 8% overall (3% to cover inflationary costs and 5% to meet the borrowing needs of the asset management plan).
- 1.5 Members are asked to:-
- Recommend to the Council, when setting fees and charges for 2021/22, that it approves an increase to piers and harbours fees and charges, over and above any inflationary increase, of 5% to generate sufficient income to develop the Council's marine infrastructure, and...
 - Note that this will be in-step with the motion passed at the Harbour Board meeting held in January 2018 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.

- Agree that the asset management plan will continue to be updated on a rolling 10 year basis.

**PIERS & HARBOUR
ASSET MANAGEMENT PLAN / FEES AND CHARGES – 2021/22**

2.0 INTRODUCTION

2.1 This report provides Members with the latest version of the Marine 10 Year Asset Management Plan and proposes an above-inflationary increase in Piers & Harbours fees and charges.

3.0 RECOMMENDATIONS

3.1 Members are asked to:-

- Recommend to the Council, when setting fees and charges for 2021/22, that it approves an increase to piers and harbours fees and charges, over and above any inflationary increase, of 5% to generate sufficient income to develop the Council's marine infrastructure, and...
- Note that this will be in-step with the motion passed at the Harbour Board meeting held in January 2018 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.
- Agree that the asset management plan will continue to be updated on a rolling 10 year basis.

4.0 BACKGROUND

4.1 It was agreed at the Harbour Board meeting held in January 2018 that:-

'in future pier/harbour dues should be set as a minimum at a level which will cover operating and staffing costs; inspection, maintenance and whole life asset management costs; any prudential borrowing costs required to fund shoreside infrastructure associated with the future ferry services.'

4.2 In line with the above agreement, it has been highlighted in previous reports that fees and charges will be set at a level which ensures that income generated at each of the Council's main ferry ports covers total costs for each individual port plus a contribution to central 'piers and harbours'-related costs.

5.0 DETAIL

- 5.1 As previously agreed, in order to fund the various works identified in the Asset Management Plan in future years, it will be necessary to increase fees and charges, over and above any required inflationary increase, on a year-on-year basis. Annual increases in future years are expected to be in the order of 2 to 10%, depending upon works identified for that particularly year (plus any inflationary increase).
- 5.2 It is proposed to increase all piers and harbours fees and charges, over and above any inflationary increase, by 5% to generate sufficient income to develop the Council's marine infrastructure.
- 5.3 The first draft of the Council's marine asset management plan was presented to Members at the November 2016 meeting of the Harbour Board. The plan is regularly updated, on a 10 year rolling basis, to reflect the condition of the asset, any related works required, and our aspirations to develop the asset in future years. The asset management plan is the subject of regular reports to the Harbour Board – see the latest version of the 10 Year Marine Asset Management Plan (Revision H) attached to Appendix A in this report.
- 5.4 Overall, asset management costs for the next 10 years, as indicated on the current version of the plan, are currently expected to be circa £94 million; since inception in 2016, total value of works either completed over recent years or planned for the next 10 years, is circa £99 million. Likely costs, attributable to works planned for year 2021/22, are expected to be £10,335,000. As previously mentioned, in order to generate sufficient funds in year 2021/22, to meet capital borrowing costs, it has been estimated that fees and charges will require to be increased by 8% overall overall (3% to cover inflationary costs and 5% to meet the borrowing needs of the asset management plan). The list of recommended fees and charges for 2021/22 is attached to Appendix B in this report.
- 5.5 Planned works for the year 2021/22, as highlighted in the Marine Asset Management Plan along with budgets for year 2021/22, are as follows:-

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|---|----------|
| • Campbeltown – Wall A new sheet piling | £750,000 |
| ○ Scheme completion – year 22/23 | |
| • Carradale – Work on wave wall | £100,000 |
| ○ Scheme completion – year 21/22 | |
| • Craighouse Pier – Structural concrete works | £100,000 |
| ○ Scheme completion – year 21/22 | |
| • Craignure Pier – Feasibility study / Ground investigation / painting works to link-span | £630,000 |
| ○ Scheme completion – year 26/27 | |
| • Cuan Ferry Slip - Study and ground investigation to consider overnight berth at Seil Island | £125,000 |
| ○ Scheme completion – year 24/25 | |

• Dunoon Pier – Feasibility study (berthing arrangement for new vessel)	£350,000
○ Scheme completion – year 24/25	
• Easdale / Ellenabeich – Feasibility study Study into new Ferry Slips to support bow-ramp vessel	£250,000
○ Scheme completion – year 23/24	
• Feolin - New fender design	£30,000
○ Scheme completion – year 23/24	
• Fionnphort Overnight Berth - construction stage	£4,050,000
○ Scheme completion – year 22/23	
• Gigha Overnight Berth (study for new hybrid vessel)	£400,000
○ Scheme completion – year 24/25	
• Kilcreggan – Feasibility study (berthing arrangement for new vessel)	£250,000
○ Scheme completion – year 23/24	
• Lismore – Feasibility study - breakwater	£100,000
○ Scheme completion – year 23/24	
• Port Askaig - Mustering area overspill study & painting works to link-span	£200,000
○ Scheme completion – years 22/23 and 21/22 resp.	
• Rothesay Harbour – Piling and grouting work	£3,000,000
○ Scheme completion – year 21/22	
Total for 2021/22	£10,335,000

5.6 It is proposed that the Council's piers and harbours fees and charges be amended for year 2021/22 to reflect the above increase (including any increase to cover inflationary costs) – the overall increase is to be approved at the full Council budgetary meeting in February 2021.

5.7 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 £607,841 held in earmarked reserves to fund prudential borrowing for Piers & Harbours.

Table 1 – Previous Years' Expenditure

	2017-18	2018-19	2019-20	TOTAL
Expenditure	320,000	1,486,178	3,060,589	4,866,640
Loans Charges	6,549	43,962	148,123	198,634
Additional Income generated by uplift	113,590	177,012	515,873	806,475
Surplus income added to earmarked reserves	107,041	133,050	367,750	607,841

5.8 It was agreed that there would be an attempt to smooth the increase to fees and charges over future years so that there would not be large spikes in the increase required to fund the asset management plan in the years where large expenditure is planned. This is shown in Table 2.

Table 2 – Smoothing of Asset Management Plan Fees and Charges

	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	TOTAL
Planned expenditure £'000	3,350	10,335	15,950	7,500	24,650	19,075	10,250	950	1,300	500	93,860
Anticipated Annual Loans Charges £'000	346	473	1,059	2,113	2,520	3,844	4,868	5,420	5,472	5,541	
Additional funding required to pay loans charges £'000	198	127	586	1,054	407	1,324	1,024	552	52	69	
Increase required if fully funded in year	2.66%	1.74%	7.5%	12.35%	4.34%	12.83%	9.03%	4.42%	1.0%	0	
Proposed increase to allow smoothing	5%	5%	6%	7%	7%	7%	7%	5.5%	1.0%	0%	

5.9 Note the 2020/21 increase of an additional 5% over and above the inflationary increase of 3% has already been implemented, however, due to the pandemic we are unlikely to reach the anticipated income targets so future years increases have had to be increased slightly to make up the shortfall. It should be noted that an additional 1% increase in fees and charges will give around £72,000 additional income. The following table shows the anticipated income which will be generated by increasing the fees and charges above the inflationary rate and the effect it will have on the earmarking balance.

Table 3 – Profile of Income and Borrowing Costs on Asset Management Plan

	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	TOTAL
Planned expenditure £'000	3,350	10,335	15,590	7,500	24,650	19,075	10,250	950	1,300	500	93,860
Anticipated Annual Loans Charges £'000	346	473	1,059	2,113	2,520	3,844	4,868	5,421	5,472	5,541	
Anticipated additional income generated £'000	300	1,088	1,558	2,155	2,811	3,533	4,328	5,015	5,150	5,150	
Surplus transferred to / from earmarked reserves £'000	-46	615	499	42	291	-311	-540	-406	-322	-391	
Cumulative balance on earmarked reserves £'000	562	1,177	1,676	1,718	2,009	1,698	1,158	752	430	39	

5.10 It should be noted that the model above assumes income from fees and charges returns to pre-covid 19 levels from April 2021.

6.0 CONCLUSION

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

7.0 IMPLICATIONS

- 7.1 Policy None directly arising from this report
- 7.2 Financial The proposed increase of fees and charges will ensure that future income is sufficient to maintain and develop the Council's marine assets.
- 7.3 Legal None directly arising from this report.
- 7.4 HR None
- 7.5 Fairer Scotland Duty
- 7.5.1 Equalities – protected characteristics None directly arising from this report.

7.5.2	Socio-economic Duty	None directly arising from this report.
7.5.3	Islands	See risk below.
7.6	Risk	Above inflation increases may have a detrimental economic impact on businesses using the facilities e.g. fishermen, bulk oil importers, timber exporters, wind farm developers and 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. Brexit, Covid 19 and potential changes in RET.
7.7	Customer Services	Customers and key stakeholders will be informed of fees and charges set when agreed.

Appendix A – 10 Year Marine Asset Management Plan

Appendix B – Recommended fees and charges – 2021/22

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10 November 2020

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