

**PIERS & HARBOURS -**

**MARINE ASSET MANAGEMENT PLAN FEES & CHARGES 2023 / 2024**

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**1.0 INTRODUCTION**

- 1.1 This report allows Members to consider the necessary increase in fees and charges for the forthcoming financial year 2023 / 2024, in order to meet the requirements for the Argyll & Bute Council Asset Management Plan referenced in the September 2022 Harbour Board report.

**2.0 RECOMMENDATIONS**

- 2.1.1 Members are asked to:

- 2.1.1 Recommend to the Council, when setting the fees and charges for 2023/2024 that it approves an increase to piers and harbours fees and charges of 5%, over and above an inflationary increase which will be ring fenced 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 & 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 2020 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."
- 3.2 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 the 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.

#### 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, 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 between 2% and 10%, depending upon confirmed works identified for that particular year (plus any inflationary increase).

##### 4.1 Present expenditure

Projects highlighted in the Asset Management Plan Report in March this year totalled over £15 million of capital works which were programmed for the 2022/2023 financial year (plus any slippage brought forward from 2021/2022).

Table 1 - Summary of works from the Marine Asset Management Plan 2022/2023

Project	Location	Cost Estimate	Works summary
<b>Campbeltown (New Quay)</b>	Kintyre South	£500,000	Link span refurbishment
	Kintyre South	£80,000	Fender piles refurbishment
<b>Campbeltown (Old Quay)</b>	Kintyre South	£500,000	Replace 'wall A' with new sheet piling
	Kintyre South	£50,000	RE duties
<b>Craignure (long term)</b>	Mull	£2,500,000	Long Term: Detail design, FBC, compile tender documentation
<b>Craignure (interim)</b>	Mull	£500,000	New PAS construction
	Mull	£100,000	Concrete works
<b>Dunoon / Kilcreggan</b>	Kilcreggan	£250,000	Design, GI & Tender documentation
	Dunoon	£250,000	Design, GI & Tender documentation
<b>Dunoon Pier</b>	Dunoon	£100,000	Works on timber pier
<b>Feolin Ferry slip</b>	Jura	£45,000	New fender system
	Mull	£5,000,000	New aligning structure: Construction

<b>Iona / Fionnphort</b>	Mull	£50,000	Design, RE studies (includes Iona)
	Iona	£5,000,000	Start construction breakwater
<b>Gigha / Tayinloan</b>	Gigha	£50,000	Consultancy for Design & Tender documentation
<b>Port Askaig</b>	Islay	£50,000	Land acquisition & GI

#### 4.2 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 £1,642,811 held in earmarked reserves to fund prudential borrowing for Piers & Harbours.

Table 2 - Previous expenditure since 2017/2018

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Total</b>
Actual	319,873	1,485,304	2,759,589	788,161	1,191,927	<b>6,544,854</b>
Loans Charges	6,797	48,330	167,337	265,299	317,932	<b>805,696</b>
Additional Income generated by uplift	113,590	177,012	515,873	560,657	987,525	<b>2,354,658</b>
Surplus income added to earmarked reserves	107,041	133,050	367,750	362,384	672,586	<b>1,642,811</b>

4.3 As shown in Table 3 below, the increase proposed for 2023 / 2024 is 5% over and above an increase for the year.

The proposed increases will cover Argyll and Bute Council's present Marine Infrastructure Asset Management Plan which includes projects across the entire Council region. Many involve upgrades to Council infrastructure required for planned CFL/ CalMac (CFL) ferry service improvements and we continue to have close liaison with Transport Scotland, CMAL and CFL to ensure lifeline services are prioritised and resources are targeted accordingly and also to ensure any planned project costs are included in future forecasts once confirmed.

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

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Planned expenditure £'000	15,550	23,025	28,200	17,811	182	0	0	500
Anticipated Annual Loans Charges £'000	748	1,187	2,424	3,938	4,895	4,906	4,906	4,906
Additional funding required to pay loans charges £'000	430	439	1,237	1,515	957	11	0	0
Increase required if fully funded in year	5.46%	4.87%	12.37%	14.03%	8.28%	0.09%	0.00%	0.00%
Proposed increase to allow smoothing	5.00%	5.00%	5.00%	4.00%	3.00%	2.00%	0.00%	0.00%

- 4.4 The proposed increases above any inflation will cover the Council's present plans including projects in partnership with Transport Scotland, CMAL and CFL, which require Argyll & Bute Council infrastructure developments. Officers continue to liaise closely with these bodies to ensure any planned project costs are included in future forecasts once confirmed.

The proposed increases will cover Argyll and Bute Council's present Marine Infrastructure Asset Management Plan and includes projects across the entire Council region. Many involve upgrades to Council infrastructure required for planned CFL/ CalMac (CFL) ferry service improvements and we continue to have close liaison with Transport Scotland, CMAL and CFL to ensure lifeline services are prioritised 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.

- 4.5 Future income

The Asset Management Plan is an adaptable plan fed into by changing priorities and circumstances. It also relies on steady and predictable income from those ferry services utilising Argyll & Bute Council infrastructure.

In recent years the COVID-19 pandemic and the UK's withdrawal from the European Union has made some of the variables less predictable and our ability to engage contractors and consultants more difficult.

A close watch on fees and charges income and its effect on future projects will be 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

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Planned expenditure £'000	15,550	23,025	28,200	17,811	182	0	0	500
Anticipated Annual Loans Charges £'000	748	1,187	2,424	3,938	4,895	4,906	4,906	4,906
Anticipated additional income generated £'000	1,465	1,882	2,483	3,133	3,775	4,455	4,574	4,574
Surplus transferred to / from earmarked reserves £'000	717	695	59	-806	-1,121	-452	-333	-333
Cumulative balance on earmarked reserves £'000	2,359	3,054	3,113	2,308	1,187	736	403	71

## 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.

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