

IONA BREAKWATER

1.0 INTRODUCTION

- 1.1 The main works at Iona Breakwater ceased over the winter break and have not yet restarted on site due to persistent weather disruption. Regulatory delays centred around seagrass matters prevented the works from starting as planned in summer 2025. This displaced the programme into winter conditions, increasing exposure to weather risk, reducing productivity, and affecting the overall commercial position.
- 1.2 The original contract value of £14,785,026 has increased to a current worst-case scenario forecast of £17,961,976 representing an increase of £3,176,950 (+20.49 %) uplift from contract award. The current budget for the project is £16.4m as reported to the Harbour Board at its meeting in January 2026. The current forecast indicates a overspend of circa £1.5m.
- 1.3 Officers utilised a delegation within the Constitution to deal with the emergency situation. The relevant section from the Constitution is Part C, Section 3.2.5 that states:

“The Chief Executive and the Executive Directors of Service are authorised to take such measures as may be required to enable the Council to respond to an emergency situation, subject to advising as appropriate (a) the Leader, (b) the relevant Policy Lead, and where the emergency is likely to affect significantly a particular part of the Council’s area (c) the Chair of the relevant Area Committee and (d) Ward Councillors, reporting to the Council as soon as possible thereafter, on any items of expenditure for which approval would normally be necessary.”

In line with the Constitution the Executive Director advised the Leader, the Policy Lead for Roads, Transport and Amenity Services, the Area Chair and the Ward Councillors on 19 March 2026.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Council -

- a) Notes the forecasted overspend on the Iona Breakwater project of circa £1.5m; and
- b) Agrees that additional costs will be built into the Marine Asset Management Plan which ultimately is funded via prudential borrowing and a percentage uplift in fees and charges – this increased cost will be considered as part of the 2027-28 fee uplift.

3.0 DETAIL

- 3.1 Due to ongoing weather disruption and earlier regulatory delays linked to seagrass issues, the Iona Breakwater project has experienced significant cost and programme impacts. Emergency powers were invoked to address urgent time constraints during contract negotiations. The negotiations had reached a point where it was clear that the best price which could be obtained was considerably and materially in excess of the budget provision, so it was necessary to take steps to ensure that the Council could commit sufficient funds to conclude the negotiation.
- 3.2 Without this intervention, the matter of funding the project would have been deferred to the Council meeting in April, by which time the contractor might have withdrawn the current negotiated terms. This posed a significant risk of even greater costs and greater budget overspend. Utilising emergency powers was considered the most prudent approach to prevent additional financial escalation on the project and a proper course of action to take. Notably, a substantial portion of the overspend was attributed to delays caused by adverse weather conditions.
- 3.3 The Contractor has offered to assume full past and future weather risk for £1.95m. This would cap the Council's liability, avoid further winter delays, and allow re-sequencing to deliver completion by late Summer 2026.
- 3.4 The original contract value of £14,785,026 has increased to a current worst-case scenario forecast of £17,961,976 representing an increase of £3,176,950 (+20.49 %) uplift from contract award. The current budget for the project is £16.4m as reported to the Harbour Board at its meeting in January 2026. The current forecast indicates a overspend of circa £1.5m.

Principal drivers include:

- **Weather Risk Settlement (past + future):** £1,950,00 (+13.19%)
- **Marine Directorate standing time (seagrass matters):** £1,333,000 (+9.02%)

- **Value engineering savings:** (£509,604) (-3.45%)
- **Additional works / adjustments:** £303,554 (+2.05%)

3.5 The current estimated completion date of November 2026 places the project back into a high-risk weather window, meaning that without intervention, further delays and cost uplift are likely.

3.6 The additional costs will be built into the Marine Asset Management Plan which ultimately is funded via prudential borrowing and a percentage uplift in fees and charges – this increased cost will be considered as part of the 2027-28 fee uplift.

4.0 CONCLUSION

This report informs Members of the use of emergency powers and seeks agreement that additional costs be built into the Marine Asset Management Plan which ultimately is funded via prudential borrowing and a percentage uplift in fees and charges – this increased cost will be considered as part of the 2027-28 fee uplift.

5.0 IMPLICATIONS

5.1 Policy – None identified at this time.

5.2 Financial – Overspend of circa £1.5m will be built into the Marine Asset Management Plan which ultimately is funded via prudential borrowing and a percentage uplift in fees and charges – this increased cost will be considered as part of the 2027-28 fee uplift.

5.3 Legal – None identified at this time.

5.4 HR – None identified at this time.

5.5 Customer service – None identified at this time.

5.6 Risk – None identified at this time.

5.7 Climate change – None identified at this time.

5.8 Fairer Scotland Duty - None identified at this time.

5.9 Equalities: protected characteristics – None identified at this time.

5.10 Consumer duty – None identified at this time.

5.11 Island communities – None identified at this time.

5.12 Children's Rights and Wellbeing – None arising directly from this report.

Kirsty Flanagan, Executive Director with responsibility for Roads and Infrastructure

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