

# PERTH AND KINROSS COUNCIL

3 October 2018

## PERTH HARBOUR BUSINESS PLAN – PROGRESS REPORT

Report by Depute Chief Executive (Report No. 18/322)

The purpose of this report is to update the Council on the delivery of the Perth Harbour Business Plan and asks the Council to note the successful handover of harbour operations and to consider producing a revised business plan by March 2019.

### 1. BACKGROUND / MAIN ISSUES

- 1.1 On 25 April 2018, the Council considered an update report (refer 18/151) and instructed the Depute Chief Executive to report back to the Council.

### 2. PROPOSALS

#### **Business Plan update**

- 2.1 This section provides an update on the delivery of the Business Plan.

#### Financial position and projections

- 2.2 An updated financial position was provided on 25 April 2018.
- 2.3 In the report (refer 17/391) considered by the Strategic Policy and Resource Committee, revised financial projections for future years after dredging were provided based on possible projected cargo costal shipping traffic increase described as moderate or high growth scenarios. Both scenarios raised serious concerns about the viability of the approved business case and other commercial opportunities are being explored.

#### Governance, Management and Staffing

- 2.4 The new governance and management structure established is working well with the Harbour Board providing strategic direction. New operational arrangements are now in place with Calmac Ferries Ltd undertaking harbourmaster's responsibilities on behalf of the Council from the 3 July 2018 for 5 years (July 2023) with a possible extension of 2 years. Handover has been successfully completed with both the Council and Calmac Ferries Ltd working together for mutual benefits.

#### Sales and Marketing Strategy

- 2.5 Calmac Ferries Ltd, working closely with the Council and harbour users, is pro-active in identifying and developing commercial opportunities and it is anticipated that these efforts would address some of the market challenges faced by the Harbour. In that context and to take into account the

development of a different business model, it is recommended to use the next 6 months to test the model and produce a revised business plan (April 2019-March 2023) including a targeted investment plan.

#### Accessibility

- 2.6 At its meeting on 25 April 2018, the Council instructed the Depute Chief Executive (Chief Operating Officer) to take the necessary actions to obtain the Marine Scotland Licence in relation to dredging activities.
- 2.7 Marine Scotland has indicated that although we are working towards satisfying the objections raised, until such times as any mitigation measures and/or surveys have been agreed in writing by ourselves and the concerned parties, Marine Scotland is not likely to be in a position to determine the marine licence.
- 2.8 Following Scottish National Heritage's (SNH) objection, Marine Scotland has required the results of the ecological surveys (i.e otter, lamprey, fresh water mussel).
- 2.9 We have now carried out surveys and are making amendments to our application to address issues raised by SNH and we are confident that SNH will be satisfied. One of the conditions that has been imposed by SNH is that the dredging should be carried out during the January-March period to protect lamprey, which would create a time constraint on the project. A mitigation plan needs to also be in place to protect fresh water mussels and possibly otters and beavers.
- 2.10 We have also been working towards satisfying the objections raised by Ineos (ex-BP) and Shell.
- 2.11 Existing agreements between companies and the Crown Estates Scotland prevent any dredging over pipelines but Crown Estates Scotland has agreed to vary the agreement if we can agree a safe method of working with pipeline owners. If this can be resolved, then Marine Scotland are willing to grant the licence.
- 2.12 A constructive meeting took place with Ineos and Shell on 13 June 2018. Both indicated their willingness to work with the Council to identify suitable methods of work. However, the nature of the work is extremely complex with no specific available guidance from pipeline owners which could be used. This would mean that further engagement with the dredging industry is necessary and that both Ineos and Shell have to be closely involved in the procurement process. Dialogue is on-going, but more time will be required to find an agreeable solution and select a suitable contractor as well as agreeing terms and conditions.
- 2.13 Taking into account the time constraint deriving from SNH's requirements (i.e. work to be carried out during January-March period) and the time needed to find an agreeable solution with Ineos and Shell and suitable contractor, it would not be possible to have a dredging contract in place to carry out the

work in Jan-March 2019, and therefore it is recommended to target Jan-March 2020 to carry out the work.

- 2.14 The final decision to carry out the work would be considered by the Council after the revised Business Plan is produced.

### **3. CONCLUSION AND RECOMMENDATIONS**

- 3.1 The Harbour Business Plan was approved in May 2016. However, its viability has raised some concerns. An alternative business model has been identified through the outsourcing of harbour operations to a third party. This will improve the harbour financial viability in a short term without the need for dredging.
- 3.2 The production of a revised Business Plan by March 2019 is recommended to take into account the new business model. Preparations for dredging are still being made and this will be referred back to the Council for consideration after the new Business Plan is approved.
- 3.3 It is recommended that the Council:
- (i) Note the successful handover of Harbour operations to Calmac Ferries Ltd.
  - (ii) Instruct the Depute Chief Executive to produce by March 2019 a revised Business Plan (April 2019-March 2023) including a targeted investment plan
  - (iii) Agree to target Jan-March 2020 to carry out any dredging work with a final decision to be considered just after the revised business plan has been considered.

#### **Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
David Littlejohn	Head of Planning & Development	01738 475303 <a href="mailto:DLittlejohn@pkc.gov.uk">DLittlejohn@pkc.gov.uk</a>
Serge Merone	Investment Manager	01738 475536 <a href="mailto:smerone@pkc.gov.uk">smerone@pkc.gov.uk</a>

#### **Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	5 September 2018

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Strategic Environmental Assessment	<b>Yes</b>
Sustainability (community, economic, environmental)	<b>Yes</b>
Legal and Governance	<b>Yes</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The Community Plan/Single Outcome Agreement 2013 – 2023 lays out five outcomes focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- (i) Giving every child the best start in life
  - (ii) Developing educated, responsible and informed citizens
  - (iii) Promoting a prosperous, inclusive and sustainable economy
  - (iv) Supporting people to lead independent, healthy and active lives
  - (v) Creating a safe and sustainable place for future generations
- 1.2 This report relates to objective (iii) by maximising and enhancing economic development opportunities to the benefit of businesses and local communities, encouraging new business creation and growth of existing businesses through Harbour operations.

### 2. Resource Implications

#### Financial

- 2.1 Capital – an allocation of £870,000 has been agreed as part of the capital programme as prudential borrowing. However, previous report stressed that the coastal shipping market which was supposed to provide the income to pay

back the investment was reducing across the UK and the period of re-payments of the prudential borrowing would have to extend significantly beyond an acceptable depreciation period of 10 years or could possibly not be repaid at all. In addition, this report highlights that additional funding of £300,000 + would be required to meet the dredging contract costs.

- 2.2 Revenue – There is no revenue implications arising from the report. An up to date position will be provided at the end of the financial year.

#### Workforce

- 2.3 There is no workforce implication arising from the report.

#### Asset Management (land, property, IT)

- 2.4 There is no asset management issues arising from the report.

### **3. Assessments**

#### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

#### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. Pre-screening has identified that the PPS will have no or minimal environmental effects, it is therefore exempt.

#### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. The proposals will enhance socio economic and economic development opportunities to the benefit of businesses and local communities.

## Legal and Governance

- 3.7 The Head of Legal and Governance Services and the Head of Finance has been consulted on these proposals and there are no legal implications.

## Risk

- 3.8 There are two key risks associated with the proposed programme.
- (i) Risks associated with the Dredging contracts and possible conditions attached to the Marine Scotland license issued. This risk will be managed by The Housing and Environment Service Senior Management Team. External advisers have been recruited to engage early with key stakeholders. The Harbour Board takes an active role in managing the programme. The dredging contract has been postponed to understand better the risks associated with Ineos and Shell Pipelines/to maximise the alternative business model.
  - (ii) Risks associated with coastal cargo shipping reduction and the income reduction with possible non-repayment of prudential borrowing. This risk will be mitigated through robust financial assessment and the use of an alternative business model generating other commercial opportunities.

## **4. Consultation**

### Internal

- 4.1 The Head of Finance and the Head of Legal and Governance Services have been consulted in the preparation of this report.

## **5. Communication**

- 5.1 The recommendations from the report will be communicated to stakeholders and the press through the Board and the media team.

## **2. BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

## **3. APPENDICES**

None