

## **Item: 17**

**Policy and Resources Committee: 22 June 2021.**

**Orkney Harbours Masterplan Phases 1 and 2.**

**Report by Executive Director of Development and Infrastructure.**

### **1. Purpose of Report**

To consider funding to progress works associated with the Orkney Harbours Masterplan Phase 2 and to progress the proposed Scapa Deep Water Quay and Hatston Pier projects to Stage 2 of the Capital Project Appraisal process.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, on 25 May 2021, the Harbour Authority Sub-committee recommended, to the Policy and Resources Committee, that, in order to progress works in respect of the Orkney Harbours Masterplan Phase 2, the Miscellaneous Piers and Harbours revenue budget for financial year 2021/22 be enhanced by £165,000, utilising prior year accumulated balances held in the Miscellaneous Piers and Harbours Fund.

#### **2.2.**

That, on 8 June 2021, the Development and Infrastructure Committee recommended that the Executive Director of Development and Infrastructure should submit a report, to the Policy and Resources Committee, regarding funding required to develop the Stage 2 Capital Project Appraisals in respect of the proposed Scapa Flow Deep Water Quay and the proposed extension of and seabed reclamation at Hatston Pier.

#### **2.3.**

The estimated costs in respect of carrying out further studies, investigations and preparing all the necessary documentation required for the Stage 2 Capital Project Appraisals in respect of the undernoted projects:

- Proposed Scapa Deep Water Quay – £2,628,675.
- Hatston Pier – Proposed Extension and Seabed Reclamation – £1,553,838.

**It is recommended:**

**2.4.**

That the Miscellaneous Piers and Harbours budget for 2021/22 be enhanced by £165,000, utilising prior year accumulated balances held in the Miscellaneous Piers and Harbours Fund, in order to progress works in respect of the Orkney Harbours Masterplan Phase 2.

**2.5.**

That the Miscellaneous Piers and Harbours budgets for 2021/22 and 2022/23 be enhanced by £1,976,838 and £651,837 respectively, in respect of carrying out further studies, investigations and preparing all the necessary documentation required to produce the Stage 2 Capital Project Appraisal for the proposed Scapa Deep Water Quay.

**2.6.**

That the Miscellaneous Piers and Harbours budget for 2021/22 and 2022/23 be increased by £1,151,919 and £401,919 respectively, in respect of carrying out further studies, investigations and preparing all the necessary documentation required to produce the Stage 2 Capital Project Appraisal for the proposed extension of and seabed reclamation at Hatston Pier.

### **3. Background**

**3.1.**

Due to the wide geographic spread of the Orkney Harbour Authority area, the overall Orkney Harbours Masterplan is split into two phases: Phase 1 being Scapa Flow and Kirkwall/Hatston; and Phase 2 to be all other ports/harbours.

**3.2.**

On 17 March 2020, the Harbour Authority Sub-committee recommended that the Orkney Harbours Masterplan Phase 1 (OHMP1) be approved as a Strategic Plan. The Masterplan Phase 1 was subsequently approved by Council on 16 April 2020.

**3.3.**

Two of the proposed projects contained within the OHMP1 are to extend the existing Hatston Pier and carry out sea-bed reclamation to provide increased quay/storage areas, and to provide a new pier and facility on the east side of Scapa Flow, called Scapa Deep Water Quay (SDWQ).

## **4. Orkney Harbours Masterplan Phase 2**

### **4.1.**

The fundamental purpose of the Orkney Harbours Masterplan Phase 2 (OHMP2) is to provide a structured framework for the physical development and transformation of the relevant parts of Orkney's harbours over a 20 year period.

### **4.2.**

The cost of developing the proposed OHMP2, including the Strategic Environmental Assessment and Habitats Regulations Appraisal, is estimated at £165,000.

### **4.3.**

On 25 May 2021, when considering a proposal to progress Phase 2 of the OHMP, the Harbour Authority Sub-committee recommended:

- That, subject to budget provision being made available, the Executive Director of Development and Infrastructure should progress works in respect of the Orkney Harbours Masterplan Phase 2.
- To the Policy and Resources Committee, that, in order to progress works in respect of the Orkney Harbours Masterplan Phase 2, the Miscellaneous Piers and Harbours revenue budget for financial year 2021/22 be enhanced by £165,000, utilising prior year accumulated balances held in the Miscellaneous Piers and Harbours Fund.

## **5. Proposed Scapa Deep Water Quay**

### **5.1.**

The details and layout of the proposed pier and associated facilities at the proposed Scapa Deep Water Quay have been generated with close co-operation of many different industry leaders and companies in order that it will be able to fulfil multiple types of use, including (but not limited to) the construction/assembly of offshore wind turbines and the provision of a Future Fuels Hub (Islands Deal project).

### **5.2.**

An integral part of the exemplar design process has been regular contact with the many developers who are proposing to apply for leases for the ScotWind areas as presently being advertised by Crown Estate Scotland. This has led to the design and other characteristics of the proposed Scapa Deep Water Quay being in line with the vast majority of their suggested requirements. This has resulted in excess of 10 Memorandums of Understanding (MoU) and Non-Disclosure Agreements (NDA) being signed by the Council with regard to future possible use of the proposed Scapa Deep Water Quay. These MoU/NDA include the majority of the large offshore wind turbine developers presently operating around the UK and Europe and are backed by large financial institutions. Feedback from these companies is very positive in respect of the proposed project itself and the way in which the project is being approached, i.e. collaborative and working together.

### **5.3.**

The estimated cost of carrying out further studies, investigations and preparing all the necessary documentation for a Stage 2 Capital Project Appraisal is £2,628,675, as detailed in Appendix 1 to this report.

### **5.4.**

On 8 June 2021, the Development and Infrastructure Committee considered recommendations from the Harbour Authority Sub-committee, together with a substantive report presenting the Stage 1 Capital Project Appraisal in respect of the proposal to provide a new pier and associated facilities in Scapa Flow.

### **5.5.**

The Committee subsequently recommended that the Executive Director of Development and Infrastructure should submit a report, to the Policy and Resources Committee, regarding funding required to develop the Stage 2 Capital Project Appraisal in respect of the proposed Scapa Flow Deep Water Quay.

## **6. Hatston Pier – Extension and Seabed Reclamation**

### **6.1.**

The details and layout of the proposed extended pier and reclaimed areas at Hatston have been generated with close co-operation of many different industries and companies in order that it will be able to fulfil multiple types of use, including (but not limited to) a future proof ro-ro freight vessel berth, a boat lift-out facility, ex-pipe zero-carbon ship bunkering facility on the extended pier, an additional freight area ashore and further quay/storage areas close to the extended and existing pier in order to attract quick turnaround marine business. This in turn should lead to longer term storage operations on the existing land around Hatston and the real probability that hi-tech operation and maintenance offices and facilities for offshore wind being based at this site, linked to the ScotWind offshore wind leasing round announcement due in Q1 2022.

### **6.2.**

The estimated cost of carrying out further studies, investigations and preparing all the necessary documentation for a Stage 2 Capital Project Appraisal is £1,553,838, as detailed in Appendix 1 to this report.

### **6.3.**

On 8 June 2021, the Development and Infrastructure Committee considered recommendations from the Harbour Authority Sub-committee, together with a substantive report presenting the Stage 1 Capital Project Appraisal in respect of the proposal to provide a pier extension and reclamation to the existing Hatston Pier and area.

## **6.4.**

The Committee subsequently recommended that the Executive Director of Development and Infrastructure should submit a report, to the Policy and Resources Committee, regarding funding required to develop the Stage 2 Capital Project Appraisal in respect of the proposed extension of and seabed reclamation of Hatston Pier.

## **7. Corporate Governance**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **8. Financial Implications**

### **8.1.**

The report is seeking approval to incur expenditure of £4,347,513 over 2021/22 and 2022/23 on progressing Phase 2 of the Orkney Harbours Masterplan, including a Strategic Environmental Assessment and Habitats Regulations Appraisal, and development of the detail required for Stage 2 Capital Project Appraisals for the proposed Scapa Deep Water Quay and the proposed extension of Hatston Pier and associated seabed reclamation.

### **8.2.**

With a deficit budget of £404,800 approved for financial year 2021/22, reflecting the uncertainty that still exists around the impact of COVID-19 on the Miscellaneous Piers and Harbours Account in the year ahead, there is no capacity within the current revenue budget to absorb these spending pressures.

### **8.3.**

On the basis that the Miscellaneous Piers and Harbours Account carried an accumulated surplus balance position of £6,889,891 as at 31 March 2020, there is scope to utilise prior year balances for this purpose. The impact of COVID-19 however has resulted in a significant shortfall in harbour dues income being realised for financial year ended 31 March 2021, with the provisional outturn position being a deficit of £1,170,178. Taken together with the current financial year approved budget deficit of £404,800, an accumulated balance position of approximately £5,314,913 is forecast to be available as at 31 March 2021 to meet the £4,347,513 of expenditure referred to at section 8.1 above.

### **8.4.**

The high level breakdown of the spending approval sought is £165,000 on progressing Phase 2 of the Orkney Harbours Masterplan; £2,628,675 to develop the Scapa Deep Water Quay capital appraisal, and £1,553,838 to develop the Hatston Pier Extension and Land Reclamation appraisal:

|                       | 2021/22    | 2022/23    | Total      |
|-----------------------|------------|------------|------------|
| Masterplan Phase 2    | £165,000   | -          | £165,000   |
| Scapa Deep Water Quay | £1,976,838 | £651,837   | £2,628,675 |
| Hatston Pier          | £1,151,919 | £401,919   | £1,553,838 |
| Total                 | £3,293,757 | £1,053,756 | £4,347,513 |

## 8.5.

While uncertainty still exists around the actual level of harbour dues income that will be generated over the year ahead, scope exists to use the reserves to fund this spending. Beyond this, the underlying assumption remains that the Miscellaneous Piers and Harbours Account will return to a surplus trading position in financial year 2022/23 with a normal level of activity and associated harbour dues. However, given the scale of these proposals, this does mean that the trading accounts' ability to weather any storms in the years ahead and contribute financially to these or any other developments will be severely restricted.

## 9. Legal Aspects

Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of its financial affairs. As part of this, the Council is expected to have regard to economy, efficiency and effectiveness in its use of resources.

## 10. Contact Officers

Gavin Barr, Executive Director of Development and Infrastructure, email [gavin.barr@orkney.gov.uk](mailto:gavin.barr@orkney.gov.uk)

James Buck, Head of Marine Services, Transportation and Harbour Master, email [james.buck@orkney.gov.uk](mailto:james.buck@orkney.gov.uk)

David Sawkins, Deputy Harbour Master: Strategy and Support, email [david.sawkins@orkney.gov.uk](mailto:david.sawkins@orkney.gov.uk)

## 11. Appendix

Appendix 1: Orkney Harbours Masterplan Phase 1 – CPA1 to CPA2 costs.

**Appendix 1:** Orkney Harbours Masterplan Phase 1 - CPA1 to CPA2 costs

|   |  | <b>Scapa Deep Water<br/>Quay - Estimated<br/>Costs</b> | <b>Hatston -<br/>Estimated Costs</b> |
|---|--|--|--------------------------------------|
| <b>1: Feasibility -<br/>Completed</b>                                   |  |  |                                      |
| <b>2a:</b>  | Outline Scheme Design  | £250,000   | £139,000                             |
| <b>Tender/Appointment of<br/>Consulting Engineer</b>                    | Site Investigation organisation & management                   | £75,000  | £50,000                              |
|   | Detailed Design & Consent Management                           | £300,000   | £150,000                             |
|   | Tender Doc Preparation and Report on Tenders (0.5<br>for CPA2) | £250,000   | £139,000                             |
|   | Construction Production Information                            | £55,000  | £75,000                              |
|   | Construction Management  | £375,000   | £208,500                             |
|   | <b>Subtotal</b>  | <b>£1,305,000</b>                                      | <b>£761,500</b>                      |
| <b>2b: Site Investigation<br/>(third party)</b>                         | Site Investigation (land/seabed boreholes)                     | £1,325,000   | £750,000                             |
|   | <b>Subtotal</b>  | <b>£1,325,000</b>                                      | <b>£750,000</b>                      |
| <b>3: Environmental<br/>Impact, Consents &amp;<br/>Planning</b>         | Environmental Impact Assessment                                | £130,000   | £90,000                              |
|   | Marine Scotland consents/Crown Estate Charges                  | £140,000   | £74,000                              |
|   | Other Planning Costs   | £25,000  | £25,000                              |
|   | <b>Sub Total</b>   | <b>£295,000</b>  | <b>£189,000</b>                      |
| <b>4: Tender/Appointment<br/>of Contractor - Design<br/>&amp; Build</b> | Detailed Design & Consent Management                           | £575,000   | £336,500                             |
|   | Construction Production Information                            | £320,000   | £133,500                             |
|   | Construction   | TBC  | TBC                                  |

|                              |  |                          |                   |
|------------------------------|--|--------------------------|-------------------|
|                              | Sub Total  | <b>£895,000</b>          | <b>£470,000</b>   |
| <b>5: OIC Costs</b>          | Procurement Officer - 1FTE for 3 years (see below)   | £97,350                  | £48,675           |
|                              | Finance Officer - 1FTE for 3 years (see below)   | £97,350                  | £48,675           |
|                              | OIC Engineering - main road (A961) diversion, detail design  | £60,000                  |                   |
|                              | Other Apportioned Costs - Legal etc  | £65,000                  | £30,000           |
|                              | Sub Total  | <b>£319,700</b>          | <b>£127,350</b>   |
| <b>6: Project Management</b> | General back up for project management and the generation of an outline business case  | £30,000                  | £30,000           |
|                              | Sub Total  | <b>£30,000</b>           | <b>£30,000</b>    |
|                              | <b>Total For Whole Proposed Project - post May 2021</b>  | <b>£4,139,700</b>        | <b>£2,297,850</b> |
|                              | CPA1 - CPA2 Costs - Sections 2a, 3 & one quarter of Section 5 for procurement and finance, all other OIC costs as stated in full | £1,303,675               | £803,838          |
|                              | CPA1 - CPA2 Costs - Site Investigation Costs - section   | £1,325,000               | £750,000          |
|                              | <b>Total for CPA1 - CPA2 per project</b>   | <b>£2,628,675</b>        | <b>£1,553,838</b> |
|                              | <b><u>Total for Both Projects: CPA1 - CPA2</u></b>   | <b><u>£4,182,513</u></b> |                   |

Note:

1: Parts not shaded are not CPA1-CPA2 costs, shown for indication of possible future costs and to be confirmed at CPA2.