

## The Highland Council

Minutes of Meeting of the **Harbours Management Board** held in Committee Room 1, Council Headquarters, Glenurquhart Road, Inverness on Thursday 15 January 2015 at 10.30 am.

### Present:

Dr I Cockburn	Mr K MacLeod
Mr H Fraser	Mr H Morrison
Mr R Greene	Mr B Murphy
Mr A Henderson	Mr G Phillips
Mr G MacKenzie	

### In attendance:

Mr W Gilfillan, Director of Community Services  
Mr R Evans, Head of Roads and Transport, Community Services  
Mr T Usher, Harbours Manager, Community Services  
Mr M Mitchell, Finance Manager (Community Services), Finance Service  
Mr G Hamilton, Head of Environment and Development, Development & Infrastructure Service  
Mrs F MacBain, Committee Administrator, Corporate Development Service

### Mr G Phillips in the Chair

### Business

#### 1. Apologies for Absence

There were no apologies for absence.

#### 2. Declarations of Interest

The Sub-Committee **NOTED** the following declarations of interest:-

Mr A Henderson – Item 4 (non-financial)

#### 3. Minutes

There had been circulated, and were **NOTED**, Minutes of Meeting of the Harbours Management Board held on 28 October 2014.

In relation to Item 8 of the minutes, Loch Linnhe Harbour Revision Order, Members were informed that the proposed feasibility study would be undertaken by the same consultants who would undertake the Strategic Business Plan (Item 6 on the agenda). These would be undertaken jointly during financial year 2015-16.

The position was **NOTED**.

#### 4. Crown Estate Leases

**Declaration of Interest: Mr A Henderson declared a non-financial interest in this item as a member of a Mallaig Harbour Authority but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that his interest did not preclude his involvement in the discussion.**

There had been circulated Report No HMB 01/15 dated 5 January 2015 by the Director of Community Services advising the Board of the proposal by the Crown Estate Commissioners (CEC) to introduce a set of 'Master Terms and Conditions' for the seabed leases currently agreed with the Highland Council for marine structures and reclaimed land. The recent Smith Commission proposal to transfer responsibility for Crown Estate assets in Scotland was also introduced.

It was advised that the proposed introduction of Master Terms and Conditions was, in the Crown Estate Commissioners view, intended to simplify the lease review and renewal process and the perceived administrative burden attached. However, although negotiating all the rents simultaneously every 5 years might reduce the amount of administration for both Landlord and Tenant, this would not necessarily lead to any financial savings for the Highland Council. The reverse might occur, as such a system could ease the process for the Landlord to substantially increase the rents at every location in a single action.

In terms of the Smith Commission report, it was advised that The British Ports Association Scottish Ports Committee had written to the Scottish Government seeking early engagement on the transfer of responsibility for Crown Estate assets to harbour authorities, something which the Highland Council had called for previously. Given this position and the inter-government work which would now be progressing to deliver the transfer of responsibility for Crown Estate assets to the Scottish Government in the first instance, it was questionable whether the Master Lease proposal presented by the CEC remained relevant.

During discussion Members spoke in favour of awaiting the outcome of the recent Smith Commission recommendations for the Crown Estate in Scotland, rather than progressing with the CEC Master Lease proposals at this time.

The Board **AGREED TO RECOMMEND** to the Community Services Committee that the Council reject the CEC proposal in favour of the status quo.

#### 5. Ice Plant Replacement – Lochinver Harbour

There had been circulated Report No HMB 02/15 dated 5 January 2015 by the Director of Community Services advising the Board that the tenant and supplier of ice at Lochinver Harbour had served notice to terminate the ground lease for the ice plant and cease issuing ice from 6 June 2015. The report provided 3 options for action and the business case for the provision of a new ice making plant, option 3.

The history of the Ice Making facility was provided, along with details of some of the Health and Safety issues currently being experienced by the plant.

In discussion the following points were made:-

- continued operation of the existing facility, either by the Council or by a third party, were the least favourable options, for the reasons outlined in the report;

- any future ice making facility could incorporate solar panels and, while this would be dealt with as a separate project, it was nevertheless acknowledged that it would be more economical to install them during construction of a new plant, rather than afterwards;
- with regard to the provision of ice during the transition period, the old plant would remain operational until the new one was constructed; and
- the success of an application for capital assistance for the ice plant from the European Maritime and Fisheries Fund, or similar, was considered hopeful, in part because of the new ban on discarding fish, which increased the need for ice to be available in harbours.

Following further discussion on the financial implications of the options, the Board:-

- i. **NOTED** the tenant's early termination of the ground lease for the Lochinver ice plant;
- ii. **NOTED** that an ice plant could be operated by the Council;
- iii. **NOTED** that Option 3 to replace the ice plant had a more financially favourable business case than Option 2 to retain the current plan;
- iv. **NOTED** that the Council may need to make interim arrangements for ice supply at Lochinver if the preferred Option could not be implemented before 6 June 2015;
- v. **AGREED TO RECOMMEND** to the Community Services Committee that the project be promoted for inclusion in the Council's Capital Programme; and
- vi. **AGREED** that applications for potential grant assistance be made.

## 6. Strategic Business Plan

There had been circulated Report No HMB 03/15 dated 5 January 2015 by the Director of Community Services advising Members of the proposal to commission a consultant to produce a professional Strategic Business Plan in order to identify and plan the future business direction for Council owned harbours. It was expected that the plan would not only provide an overview of the strengths and weaknesses of the existing business but also provide direction and impetus towards new business opportunities and identify where prudent investments in infrastructure could be made.

The report recalled previous discussions by the Board on the contents of the Strategic Business Plan and detailed the main terms of the brief. The intention was to utilise the Council's Consultancy Framework Contract to procure this service as this had already been competitively tendered and allowed a quick award of contract.

A presentation was provided, showing the Council's considerable variety of facilities, which included large fishing harbours, cruise liner facilities, ferry terminals and smaller piers, jetties and pontoons for both commercial and leisure uses. The Business Plan was required to identify where best to invest for the future.

During discussion the following points were made:-

- Loch Linnhe and Fort William offered significant maritime-related business opportunities and the feasibility study into developing a Statutory Harbour Authority at Loch Linnhe should be undertaken at the same time as the consultation on the Strategic Business Plan;
- updates on progress with the Plan were requested for future meetings of the Board;

- having been in decline in recent years, it was suggested that the fishing industry was now recovering;
- pontoon development and the connectivity of ports and harbours were suggested as important issues;
- attention was drawn to the point made at a previous Board meeting that local businesses should not be disadvantaged if facilities were transferred into community ownership. It was suggested that objections arising from such transfers should be included in the Plan as a potential risk but, following discussion, the Chairman suggested that localised issues such as this would be dealt with on a case by case basis by the Board, although the overall risk would be kept in mind once the Business Plan was finalised; and
- given the importance of fuel sales to the overall performance of the Harbours, and the complex issues around fuel pricing and storage, a fuel strategy should be included in the brief.

The Board **APPROVED** the main terms for the brief for the Strategic Business Plan to be produced via the Consultancy Framework Contract, with the addition of the development of fuel strategy to the main terms of the brief.

## 7. Culkein Drumbeg – Deregulation and Disposal of Facilities

There had been circulated Report No HMB 04/15 dated 5 January 2015 by the Director of Community Services advising the Board of the current situation at the ‘Statutory Harbour’ of Culkein Drumbeg whereby the lack of use and poor quality of construction had led to the substantial decline of the jetty. Members were asked to consider the continuing need for the area to be regulated under Harbours legislation and the possible disposal of the facilities by either private sale or permanent transfer to a community organisation.

The Assynt Crofters Association (ACA) had indicated their interest in acquiring the facility. Discussion ensued on whether to offer the transfer of the Harbour Authority to the ACA, along with the facilities, or whether to commence proceedings to deregulate the Harbour, in the knowledge that should the ACA wish to develop a Statutory Harbour Authority for the area, something that was considered unlikely, they could undertake that process themselves. Furthermore, the process to transfer a Harbour Authority could be lengthy, and would commit the Council to maintaining their Harbour Authority responsibilities until the transfer process had been completed. In addition, an indication had been received that Transport Scotland might waive the £4,000 deregulation fee. For these reasons, the general mood of the meeting was to commence proceedings to deregulate the harbour. However, the Harbours Manager offered to consult with the ACA on the matter and report their response to the next meeting of the Board.

The Board **AGREED TO RECOMMEND** to the Community Services Committee that:-

- i. the boatshed, jetty and land be declared surplus to the requirement of the Service;
- ii. the matter of the disposal of the subjects be passed to the Director of Development and Infrastructure with a recommendation that they be disposed of to the Assynt Crofter’s Association at full market value on condition that they make a formal offer within one month and conclude within six months;
- iii. if the disposal to the Assynt Crofter’s Association was not concluded within those timescales then the subjects be disposed of to the highest bidder; and
- iv. the process to deregulate the Culkein Drumbeg Harbour be initiated.

## 8. Financial Performance 1 April 2014 to 30 November 2014

There had been circulated Report No HMB 05/15 dated 5 January 2015 by the Director of Community Services setting out the financial performance of Highland Council Harbours for the period 1 April 2014 to 30 November 2014.

Based on the financial performance to date, and assuming harbour and landing dues continued at the same level, and major works and operational expenditure were contained within their budget allocation, there was an anticipated budget shortfall of £0.500m. This was largely due to falling fuel prices and sales. The shortfall would be reported to the Community Services Committee meeting on 5 February, 2015.

Members considered the problems caused by falling fuel prices and potential means of addressing this. It was pointed out that much of the finance for infrastructure maintenance was sourced from these reducing fuel sales profits. The Director confirmed that an inflationary target rather than an income target was being considered for future budgets and Members welcomed a fuel strategy being included in the brief for the Strategic Business Plan.

The Board **APPROVED** the financial position to 30 November 2015.

## 9. Debt Management

There had been circulated Report No HMB 06/15 dated 5 January 2015 by the Director of Community Services providing details of the outstanding debt for piers and harbours as at 5 January 2015.

The Board **NOTED** the current debt position.

The meeting ended at 12.30pm.