

Not Confidential

**DECISION SHEET FROM Executive**

05 March 2008

Agenda No. 17

**ISLES OF SCILLY LINK IMPROVEMENT PROPOSALS (HARBOUR  
AND VESSEL PROJECTS)**

Portfolio Holder(s):	Economy Portfolio-holder, Strategic Planning and Transport Portfolio-holder
Chief Officer(s):	Director of Planning, Transportation and Estates, County Solicitor, County Treasurer
Key Decision:	Yes
Urgent Decision:	Yes
Checklist Compliant:	Yes
Implementation Date:	5 Mar 2008
Relevant Policy Development/Overview and Scrutiny Committee(s):	<b>Environment</b>

**DECISION**

It was moved by Matt McTaggart, seconded by Andrew Mitchell, and

**RESOLVED THAT**

1. Expenditure of £1.25m on development costs at risk on the harbour improvement project be approved and underwritten by the Economy and Strategic Planning and Transport Portfolios.
2. a) the use of £0.150m of the Transport Capital Programme to fund the harbour Improvements projects be approved.  
  
b) the continued progress on the projects be noted and the delivery of the package of measures listed below be approved in order to satisfy the conditions of Department for Transport funding:
  - award the contract to develop the designs for the harbours to Birse Coastal, seek planning consents and determine a works cost;
  - complete the development of the tender package for the vessel and seek tender prices for the vessel build; and
  - publish a notice in the European Journal to seek expressions of interest from potential operators for the new vessel.
- c) the financial business case for the new vessel be noted and, as the vessel purchase does not appear to be commercially viable, negotiations continue to secure Convergence Funding, including submission of an application, to reduce the level of borrowing to that which the future operations can sustain.
- d) the Executive receive further reports seeking:

## CORNWALL COUNTY COUNCIL

- authority for the adoption of a Collaboration Agreement between the County Council, Penwith District Council, the Council of the Isles of Scilly and the Duchy of Cornwall;
- approval to award the contract for the construction of the harbours; and
- approval to award a contract for the operation of the new vessel.

[The Chairman of the County Council had agreed that an urgent, immediately implementable decision should be made regarding this item of business, therefore, it cannot be called in for scrutiny by the Environment Policy Development and Scrutiny Committee.]

### Reasons

The County Council has already invested £0.179m and project partners another £0.498m (including £0.274m Objective 1) in the harbour and vessel projects to date. Key decisions are required now to ensure that the Council understands the ongoing project risks and the adverse impacts on the Isles of Scilly and Penwith economies if the project does not proceed. By the end of the next stage of the project, if it proceeds, the Council will have committed almost £0.5m to the project. The role of the Council has changed through the project development from that of applicant to Department for Transport (for major funding) with no risk to a role of lead authority where it is now being asked to take significant financial risks.

The vessels are predicted to reach the end of their operational lives between 2009 and 2014. The do-minimum model would see the ferry service stop but with the private sector securing a replacement freight vessel. The implications of this are expected to be a loss of 13% of all visitors (25% of day visitors) and an increase of 50% to freight costs directly impacting on the Isles' economy and community sustainability, together with associated adverse impacts on the economy of Penwith.

The County Council is the only body within the Route Partnership having a Local Transport Plan (LTP) and the ability to secure the necessary funding from the Department for Transport (DfT) and act as the accountable body.

After extensive studies a major scheme bid was submitted in August 2004 and in July 2007 DfT gave conditional approval for £23.24m to fund the harbour works at St. Mary's and Penzance.

This report to Executive includes a financial business case prepared by the County Treasurer, and checked independently, which shows that the vessel purchase and operation is not viable using commercially available borrowing. However it has been shown that using the Council's access to Prudential borrowing rates, and with capital investment from the Convergence Fund, that a service can operate, cover its costs and, at the end of the proposed 25 year term of operation, use the funds from the sale of the vessel as a down payment for a replacement vessel, to sustain the future service.

The harbours and vessel would remain in public ownership.

### Project Risks - General

This project presents some unique risks to the County Council. The project funding partners have varying capacities to share those risks which is reflected in their financial support of the project so far. SWRDA is committed to supporting vessel development and Convergence funding is committed for the vessel build. To secure those funds, however, the project preparatory costs must be found for this next 9-12 months.

## CORNWALL COUNTY COUNCIL

The project can be considered in three main stages:

- Stage 1: Now - October 2008 (Design stage to submission of Planning Application, receipt of vessel tender price, vessel operator tenders)
- Stage 2: Nov 2008 – Spring 2011 (construction stage inc. delivery of vessel)
- Stage 3: Operation of new vessel

### Options

- (a) Proceed as recommended to satisfy the conditions of DfT harbour funding and to secure Convergence funding towards the vessel to allow the projects to proceed to programme.
- (b) Seek additional preparatory costs from project partners to reduce the Council's exposure to abortive costs. Prolonged negotiations will increase project costs.
- (c) Decline to fund the preparatory (design and tender) costs.
- (d) Defer a decision pending further discussions with Department for Transport to seek support.

### Debate at the Executive - 05 March 2008

The Executive had deferred a decision on this item at its meeting on 13 February and asked for a further report giving the full risk assessment, details of which were included in the confidential report prepared for this meeting.

Although it appeared that the risks had been addressed since the last meeting, concern remained regarding the level of risk the County Council would be committed to during the second and third stages of the project. However, it was recognised that the County Council was the only body that was in a position to act as lead authority for the project via its Local Transport Plan.

The Portfolio-holder for Strategic Planning and Transport confirmed that the concerns raised at the last meeting had now been addressed to his satisfaction by project partners. There had been discussions regarding both risk and partners' commitment and he felt that the Council was now in a more secure situation and should continue to lead on the project. As well as seeking to secure the future sea-link to the Isles, it was an important project for the Isles' and Penwith's economies.

On a wider issue, the Executive raised the point that national government ought to play a greater role in projects providing vital communication and transport links to remoter communities like the Isles of Scilly.