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Date: 27 September 2017

Dear Sir/Madam

You are invited to the following meeting:

Harbour Board
Council Chamber, Town Hall, Lerwick
Wednesday, 4 October 2017 at 10am

Apologies for absence should be notified to Leisel Malcolmson, at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: A Manson
Vice Chair: D Simpson

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

1. Emergency repairs to Fair Isle Ferry Slipway Rails
PH-16
2. Ports & Harbours Overview
PH-13
3. Scalloway Fishmarket – Full Business Case
PH-14
4. Ports and Harbours Business Programme
PH-15



Meeting(s):	Harbour Board	4 October 2017
Report Title:	Emergency repairs to Fair Isle Ferry Slipway Rails	
Reference Number:	PH-16-17F	
Author / Job Title:	Team Leader – Port Engineering	

1.0 Decisions / Action required:

- 1.1 That the Harbour Board RESOLVE to NOTE the exception applied.

2.0 High Level Summary:

- 2.1 The Council's Contract Standing Orders require competitive tendering where the estimated value of goods, works and services is in excess of £10,000. Where the estimated cost is equal to or greater than £50,000, appropriate advertising would apply in accordance with the Contract Standing Orders.
- 2.2 The Contract Standing Orders include provision for exceptions to be considered. Part 1, Paragraph 2 (iii) provides an exception where: "The demand is for the execution of works or the supply of goods, materials or services, certified by the relevant Service Director as being required as an emergency measure so as not to permit the invitation of tenders. "Emergency" means only an event which could not reasonably have been foreseen."
- 2.3 During an insurance inspection of the Fair Isle ferry slipway on 29 April 2017 by the Council's new insurance inspectors, defects on the slipway rails were identified.
- 2.4 The report stated that the rails and fixings should be replaced before 26/10/2017.
- 2.5 Following receipt of this report, a thorough inspection of the slipway was arranged, which included the underwater elements of the slipway. The tidal and underwater sections of the rails had been replaced previously, and were found to be in good condition. Therefore, the repair scope of work was confined to the upper section of the slipway rails.
- 2.6 As the Fair Isle ferry cannot be left in the water during Winter, repairs to the slipway rails would have to be undertaken at very short notice, and given the possibility of significant disruption to the scheduled service, authority to proceed with works was sought from, and given by, the Director of Infrastructure Services.
- 2.7 The works are now nearing completion, with no disruption to the scheduled service, and within the time limit imposed by the insurance inspectors.
- 2.8 Whilst the works are nearing completion, final costs remain unknown. However, it is anticipated that these final costs will be less than the initial estimate of £160k.

3.0 Corporate Priorities and Joint Working:	
3.1	<p>Minimising damage to assets and transport infrastructure contribute to the outcomes in Our Plan 2016/2020:</p> <p>Connections and Access – The transport services we provide are the lifeblood of these islands.</p>
4.0 Key Issues:	
4.1	<p>Immediate repair works were required to ensure that scheduled ferry services were unaffected. This was expedited by seeking and obtaining approval to progress the works as an exception to the Council's Contract Standing Orders for emergency situations.</p>
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications : Identify any issues or aspects of the report that have implications under the following headings	
6.1 Service Users, Patients and Communities:	Community and stakeholders have a vested interest in ensuring that the transport service is managed and operated safely and in accordance with legislation and industry best practice.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	None.
6.4 Legal:	There is a legal requirement for Port Operations to comply with EU Procurement Regulations and Council Contract Standing Orders.
6.5 Finance:	There was no budget for the emergency works described in section 2 of this report estimated at £160k. This cost will be factored into the annual setting of the Harbour dues and recovered as part of Harbour activity.
6.6 Assets and Property:	None.
6.7 ICT and new technologies:	None.

6.8 Environmental:	None.	
6.9 Risk Management:	There are significant challenges in maintaining the safe and appropriate use of Council assets. Failure to effectively protect and maintain these assets could increase risk to both the public and the Council.	
6.10 Policy and Delegated Authority:	<p>The Scheme of Administration and Delegations states that the role and authority of the Harbour Board is:</p> <p>4.3.1 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code; and</p> <p>4.3.2 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfill that function; and</p> <p>4.3.3 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council.</p>	
6.11 Previously considered by:	None.	

Contact Details:

Andrew Inkster
Team Leader – Port Engineering.

andrew.inkster@shetland.gov.uk

21 September 2017.

Appendices:

None.

Background Documents:

None.

END



Meeting(s):	Environment & Transport Committee Development Committee Harbour Board	2 October 2017 3 October 2017 4 October 2017
Report Title:	Ports & Harbours Overview	
Reference Number:	PH-13-17F	
Author / Job Title:	John Smith, Acting Executive Manager – Ports & Harbours	

1.0 Decisions / Action required:

- 1.1 The Environment & Transport Committee, Development Committee and Harbour Board are asked to consider this report, comment on its contents within their remit, and NOTE the proposed actions of the Ports & Harbours service in partnership with other Council services over the coming period.

2.0 High Level Summary:

- 2.1 This report provides relevant committees and the Harbour Board with an opportunity to consider the proposed Ports & Harbours work programme; much of which relates to shared objectives and requires close cross service working.
- 2.2 It summarises the overall objectives for the Councils provision and operation of marine infrastructure and services, the main consideration when considering its development or rationalisation and the priorities for further analysis, option development and appraisal and decision-making.
- 2.3 This report seeks to inform Committees about the work Ports & Harbours are currently undertaking or are planning to start. It is understood that linked strategic planning will be undertaken by other relevant lead services over the coming period. It is anticipated that this work will also be done collaboratively across service and Committee to ensure that actions are joined-up effectively.
- 2.4 Ports & Harbours will continue to review our work in the light of any future Council decisions and continue to report through all appropriate performance management, gateway, procurement and budget setting mechanisms for decision making as required.
- 2.5 Comment and endorsement of the objectives, priorities and proposed actions by Ports & Harbours at this time will assist in our work programming and delivery.

3.0 Corporate Priorities and Joint Working:

- 3.1 Section 3 in the attached overview considers overall Council priorities for economic development and transport as they relate to marine activities in some detail.

3.2	'Our Plan 2016 to 2020' states; "We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.
3.3	This report recognises the importance of cross Council co-operation in much of the work that Ports & Harbours is involved in and therefore looks to discuss that work with, and be informed by, key committees.
4.0	Key Issues:
4.1	<p>Shetland is a group of islands; ports, harbours and piers make a significant economic and social contribution all around Shetland, primarily in the transport, oil and gas, fisheries and aquaculture sectors but in their social and cultural significance.</p> <ul style="list-style-type: none"> • Shetlands participation in the Oil and Gas industry is underpinned by the Port of Sullom Voe with additional activity at Scalloway Harbour. • Shetlands very significant offshore fishing industry utilises Scalloway Harbour and Cullivoe extensively and to a lesser but still important extent West Burrafirth, Collafirth and Symbister. • The inshore fishing fleet operates mainly from small harbours and piers. This sector has a significant value to the Shetland economy, and particular significance in a number of remote and rural areas. Their successful operation depends on support from a network of piers, geographically dispersed around Shetland, to allow access to scattered local fishing grounds. • The aquaculture industry depends on a network of geographically dispersed small harbours and piers, not all Council owned. It utilises Council facilities for large-scale operations, which require deeper berths such as the construction and launching of cages and the harvesting of fish and again has particular significance in remote and rural areas for jobs and commercial activity. • Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all inhabited islands and also underpin overall commercial and social activity.
4.2	The costs of providing and maintaining the Councils portfolio of piers is considerable; marine infrastructure is expensive to build and expensive to maintain. From time to time each location and each service needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when investment decisions need to be made.
4.3	There are a number of significant issues relating to major capital investments or rationalisations facing the Council. The planning, option appraisal and delivery of these projects form the main content of this overview, i.e. where there is a potential need for action beyond maintenance.
4.4	The strategic lead on setting priority or defining service level in most of these areas is either the Development or Environment & Transport committee; the Harbour Board through Ports & Harbours then organise and delivery operational services. Therefore, it is important to have these discussions and hear their views.

5.0 Exempt and/or confidential information:	
5.1	None
6.0 Implications:	
6.1 Service Users, Patients and Communities:	The proposals described in this report are intended to sustain and enhance the delivery of services.
6.2 Human Resources and Organisational Development:	No implications arising directly from this report.
6.3 Equality, Diversity and Human Rights:	No implications arising directly from this report.
6.4 Legal:	Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report.
6.5 Finance:	<p>The Council has a very costly and very valuable estate of marine infrastructure and services. These are expensive to provide and expensive to maintain.</p> <p>To demonstrate that investment in non-statutory services like harbours and piers is best value; then the benefits of that investment need to be identified and quantified, both for the Council and for the overall economy and community.</p> <p>Ports & Harbours infrastructure and services are a significant cost centre and a very important income stream to the Council and community. Maximising impact and income when containing cost are both central to best value.</p> <p>There are no decisions with specific financial implications requested in this report. However generating a significant financial surplus and compliance with overall Council financial policies are key elements in all Ports & Harbours business planning and work programing.</p>
6.6 Assets and Property:	The proposals described in this report are intended to enhance the quality of the Council's existing asset base and improve the efficiency and cost of operation.
6.7 ICT and new technologies:	No implications arising directly from this report.
6.8 Environmental:	No implications arising directly from this report, however protection of the Shetland marine environment is one of the key priorities in all work planning.

6.9 Risk Management:	Work in the marine environment is intrinsically risky, both in health and safety and environmental protection terms. All activity must therefore be closely examined to ensure that it delivers the highest safeguards and standards.	
6.10 Policy and Delegated Authority:	<p>Development</p> <p>The relevant functional areas include relate to strategic regeneration, development, economy and business, energy, fisheries, arts, culture, and tourism and community regeneration / community development.</p> <p>Environment and Transport</p> <p>The relevant functional areas include the natural environment, roads, transport and ferry services.</p> <p>Harbour Board</p> <p>Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p> <p>Act as Duty Holder as required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.</p> <p>Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council.</p>	
6.11 Previously considered by:		

Contact Details:

John Smith, Acting Executive Manager – Ports & Harbours
 jrsmith@shetland.gov.uk
 14 September 2017

Appendices:

Appendix A – Ports & Harbours Strategic Overview

Background Documents:

Listed in Appendix A

END



Shetland Islands Council



Project Title: Ports & Harbours

Strategic Overview

1. Introduction

This paper has been prepared to give an overview of marine infrastructure owned and marine services operated by Shetland Islands Council and related issues and options.

It seeks to draw together the objectives for Shetland Islands Council's investment and/or facilitation of Ports & Harbours Infrastructure and services around Shetland and provide a context to consider whether current arrangements best meet those objectives and identify issues and/or opportunities to consider changes.

2. Background

The Port of Sullom Voe is owned and operated by Shetland Islands Council as Harbour Authority, primarily to service the Sullom Voe Oil Terminal and crude oil export.

The Council owns the four tanker jetties, construction jetty, tug jetty, tug fleet, pilot launch and mooring boat fleet, ancillary craft, aids to navigation and shore side infrastructure at the Port of Sullom Voe.

The Council operates the Port of Sullom Voe through the Ports & Harbours service which delivers pilotage, towage, berthing, VTS and Port Engineering services through its assets and workforce.

The Council is the Harbour Authority for the Sullom Area as defined in Schedule 1 of the ZCC Act 1974, basically the area of Yell Sound, Sullom Voe and all other voes and inlets between a line east from the northern extremity of the Point of Fethaland to a line north from the root of the Mossbank Pie.

Scalloway Harbour is owned and operated by Shetland Islands Council as Harbour Authority for multi-purpose commercial use. It hosts major white fish landing and sales activity is a significant base for finfish aquaculture operations, provides support services for West of Shetland Oil and Gas and is a busy small boat and leisure user facility.

The Council also owns and operates a network of twenty-seven "Small Ports" around Shetland in addition to the Port of Sullom Voe (Tanker Jetties, Tug & Launch Jetties, Garths Pier, and Construction Jetty) and Scalloway Harbour.

Shetlands very significant offshore fishing industry mainly uses Scalloway Harbour, Cullivoe, Collafirth and Symbister.

The aquaculture industry depends on a network of small harbours and piers, not all Council owned, and the inshore shellfish fleet operates mainly from small harbours and piers. Those sectors have a significant value to the Shetland economy, and have particular significance in a number of remote and rural areas.

Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all the inhabited islands (apart from Vaila) and also underpin commercial and social activity.

Lerwick Harbour is also a significant local provider of services within each of these sectors. Consideration of complementary developments by the Lerwick Port Authority are born in mind throughout this review; as is the contribution of commercial piers operated by Aquaculture companies, some small community owned and operated piers and the network of community owned and operated marinas around Shetland.

A financial overview across all areas of Ports & Harbours activity is reported regularly to the Council as part of performance management arrangements.

Significant work has been done recently on the strategic issues around the Port of Sullom Voe and Scalloway Harbour. This programme places that work in an overall context and proposes a series of strategic outlines cases that will consider developments at the Port of Sullom Voe, Scalloway Harbour and the smaller harbours and piers around Shetlands coast.

The Council has also done much work recently on inter-island ferry services and terminal replacement with the Scottish Government. The ferry fleet, link span maintenance and terminal replacement are not considered within the scope of this SOP as further analysis and developments around those are being undertaken elsewhere. However, maintenance and repair of ferry terminals pier infrastructure, aids to navigation and harbour navigation including dredging are matters within scope.

This overview has been developed with reference to the agreed standards and format for Business Cases, as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”.

The overview, and any subsequent work on more detailed business case stages, will also link across to the Councils 5 Year Asset Investment Plan and Long Term Asset Investment Plan.

Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that.

Please note that the primary purpose of such an overview is to:

- facilitate strategic ('macro') and collaborative planning and the setting of associated budgets
- identify and cost key components of the strategy (programmes) and enabling deliverables (projects)
- provide the strategic context for subsequent investments

- facilitate the speedy production of subsequent business cases for related investment.

3 *The Strategic Case*

3.1 *Objective(s)*

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective in this strategic area is:

To ensure that the best value options to sustain, where appropriate develop and where necessary rationalise the Council's Ports and Harbours Marine infrastructure and associated services are identified; taking into account the Councils objectives, value for money and wider economic issues and benefits.

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local authorities at this time.

It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

3.2 *Links to Policy and Priorities*

The following sections outline how the provision of marine infrastructure and services links to policy and priorities including the Council's, Corporate Plan, Long and Medium Term Financial Strategies, Asset Investment Strategy, Economic Development Policy and Community Plan, through to sectoral Strategies and Scottish Government and National Strategy, the Infrastructure Directorate Plan and Ports & Harbours Service Plan.

Corporate Plan Drivers

Councils Corporate Plan - "Our Plan"

"Our Plan" recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our life blood. Shetland's ports and harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports &

Harbours infrastructure and services in place that cannot happen and new associated business opportunities and wealth creation cannot take place.

Economy & Housing

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

Economy and Housing objectives detailed in “Our Plan” include:

- “We will have clarified the council’s future role in the port of Sullom Voe, and, after having taken a robust business model approach, we will be seeing the best possible returns from our investments.”
- “We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas.”
- “We will be investing development funds wisely to produce the maximum benefit for Shetland’s economy.”

Community Strength

When it comes to individual communities, very often-complicated socio-economic conditions exist which cannot be controlled by any one agency. As this plan is about making better use of the resources we have available, we can no longer provide money in the hope that it will fix things. Instead, we feel that a better approach would be to actively support communities to understand the reasons for the challenges they face and help build capacity to take positive steps to address them.

Community Strength objectives detailed in “Our Plan” include:

- “Communities will be making use of the provisions contained in the Community Empowerment Act, taking ownership of best use.”

Connection and access

The transport services we provide are the lifeblood of these islands. They enable us all to go about our daily business and take part in community life. Young people highlight transport as one of their top priorities, along with housing and jobs. Similarly, businesses also raise transport as a key requirement, essential to maintaining their current activity and achieving future growth.

Connection and access objectives detailed in “Our Plan” include:

- “We will have a clearer understanding of the options and the investment required to create a sustainable internal transport system over the next 50 years.”

Medium & Long Term Financial Plans

The Council has powers to operate ports and harbours and this makes a significant contribution to the availability of funding to deliver Council Services. Income is generated from the fees and charges raised on users of those ports and harbour areas and accounted for in the Harbour Account.

In 1974 the UK Parliament passed The Zetland County Council Act. This Act provided certain regulatory powers and placed duties of conservancy on the Council, over the seas around its coastline. The Act provides the Council certain financial powers to borrow, invest and participate in business.

Under the Act the Council now operates a number of harbours around Shetland, the primary operation taking place at Sella Ness (the Port of Sullom Voe and Sullom Voe Harbour Area).

All the harbour operations are accumulated and accounted for through the Harbour Account. All surpluses generated on the Harbour Account are transferred to the Reserve Fund – a specific Fund held within the Council's Usable Reserves.

The Act states the purposes of the Fund as:

- To cover losses on the Harbour Account;
- To meet any claim or demand against the Council arising from the Harbour Account;
- To meet any capital expenditure to maintain the Harbour Account;
- To meet any repairs and maintenance cost on the Harbour; and
- To be used for any other purpose, which in the opinion of the Council, is solely in the interests of the county or its inhabitants.

For many years the Council has drawn funds from the Reserve Fund to support the delivery of other Council Services, through a contribution equivalent to the annual surplus on the Harbour Account.

As a trading operation the Harbour Account is set up to make a return on the assets that are invested therein and to generate a surplus.

Financial modelling continues to be reviewed in light of volatile market conditions; however it remains important that certain principles are retained in terms of operating the Port of Sullom Voe for the benefit of the oil industry.

These include:

- The oil industry will never be subsidised by Shetland Council Tax payers;
- The pricing policy adopted will be full cost recovery plus a surplus, that reflects a suitable rate of return on investments;
- The surpluses generated by the Port of Sullom Voe over the period to 2050 will be at least equal to the average investment return that would be

generated had the capital instead been invested with the Council's Fund Managers;

- The cost of capital investment, associated lifecycle replacement and maintenance and decommissioning will be built into the full cost of operations.
- Where tanker numbers are such that additional surpluses are generated then these should be set aside to address the future costs and in preparation for the decommissioning of the operation and income to the Council being fundamentally reduced.

The Council's Medium Term Financial Plan (MTFP) maintains a prudent approach to the surplus that can be used for supporting Service costs and that a constant surplus of approximately £6 million will be generated annually.

This will provide a continuing level of income to the General Fund Revenue Budget to support Services and provide time for a greater level of information and knowledge to be obtained to inform future financial modelling and pricing policy.

Council Economic Development Policy

Harbour and pier provision supports the following objective within the current Economic Policy Statement:

- “Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth”.

Community Plan / Local Outcome Investment Plan/ 10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland.

The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.

The Community Plan incorporates the Local Outcome Improvement Plan (LOIP) which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are within Outcome D - Shetland has sustainable economic growth and all our people have the chance to be part of island life.

D1: Attracting more people to Shetland to live, work, study and invest.

D1.3: Develop and deliver a refreshed Transport Strategy, supporting SPB's ambition, where feasible, to attract more people to live, work, study and invest in Shetland.

D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development”

D2.1: Develop a shared policy approach in relation to fostering resilient rural communities and sustainable community assets

National Strategy and Outcomes

In supporting economic growth, the Council is contributing to National objectives as outlined in Scotland’s Economic Strategy published by the Scottish Government in 2015. The overarching objective is:

- “to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

Scotland’s Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the ‘investment’ priority, the ‘business investment’ strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in.

Shetland’s economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a range of socio-economic indicators and outcomes against which economic performance is measured.

Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).

3.3 Investment objectives for Marine Infrastructure and Services

The Council initiated a review of the strategic options for the future operation of the Port of Sullom Voe in 2015 to best meet medium and long term objectives. Assistance in conducting that review was commissioned from Price Waterhouse Coopers (PwC).

The objectives set out below were agreed by the Council in decisions made at the start of that review. They have been carried into this Strategic Outline Programme as they are judged to be relevant to all Ports and Harbours operational areas.

Environmental & Legislative:

- Protection of Shetland marine environment
- Maintaining biodiversity, geo-diversity, and protecting the built environment
- Compliance with health & safety obligations

Economic & Social:

- Maximise existing revenue and identify new sources of revenue from Council ports and associated economic activity.
- Creating employment opportunities and benefitting the local economy
- Supporting social cohesion and maximising community benefits

Financial:

- Maximise long-term value of assets by maximising opportunity and exploring new sectors
- Balance risks and opportunities, including:
 - Minimise downside risks such as decline in business activity and decommissioning / legacy costs
 - Retain potential upside from business growth opportunities
- Optimise fixed asset base and reduce recurring maintenance costs

The Council already has repair and maintenance programmes in place across the majority of Council piers and harbours, the Council approved these in 2014. There are also ongoing maintenance programmes in place for the tanker jetties and other infrastructure at the Port of Sullom Voe undertaken under the Sullom Voe Agreement.

These marine maintenance programmes are designed to protect the Councils investment in existing piers and harbours, and enable them to continue to provide their important services.

There is also a programme of ferry terminal structural maintenance activity also approved by the Council in 2014 and updated in subsequent years. It covers similar maintenance activity at a range of terminals, again designed to sustain existing services and protect investment.

Maintenance of the link-span and associated equipment is the responsibility of the Councils Ferry Service and is outside the scope of this programme, as is the replacement or significant redevelopment of inter-island Ferry Terminals and Ferry Piers.

Developments around significant expansions of service or significant cost and any disposals of infrastructure or other more radical options understandably are not within the scope of these programmes.

Decision points around that kind of activity require the assembly of a strong evidence base that they either delivered significant benefits (when considering costly service development) or had limited adverse impact (when considering substantial reduction or removal of service) before those kinds of actions are agreed and implemented.

There are a number of significant issues relating to major capital investments or rationalisations facing the Council at this time, or in the coming years. It is the planning, option appraisal and delivery of these projects that form the main content

of this overview and any associated business cases, i.e. where there is a potential need for action beyond maintenance.

Examples include;

- Port of Sullom Voe Tug Fleet Renewal
- Scalloway Fishmarket
- Toft Pier

A good deal of work has been done in investigating and collating information on strategic opportunities and issues over a number of years including the Port of Sullom Voe Development Master Plan, Scalloway Harbour Development Master Plan, Strategic Review Port of Sullom Voe and Scalloway Harbour review.

This work has not translated this far into decisions that guide the long term sustainability, development and rationalisation of the Councils Ports & Harbours Marine Infrastructure assets.

This Strategic Outline Programme is intended to draw this work together, allow those decisions to be made and the actions flowing from them implemented.

3.4 Main benefits from Ports & Harbours Marine Infrastructure investment

To demonstrate that investment in non-statutory services like Ports and Harbours is best value; then the benefits of that investment need to be identified and quantified, both for the Council and for the overall economy and community.

Non-quantifiable benefits and key risks also need to be identified so they can be considered when comparing options.

It is well established that ports, harbours and piers make a significant economic and social contribution right around Shetland, primarily in the transport, oil and gas, fisheries and aquaculture sectors but also in their social and cultural significance.

Shetlands participation in the Oil and Gas industry is underpinned by the Port of Sullom Voe with additional activity at Scalloway Harbour.

Shetlands very significant offshore fishing industry utilises Scalloway Harbour and Cullivoe extensively and to a lesser but still important extent West Burrafirth, Collafirth and Symbister.

The inshore fishing fleet operates mainly from small harbours and piers. This sector has a significant value to the Shetland economy, and particular significance in a number of remote and rural areas. Their successful operation depends on support from a network of piers, geographically dispersed around Shetland, to allow access to various production sites and local fishing grounds.

The aquaculture industry depends on a network of geographically dispersed small harbours and piers, not all Council owned. It utilises Council facilities heavily for

large-scale operations which require deeper berths such as the construction and launching of cages and the harvesting of fish and again has particular significance in remote and rural areas for jobs and commercial activity.

Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all inhabited islands and also underpin overall commercial and social activity.

Lerwick Harbour is also a significant local provider of services within each of these sectors and consideration of complementary developments by the Lerwick Port Authority are born in mind throughout this review as is the contribution of some small community owned and operated piers.

The costs of providing and maintaining the Councils portfolio of piers is considerable and each location and its facilities needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when significant new investment decisions need to be made.

The table below sets out the main benefits against the investment objectives.

Main benefits	Council and wider economy & community
Investment objective 1 Environmental & Legislative	Quantifiable Reduced environmental impact Qualitative Improved public and community image Able to comply with legislative and quality accreditation criteria.

Investment objective 2 Economic & Social	<p>Quantifiable</p> <p>Employment and business activity directly and indirectly associate with ports and their activities</p> <p>Additional income to primary producers form maintained / increased volumes or other activity</p> <p>Reduced or avoided producer costs</p> <p>Resultant multiplier in Shetland economy for that increased economic activity/profitability</p> <p>Qualitative</p> <p>Demonstration of active support for key economic sectors and the rural economy</p> <p>Continued potential for additional commercial or social activity.</p> <p>More secure and suitable berthing and landing facilities at convenient location.</p>
Investment objective 3 – Financial	<p>Quantifiable</p> <p>Sustained and increased income to the Council</p> <p>Reduced recurring maintenance costs</p> <p>Reduced need for future capital investment</p> <p>Qualitative</p> <p>Best use of Council resources for the community overall</p> <p>Improved management data and better linkages between costs of service provision, income and value</p> <p>Maintain and/or enhance valued community infrastructure.</p>

3.5 Main risks Identified

At this stage, the main risks identified are associated with option appraisal and decision-making. They relate to clarity in assessment of impact and value and the balance between further information gathering and decision-making.

Detailed technical or operational risks associated with any specific option will be identified and managed during later stages of any evaluation or implementation project.

Most of the technical options identified are relatively straightforward marine construction activities. Their capital costs, timescales and long-term revenue cost implications can be projected from a wide range of previous projects of a similar nature.

The core risks around uncertainty, which this overview identifies, and then seeks to manage and mitigate, are listed below.

Risk	Risk Management Actions
<p>Port and Harbours are expensive assets operating in a hostile environment and operating services with attendant intrinsic health and safety and environmental risks.</p> <p>The costs of provision and maintenance can be high, especially if appropriate maintenance is not carried out timeously. The costs of incidents or failure of infrastructure can also have a significant impact environmentally and on critical Council income streams.</p>	<p>Cost of infrastructure maintenance and replacement and the risk of failing to meet the objectives of the Councils medium term financial plan are highlighted as key risks on the Councils Corporate risk register with risk management and mitigation actions also set out in that register.</p>
<p>A perception that the Councils overall investment objectives for ports and harbours infrastructure lack some clarity. This could complicate or tend to delay decision-making.</p>	<p>Clear proposals regarding investment objectives are set out in this overview. These should then be examined and refined in work done to develop any further business case.</p>
<p>Without a decision on preferred ways forward safety, technical, commercial and planning uncertainties remain unresolved.</p>	<p>The balance of risks between active decision-making and further information gathering needs to be recognised and managed appropriately. Qualifying and clarifying those uncertainties will be simplified following structured review.</p>

4. Economic case

4.1 Critical success factors

The investment objectives discussed earlier can be summarised as critical success factors for consideration of each main sector within Ports & Harbours infrastructure.

- Ensuring environmental protection and compliance with legislative obligations
- Maximising Economic & Social benefits to the Council and Community
- Supporting the Financial objectives of the Councils long and medium term financial plans by maximising income surpluses within available investment resources.

4.2 Main options

The Councils Ports & Harbours Marine Infrastructure can be segmented in a number of ways. Typically, it has been considered under three broad headings and much of the previous analysis and consideration has been done on that basis.

- Port of Sullom Voe, including the small harbours and piers within the Sullom Voe Harbour Area.
- Scalloway Harbour
- Small Piers and Harbours including Inter-Island Ferry Piers.

The detailed issues and options for each of these areas are different, but all are seeking to deliver services to meet the Councils investment aims and therefore share many of the same critical success factors.

Port of Sullom Voe and the Sullom Voe Harbour Area

The Port of Sullom Voe was built in the 1970's to export of North Sea oil being processed at the Sullom Voe Oil Terminal (SVT). After more than 40 years' operation it continues to export crude oil via tanker; SVT and the Port of Sullom Voe would expect to continue to provide that service to 2050, and beyond, as production continues West of Shetland.

The Port is a critical facility for the terminal, without it oil could not be exported; it is also a key source of income for the Council. In addition to its commercial significance, it is a major local employer and provides strong environmental safeguards.

Throughput volumes at the port have declined significantly over the years. They are now at a low plateau but should rise in coming years as further West of Shetland production is processed through the Sullom Voe Terminal. Throughput is externally determined by production activity so there is an inevitable risk that further volume change could occur beyond the Ports reach of control.

The infrastructure at the port is well maintained generally, but it is aging and a period of low investment has left a number of key assets near end of life.

A thorough review of the Ports ownership, operation and options for modernisation and future activity is recommended, especially given the scale of investment, operation and income involved.

Review of the Sullom Voe Harbour Area also requires the small harbours and piers with harbour limits to be considered. That area extends from the north of Yell Sound to the East entrance and includes, Collafirth, Toft and Ulsta.

Developments within that area must consider any implications for the operation of the Port of Sullom Voe and any obligations and constraints arising from the various agreements governing the harbour area.

Scalloway Harbour

Scalloway Harbour is a multi-use commercial and community harbour, owned and operated by the Council. It provides significant services to the White Fish, Shellfish, Aquaculture, Oil & Gas and General Cargo sectors.

Scalloway Harbour facilities have grown and been adapted through a series of quay and associated infrastructure developments over a number of years as business needs have developed.

That infrastructure is now of a mixed quality, some in good condition, some requiring significant maintenance and some needing to be considered for replacement.

A thorough review of the Harbours ownership, operation and options for modernisation, sustainability and consideration of future activity is recommended.

Small Piers and Harbours including Inter Island Pier Structures

The Council owns and operates a network of “Small Ports” around Shetland in addition to the Port of Sullom Voe (Tanker Jetties, Tug & Launch Jetties, Construction Jetty, Garths Pier) and Scalloway Harbour.

- Symbister Harbour, Whalsay (includes a ferry terminal)
- Skerries Harbour (includes a ferry terminal)
- Toft (includes a ferry terminal, part of Sullom Voe Harbour Area)
- Hamarsness, Fetlar (includes a ferry terminal)

- North Haven, Fair Isle (also ferry pier)
- Grutness Pier, Dunrossness (also ferry pier)
- Walls Pier (also ferry pier)
- Ham Pier, Foula (also ferry pier)
- West Burrafirth Pier (also ferry pier)
- Housa Voe Pier, Papa Stour (also ferry pier)

- Easterdale Pier, Burra
- Toogs Pier, Burra
- Hamnavoe Pier, Burra
- Melby Pier, Sandness
- Billister Pier, Nesting
- Collafirth Pier, Northmavine, (also part of Sullom Voe Harbour Area)
- Mid Yell Pier, Yell
- Cullivoe Pier, Yell
- Uyeasound Pier, Unst
- Baltasound Pier, Unst

These piers provide varying levels of services for inter island transport, Aquaculture, Shellfishing, Whitefish, Pelagic berthing, Cargo handling and general community use depending on the individual pier under consideration.

In addition there are a number of piers and harbours which only provide inter-island ferry services but are also owned by the Council and structurally maintained by Ports & Harbours, the linkspans are maintained by the Councils Ferry service.

- Bressay Ferry Terminal, Lerwick
- Maryfield Ferry Terminal, Bressay
- Laxo Ferry Terminal, Nesting
- Vidlin Ferry Terminal, Nesting
- Ulsta Ferry Terminal, Yell, (also part of Sullom Voe Harbour Area)
- Gutcher Ferry Terminal, Yell
- Belmont Ferry Terminal, Unst

They are a mixture of concrete and sheet piled construction and in the main are in reasonable condition although a small number are significantly deteriorated and only some of the sheet piled piers have cathodic protection in place.

A pier by pier review is recommended to determine which should be retained and maintained, which should be considered for disposal and whether any piers require major reconstruction or replacement.

4.3 Options for taking matters forward

It is recommended that Strategic Outline Cases and as necessary Outline and Full business cases should be prepared for;

- 1 – The Port of Sullom Voe and the Sullom Voe Harbour Area,
- 2 - Scalloway Harbour and
- 3 - Small Piers and Harbours (including Inter-Island Ferry Terminals and Piers)

These Strategic Outline Cases should include a consideration of;

- Alternative ownership models;
- Alternative operating models;
- Appropriate maintenance to sustain service optimise recurring costs and contain reactive expenditure;
- Any potential significant investment in infrastructure and assets to develop or sustain services;
- Any potential rationalisation or disposals, and;
- Any other relevant improvement activity

These reports should draw on work previously undertaken, including the range of existing consultants' reports, and only engage specific expert support on a judicious basis if that is clearly required.

Work this far recommends that the following Outline Business Case and Business Justification Case activities should now be initiated;

Port of Sullom Voe / Sullom Voe Harbour Area;

1. Port of Sullom Voe Maintenance – Maintenance Programme / Business Justification Case /
2. Towage Fleet renewal – Business Justification Case
3. Port of Sullom Voe Contract Operations – Outline Business Case with option appraisal against status quo and internal improvements

As the transfer of operational responsibility for the Sullom Voe Oil Terminal proceed from BP to Enquest, further consideration should be give to business cases / development activity relating to;

- Long Term Tanker Jetty Requirements
- Infrastructure Decommissioning
- Future Business development, particularly relating to West of Shetland

An Outline Business Case should be drawn together for the disposal, renovation or demolition of Toft pier given its current condition, the unsatisfactory interim arrangements and their ongoing costs.

- Toft Pier Disposal/Demolition/Redevelopment – Outline Business case appraising options and any variants

Scalloway Harbour

1. Scalloway Fishmarket – Outline then Full Business Case
2. West Pier Review with option appraisal of the do nothing / minimum repairs, removal, conversion to breakwater and the development options identified in the Scalloway Harbour Development Masterplan with consideration of any other viable development options which might emerge – Outline Business Case
3. Scalloway Harbour maintenance should be taken forward within the scope of the Small Piers and Terminals Maintenance Program's / Business Justification Case

Small Piers & Terminals

The costs of providing and maintaining the Councils portfolio of piers is considerable and each location and its facilities needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when significant new investment decisions need to be made.

The maintenance programme for piers and terminals was approved by Council in 2014 and continues to be delivered, that programme should be updated through a Business Justification Case to maintain ensure robust links are maintained to the Councils Five Year and Long Term Asset Investment Plans.

All terminals and ferry piers should be retained and maintained by the Council unless and until some other general arrangement is agreed with the Scottish Government as part of the work being led by the Council's Transport Planning service. That

process will include the establishment of a priority sequence for the consideration of internal ferry routes and their associated terminals. That priority sequence will also inform Ports & Harbours evaluation and planning work in this area.

One, or a series, of Outline Business Cases or Business Justification Cases, either pier by pier or in groups, is recommended for all other piers.

These OBC/BJC's would investigate whether they should be maintained as is, should be considered for development, could be disposed of to community groups, commercial organisations or individuals or should be decommissioned and removed. All piers should be maintained through current arrangements while that process is being carried out.

- Small Pier and Ferry Terminal Maintenance Programme – Maintenance Programme / Business Justification Case
- Non Terminal / Small Pier Maintenance/Development/Disposal/Demolition – It is suggested that phase one of this should be a consideration of the four small ex-foot passenger piers which are still in the Council network. These could all be considered together or in individual BJC's.
- Terminal Maintenance/Development/Decommissioning – Prioritisation sequence generated in partnership with Transport Planning and Ferry Services as part of the work currently being done with Transport Scotland and the Scottish Government.

5. Commercial case

5.1 Commercial strategy

It is likely that the Commercial Strategy for each review area will be significantly different because of the particular business context each is operating within.

The Port of Sullom Voe will have to consider options within the large scale Oil and Gas and Major Port operation sector. This might give rise to franchise or long term operating contract opportunities, a range of improvement and investment activity with continued ownership and operation, rationalisation or a combination of all of these.

Scalloway Harbour given its more limited scale of operations and very mixed business is more likely to consider individual development partnerships and specific project development cases.

Small Piers and harbours are unlikely to present many fully commercial alternatives although individual community participation opportunities may be possible to identify within development or rationalisation opportunities.

5.2 Procurement strategy

All procurement activity will be considered in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004) and other relevant legislation and guidance.

This may differ for individual investments and range from the use of existing call-off contracts, to new procurements.

6. Financial case

6.1 Indicative costs

The scale of costs varies very significantly across the range of Marine Infrastructure under consideration and will be detailed in Strategic Outline Cases and any subsequent stages.

6.2 Funding arrangements

Funding arrangements for the different programme areas is also significantly different.

The underlying principles provided by the Council's Medium Term Financial Plan are;

- All costs of infrastructure provision, maintenance, operation and decommissioning at the Port of Sullom Voe / Sullom Voe Harbour Area must be borne by the Oil and Gas industry either directly through charges under the Sullom Voe Agreement or from income to the Harbour Account.
- Costs at Scalloway Harbour and small Ports and Harbours will be funded by a combination of income from commercial users through the Harbour Account, public contribution to the costs of inter-island ferry transport from National Government and any contribution from Council or other public funds for economic development or social objectives.

From time to time the Council may choose to use borrowing to spread costs of significant investments over time within the financial constraints and targets of the Harbour Account and the Councils Medium and Long Term Financial plans.

6.3 Affordability

Affordability of current and alternative arrangements for operation, maintenance, development and decommissioning will be detailed in Strategic Outline Cases and any subsequent stages.

That affordability will be considered within the financial constraints and targets of the Harbour Account and the Councils Medium and Long Term Financial plans.

7. Management case

7.1 Programme management arrangements

The programme will be managed by the Executive Manager, Ports & Harbours who will act as Senior Responsible Officer, reporting to the Director of Infrastructure.

A programme board has been established, serviced by the Team Leader Port Engineering and Ports and Harbours Business Support Manager with representation from the Councils Development Department, Finance, Capital Projects and Governance and Law Services.

Further Council officer advice will be sought from relevant Ports & Harbours Management Team Members and the Councils Economic Development, Community Development, Planning, Transport Planning, Ferries and Estates Management Services on relevant issues.

	Role	Appointee
Programme Board	Chair (SRO / Executive)	John Smith, Ports & Harbours
	User Assurance	Neil Grant, Development
	User Assurance	Maggie Sandison, Infrastructure
	Operator Assurance	Greg Maitland, Harbourmaster
	Technical Assurance	Andrew Inkster, Port Engineering
	Business Assurance	Robert Sinclair, Capital Projects
	Business Assurance	Jonathan Belford, Finance

Member engagement will be via regular reporting to performance management meetings, with additional events if required, to the Council's Harbour Board and other relevant committees as necessary.

Stakeholder engagement will be conducted through the Sullom Voe Association, fisheries representative groups, other industry partners and service users, community councils and local users as appropriate.

Staff engagement will be through established channels and include all potentially affected staff.

7.2 Programme milestones

Substantial work has been done recently across all areas of this programme although this now needs to be collated and presented in line with the Council's Gateway Process.

The milestones below are targets for the overall programme but will be subject to revision as individual cases are further developed or required.

Item	Programme Board	Asset Investment Group	Committees
Development of programme and initiation of Strategic Outline Cases / Business Cases	March 2017	April – October 2017	October 2017

Development and approval of Business Cases	March – September 2017	April – October 2017	October 2017 – March 2018
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7.3 Programme assurance

The Programme Board will provide regular progress reports to the Councils Harbour Board.

It will submit recommendations to the Harbour Board, Policy & Resources Committee and Council as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”. The programme will also conduct business in line with other Council standing orders and budget setting activities.

Background Documents

- Our Plan 2016 – 2020 (SIC)
- Shetland Community Plan / LOIP (Shetland CPP)
- 10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland.
- Medium Term Financial Plan (SIC)
- Long Term Revenue & Capital Planning Reports (SIC)
- 2016 – 2021 Asset Investment Plan (SIC)
- Corporate Risk Register (SIC)
- 2017 – 2022 – Five Year Capital Programme (SIC)
- Port of Sullom Voe Development Masterplan (Ironsides Farrar)
- Scalloway Harbour Development Masterplan (Ironsides Farrar)
- 2014 Ports & Harbours Maintenance Plan (P&H)
- 2014 Ferry Terminal Infrastructure Maintenance Plan (P&H)
- Strategic Review of the Port of Sullom Voe (Price Waterhouse Coopers)
- 2016 Scalloway Harbour Review Progress Report (P&H)
- 2016 Port of Sullom Voe Review Progress Report (P&H)
- 2016 Scalloway Fishmarket EMFF Application (SSQC)
- 2016 Scalloway Fishmarket Outline Business Case (P&H)
- Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016 (SIC)
- Shetland Transport Strategy (SIC)

Ends.....



Meeting(s):	Harbour Board	4 October 2017
Report Title:	Scalloway Fishmarket – Full Business Case	
Reference Number:	PH-14-17F	
Author / Job Title:	John Smith, Acting Executive Manager – Ports & Harbours	

1.0 Decisions / Action required:

1.1 That the Harbour Board;

- a) CONSIDERS the proposal for the redevelopment of Scalloway Fishmarket within the Councils strategic objectives for Scalloway Harbour;
- b) CONSIDERS the recommended option of redevelopment through demolition and rebuild on the existing site as set out in the attached Full Business Case; and,
- c) RECOMMENDS that the Asset Investment Group considers this proposal with a view to presenting it to Policy and Resources Committee which in turn makes recommendations to the Council as to the proposals to be included in the Councils Asset Investment Plan.

2.0 High Level Summary:

- 2.1 This report presents a draft Full Business Case for the redevelopment of Scalloway Fishmarket.
- 2.2 Resolving the future for whitefish market arrangements was highlighted as a priority project in the Scalloway Harbour Development Masterplan - Action Plan reported to the Harbour Board in October 2014.
- 2.3 Further work was undertaken considering a range of possibilities for the future of Scalloway Harbour in 2015. This work also determined that the future of the Scalloway Fishmarket was the most urgent matter to prioritise.
- 2.4 An “Option Appraisal” study on fishmarket arrangements at Scalloway was reported to the Harbour Board and Policy and Resources Committees in June 2016 which set out a range of alternatives. They instructed the production of an “Outline Business Case” to determine the preferred option.
- 2.5 That “Outline Business Case” was reported to Harbour Board in October 2016 to seek comment before it was considered by the Asset Investment Group and Policy and Resources Committee. On the recommendation of Policy and Resources Committee, the Council approved redevelopment to provide a modern fishmarket in the current location as the preferred option to meet the strategic objectives of the Council in operating Scalloway Harbour. The production of a “Full Business

	Case” for that option was instructed.
2.6	This report now seeks discussion and comment from the Harbour Board on a draft “Full Business Case” so that the Asset Investment Group and Policy and Resources Committee can be fully informed of their views as part of the investment decision-making process.
3.0	Corporate Priorities and Joint Working:
3.1	Section 3 in the attached draft full business case considers in some detail the overall Council priorities for economic development and transport as they relate to marine activities.
3.2	‘Our Plan 2016 to 2020’ states; “We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.
3.3	The Development Committee is also being asked to consider this draft Full Business Case to provide their view on the Economic Case for the redevelopment of the Fishmarket and to comment on the strategic fit of this development in the Shetland wide strategy for infrastructure support to a whitefish industry that contributes to the sustainability of the Shetland Economy.
4.0	Key Issues:
4.1	Work has been ongoing since 2014 to determine the best way forward for the future business development for Scalloway Harbour and since 2016 the future of the Fishmarket has required most attention due to the deteriorating fabric of the building and the need to increase capacity in response to increased landings of white fish.
4.2	<p>Following extensive option appraisal, analysis and evaluation a redevelopment of the existing fishmarket through demolition and rebuild on the current site has been recommended. (See appendices for details). Key issues which influenced that recommendation were:</p> <ul style="list-style-type: none"> • Landing volumes and quality demands are both rising. The current Scalloway market is both aged and has fundamental design constraints that do not allow it to be refurbished to a modern high quality facility. • A new Lerwick Fishmarket will provide some increased capacity, however it has been designed on the assumption there will continue to be a complementary facility in Scalloway; the availability of the two locations, East and West, enhances the overall Shetland offer. • There are few, if any, suitable alternative sites available within Scalloway Harbour and the existing site is the strongly preferred location for boats landing and trucks transporting fish onwards following sale. While it is understood that it will be disruptive to have to work with temporary facilities for the duration of demolition and construction all key parties believe that temporary inconvenience is acceptable to allow the right long term solution to be provided.

- At this time EMFF grant assistance is still open to pursue however that opportunity will eventually end with uncertainty over any future support packages. Financial analysis confirms that the project would benefit from EMFF support however, the significant value of current and projected business means that a business case can be made without external funding.

5.0 Exempt and/or confidential information:

5.1 None

6.0 Implications:

6.1 Service Users, Patients and Communities:	The proposals described in this report are intended to sustain and enhance the capacity and capability of white fish landing and marketing at Scalloway. They have been developed in partnership with the full range of industry partners and port users.
6.2 Human Resources and Organisational Development:	No implications arising directly from this report.
6.3 Equality, Diversity and Human Rights:	No implications arising directly from this report.
6.4 Legal:	No implications arising directly from this report.
6.5 Finance:	<p>The proposed capital cost of the project is £5.6m. An application has been submitted for EMFF funding. However, no funding determination will be made until tenders for the works have been received. Should 50% funding be approved the capital cost to the Council would be £2.8m. If the funding bid is wholly unsuccessful the capital cost to the Council would be £5.6m.</p> <p>In line with the Council's Medium Term Financial Plan and Borrowing Policy, the capital cost to be met by the Council would be funded by borrowing and would add to the Council's external debt.</p> <p>The borrowing costs would be funded through the fees and charging structure within the Harbour Account.</p>
6.6 Assets and Property:	The proposals described in this report are intended to enhance the quality of the Council's existing asset base and improve the efficiency and cost of operation at Scalloway Fishmarket.
6.7 ICT and new technologies:	No implications arising directly from this report.
6.8 Environmental:	No implications arising directly from this report, however protection of the Shetland marine environment is one of the key priorities in all work planning within Ports and Harbour's operations.
6.9 Risk Management:	The deteriorating fabric of the current fishmarket and congestion of operations are creating difficulties in operating to the hygiene

	<p>standards required to for a food business and food distribution operation.</p> <p>Replacing the existing Scalloway Fishmarket with a modern facility would mitigate the current risks of building or equipment failure.</p> <p>EMFF funding will not be confirmed until tenders are returned so it is possible that funding finally secured will not be at the 50% level requested. That may require a re-evaluation of the project at that stage in light of funding actually granted, any other potential funding sources and updated estimates of cost and projected income.</p> <p>General risk management arrangements will be in line with the Better Business Cases methodology and Prince 2 project management.</p>	
6.10 Policy and Delegated Authority:	<p>The Harbour Board has strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p> <p>The Harbour Board acts as Duty Holder as required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.</p> <p>The Harbour Board must consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council.</p>	
6.11 Previously considered by:		

Contact Details:

John Smith, Acting Executive Manager – Ports & Harbours
 jrsmith@shetland.gov.uk
 21 September 2017

Appendices:

Appendices A to A11 – Scalloway Fishmarket Full Business Case and Supporting Documents

Background Documents:

Listed in Appendix A

END



Shetland Islands Council



Scalloway Fishmarket

Full Business Case (FBC)

Introduction and Background

This Full Business Case has been prepared to determine the best value option for the future of the Scalloway Fishmarket.

- It has been developed using the agreed standards and format for Business Cases, as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”. This will mean best value can be demonstrated between the options, and that decisions can be taken on a well-informed basis.
- Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that .
- The key areas which must be evaluated in the Five Case Model are;
 - the **strategic case**. This sets out background, and explains the reasons why it is appropriate to consider change at this time. Part of that is understanding and documenting the investment objectives for the area under consideration.
 - the **economic case**. This demonstrates that the Council has properly evaluated and selected the most economically advantageous option, the one which optimises value for money. This evaluation has to take into account both the Council's direct costs and benefits; and wider community costs and benefits.
 - the **commercial case**. This sets out the content of the service required; and whether we can find a supplier or partner who can deliver the option the Council wants.
 - the **financial case**. This describes the funding arrangements for the preferred way forward and confirms the affordability of that for the Council.
 - the **management case**. This examines what the Council will have to do to deliver the preferred option and confirms how that will managed.

1 The Strategic Case

- A project was initiated in 2015 to review the Council's options for the future of Scalloway Harbour. That project considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.
- A Scalloway Fishmarket “Option Appraisal” study was initiated in March 2016 to consider options and prepare a Outline Business Case (OBC) to select and support the preferred option. Progress on that study was reported to the Council's Harbour Board in June 2016.
- The completed Outline Business Case was reported to the Council's Harbour Board and Policy and Resources Committees in October 2016. It recommended that following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option is to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.
- The Council's Policy and Resources Committee resolved that the project should proceed to the Full Business Case (FBC) stage and to the appointment of such specialist professional services as may be required to do so. Following a competitive tendering exercise Arch Henderson were appointed to provide those specialist architectural and engineering services.
- As a result of technical work done by Arch Henderson, some changes were required to the configuration of the rebuild and extend plan. The implications of these changes were evaluated through an updated Outline Business Case which confirmed the recommended preferred option. This updated OBC was considered and approved by the Council's Asset Investment Group (AIG) in April 2017.

1.1 Objective

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective of this Full Business Case is:

“to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is confirmed taking into account value for money and wider economic issues and benefits”

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local

authorities at this time. It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

2 Background and Strategic Context

2.1 Organisational overview

Scalloway Harbour and Scalloway Fishmarket is owned by the Council and operated by its Ports & Harbours Service.

2.2 Business strategies

See Ports & Harbours Strategic Outline Programme and Scalloway Harbour Strategic Outline Case.

2.3. Other organisational strategies

See Ports & Harbours Strategic Outline Programme and Scalloway Harbour Strategic Outline Case.

Part B: The case for change

There is widespread understanding and agreement exists that fisheries is a key sector in the Shetland economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches in good condition and in a way that meets customer demands.

The Council understands that the provision and operation of harbours or fish markets are not statutory obligations. Where the Council chooses to deliver discretionary services like this it must take particular care to demonstrate those services meet important needs, address market failure and/or deliver benefits to the Council and/or the community that justify the level of investment or funding required.

These decision points require the assembly of a strong evidence base that they either deliver significant benefits (for costly service development) or have limited adverse impact (for substantial reduction or removal of service) before those kind of actions can be agreed and implemented.

This Full Business Case is focused on the specific question of whether and how a rebuilt and extended Fishmarket at Scalloway contributes to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of doing that.

2.3 Background on Shetland Whitefish Fishmarkets –

Both Scalloway and Lerwick have longstanding involvement in Shetland fisheries and by the 20th century had become the focus for whitefish landings, sales and processing. Over the decades fish storage and sales facilities have developed as the demands of the industry has grown. Covered facilities were built, then fitted with doors and eventually chill facilities.

As individual merchants' sheds were no longer able to provide the scale and quality of services required, the port owners became the owners and providers of the then modern facilities built in the 1980s. The use of these facilities was paid for through a levy on fish landings at the port.

Port ownership of fishmarkets remains the common operational model in Scotland.

2.4 Background on Service Demand – Historic, Current and Projected Whitefish Landings

Historic and Current Whitefish Landings

Demersal (whitefish) landings are the mainstay of the fisheries activity at Scalloway, accounting for around 95% of all annual landings. The Council receives 2.5% of sale prices for fish landed at Council owned and operated ports as landing fees.

There has been long-term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15.

Between 2010 and 2014, total fish landings at Scalloway Fishmarket have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16. The value of landings for 2016/17 is projected to show further growth, and be in the order of £11m from the full financial year.

The number of boxes landed into Shetland including Scalloway has increased significantly, as have both the average sizes of daily landings and peak box landing numbers. Between 2003 and 2006 Scalloway Fishmarket had only one market day per year exceeding 1,000 boxes and there were no days where more than 2,000 boxes were landed in Shetland overall.

The total number of boxes landed into Scalloway has risen year on year, from 13,619 in 2004, to 96,652 in 2015, an increase of 610%. Total whitefish box landings for 2016 increased to almost 150,000 at Scalloway, an increase of some 50% on 2015 and 10 times the volume 15 years ago.

This is also reflected in the proportionate share of overall Shetland box landings being made into Scalloway and associated Council ports, which has risen from a low of 10% in 2004 to 40% for 2016.

In 2014 there were 24 days where over 1,000 boxes were landed at Scalloway, including one day with over 2,000 boxes and in 2015 there were 21 days. Daily peaks throughout 2016 were both higher (the largest daily landing was 2,225 boxes) and more frequent (there were 47 days with over 1,000 boxes and 16 days above 1,400 boxes).

It should also be noted that the increase in landing figures to the market may still not reflect the maximum level of demand for Scalloway as a landing port, as vessels are sometimes turned away, due to a lack of capacity. Therefore actual demand at peak times may well be higher than indicated by these figures.

Scalloway and Lerwick Fishmarkets operate in a complimentary manner offering landing sites on the west and east side of the Islands. Increased landings into both Lerwick and Scalloway underline their continued and growing strategic importance to the Scottish fishing industry. Initiatives such as the Electronic Auction and Shetland Whitefish Improvement Scheme have helped to push these advances forward.

A review of quality policies and procedures was jointly undertaken for both Lerwick and Scalloway Fishmarkets last year, including the development of a service framework for a complete quality control system. This quality control system is being further developed within a second phase project, which is currently being undertaken. Both these projects have been jointly funded by Seafish Scotland and local industry.

However, in order to retain and improve on these advances and keep pace with customer requirements and consumer demands, modern and enlarged fish market facilities are required at both these ports.

Plans for a new fish market in Lerwick are at an advanced stage, and this facility has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

Projected Whitefish Landings and future Customer Requirements

Whitefish catches and landings are subject to fluctuation over time in terms of both volume and price. Forward projections are very difficult as there are many variables. Various landing volume scenarios can be generated depending on assumptions applied to factors external to any choice about fish market arrangements such as; fish stocks, quotas and licensing, the size and structure of the fishing fleet, and consumer markets and demands for fish. Different

combinations of how these factors develop will influence the eventual validity of choice of projection.

Industry advisors suggest that given current and projected stock and quota levels, the size and capability of the local fleet and their investment plans and the level of catch being taken from adjacent waters by boats not currently landing at Scalloway then future landing levels would be more likely to grow than reduce.

Brexit is also a very uncertain factor in how fishing arrangements around Scotland and Shetland may develop over the coming years. The consensus of professional opinion is that succeeding arrangements should create more opportunities than risks, therefore landing levels would be more likely to be higher than lower.

It is also difficult to estimate the internally generated impact on Scalloway and/or Shetland landing volumes that a better Scalloway Fishmarket (more space/more modern), a degrading Scalloway Fishmarket (congested space/being left behind by modern quality demands) or no Scalloway Fishmarket (fish landed at other ports/transhipped to Lerwick or transhipped out of Shetland) would make. The tendency of each of these alternatives to generally increase or reduce landing volumes and values can however be identified. A modern high quality facility with increased capacity should tend to attract higher volumes than otherwise.

Previously quantitative cost/benefit calculations have used 2015 volumes and values as a baseline. However, 2017 quota allocations and professional advice suggest that projected landings are expected to be in line with 2016 if not higher. Therefore, updated calculations have used 2016 volumes (150,000 boxes) and values (£11.6m) as their baseline.

The trend of long-term whitefish volume and value growth is paralleled by increasing quality premiums and obligations. The whitefish industry is now entering a phase similar to that already seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification. This means that both the current market, and any new developments in Scalloway, will have to keep pace with change in order to both satisfy increased quality assurance demands and remain competitive.

For the purposes of the quantitative cost/benefit calculations in this Full Business Case, fish prices have been assumed to increase by 2.5% due to a price improvement premium enabled by enhanced fish handling facilities.

2.5 Background on current service provision - the existing Scalloway Fishmarket

The current Fishmarket was built in 1984 as part of the Blacksness pier development which also provided safe and sheltered berthing for the local fleet, an extension was added in the early 1990s. The Fishmarket is a portal frame structure with concrete slab floors. Walls are block and dash rendered to the ground floor with profile sheeting at first floor level.

The roof has profile sheeting and the building is double-glazed throughout. Sectional doors are situated along the east and west elevation with solid timber doors for pedestrian access and egress. The ground floor provides storage of just below 600m² and the first floor provides storage of 450m² and also has offices.

The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping of up to about 1,000 boxes of mixed whitefish. That storage efficiency is also affected by the number of boats landing and the nature of their catch on any given day. Each boat's catch needs to be managed individually and each species of fish graded and presented separately. Therefore, more boats with mixed catches need more space.

On a typical landing day in recent years there are likely to be up to 50+ species/grade combinations sold which can be multiplied by three to seven boats. Beyond 1,000 boxes, facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations have to be conducted outside the doors of the market and therefore outside controlled conditions.

The fabric of Scalloway Fishmarket is now aged and reaching the end of its serviceable life without significant work. Its facilities are unlikely to be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business.

The Fishmarket is currently running with various defects to the building. The roof has surpassed its economic life and has water ingress at the south end of the building. Some of the window frames have failed with water ingress to some of the units.

With increased landings, the floor space does not always allow walkways, with building users having to walk over fishboxes at times. This congestion and changes in industry processes have meant that the space is often very constrained which has contributed to damage being caused by logistic operations suffering collisions with doors and walls.

The electrics throughout the building will need to be replaced shortly; a building electrical test was carried out and reported a list of emergency and urgent faults. The electrics have had the emergency faults addressed, but the urgent faults are still to be rectified.

The building has various gaps and fire breaches throughout contributing to cold air leakage. These gaps should be sealed in walls, ceilings and doors for air leakage and to help prevent the spread of fire.

Bays are currently washed down with a hose and all waste transfers to the sea. Current practices means there should be a drain inside the property that leads to a separator tank before being drained away.

General security needs to be improved; the current operation allows un-supervised access to the building. A CCTV system has been installed, but further management of access to the property should be provided to better control access and egress.

2.6 Investment objectives

2.4 Investment objectives

These objectives were agreed by the Council at the initiation of the PwC strategic review of the Port of Sullom Voe. They are also the objectives set out in the Strategic Outline Programme for Ports & Harbours generally and the Strategic Outline Case for Scalloway Harbour.

Environmental & Legislative:

- Protection of Shetland marine environment
- Maintaining biodiversity, geo-diversity, and protecting the built environment
- Compliance with health & safety obligations

Economic & Social:

- Maximise existing revenue and identify new sources of revenue from Council ports and associated economic activity.
- Creating employment opportunities and benefitting the local economy
- Supporting social cohesion and maximising community benefits

Financial:

- Maximise long-term value of assets by maximising opportunity and exploring new sectors
- Optimise exposure to financial risk, including:
 - Minimise downside risk of major incidents, such as decline in business activity and any associated decommissioning/legacy costs

- Retain potential upside from any growth in port operations
- Optimisation of fixed asset base and reduction in recurring maintenance costs

2.7 Main benefits

- If investment in a non-statutory service like Scalloway Fishmarket is to be demonstrated to deliver best value then the benefits of that investment need to be identified and quantified. Non quantifiable benefits also need to be identified so they can be considered when comparing options.

The table below sets out main benefits against the investment objectives identified.

Investment objectives	Main benefits criteria
Investment objective 1 (economy) - supports businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc.	Cash releasing (£s) <i>Better prices for improved quality of product</i> <i>Able to cope with bigger volumes more quickly</i> Non cash releasing (£s) <i>Improved fish handling systems</i> Qualitative <i>Better staff welfare facilities</i>
Investment objective 2 (effectiveness) - services the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc.	Cash releasing (£s) <i>Reduced maintenance</i> <i>Reduced need for reactive investment</i> <i>Reduced electricity consumption</i> Non cash releasing (£s) <i>Improved health and safety</i> Qualitative <i>Improved public and community image</i> <i>Able to comply with legislative and quality accreditation criteria.</i>
Investment objective 3 – (efficiency) - any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts etc.	Cash releasing (£s) <i>Lower maintenance costs</i> <i>Lower running costs</i> <i>Reduced environmental impact</i> <i>Increased income to Council and primary producer</i> Non cash releasing (£s) <i>Improved management</i>

2.8 ‘Dis-benefits’

- As well as considering benefits from any continued service provision or enhancement it is important to understand “dis-benefits” from its reduction or removal.

- Degraded or removed facilities at Scalloway could lead to reduced fish quality and landings (or a failure to exploit an opportunity for growth) and therefore lose income to both the Council and primary producers. Other dis-benefits could include increased transport costs and double handling, inability to meet quality and legislative requirements and ultimately loss of profitability or employment.
- Quantifying the potential scale of these dis-benefits is difficult but a significant factor would undoubtedly be the availability or lack of alternative facilities to provide the same service within Shetland (i.e. at the Lerwick fishmarket) or whether those services would have to be obtained outside Shetland (boats landing to Scotland or trans-shipping to Scottish markets or buyers).
- At this time Lerwick fishmarket has similar capacity problems as Scalloway, typically has its peak demands at the same time, and cannot accept fish from Scalloway when those peaks occur. The new facility which Lerwick Port Authority are planning will have additional capacity but will also have to cater for more space-demanding fish handling obligations as future quality demands and regulations rise.

2.9 Main risks

- The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.
- An overall risk evaluation is set out below (see section 3 for further details) and risk management arrangements for delivery of the preferred option is included in Appendix 1 – Project Initiation Document.

Risk	Risk Management Actions
Current fishmarket fails before replacement is available	Active management of current facility, prompt progress with replacement
Replacement project cannot be done technically	Ensure preferred option is relatively straightforward, affordable and mainstream
Replacement project mis-matches need over medium/long term	Good industry advice with some options for expansion or contraction available.
External funding is not available	Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines

2.10 Constraints and Dependencies

The constraints placed on this project include the current expected lifespan of the existing facility, and time limits for both applying for and accessing EMFF funding.

Marine Scotland have stated that they would be willing to consider a 50% grant bid for the capital elements of a suitably qualifying project which would be very significant in determining whether the internal economic case for the Council shows a positive return.

An application has been submitted for EMFF funding. Marine Scotland which handle that fund have confirmed that the project is within scope, however no funding decision will be taken until tenders for the works have been received.

Following his announcement in August, which guaranteed funds for projects signed up until the Autumn Statement, the Chancellor has now extended this guarantee to confirm that the government will guarantee EU funding for structural and investment fund projects signed after the Autumn Statement and which continue after we have left the EU.

He was clear, while the UK is still a member of the EU, British businesses, farmers and other organisations must be entitled to apply for EU funds.

Funding for projects will be honoured by the government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

As a result, British businesses, farmers and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending.

Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the government will ensure they are funded to meet these commitments.

The structural and investment subject to HM Treasury's assurances include:

- European Agricultural Fund for Rural Development – CAP Pillar 2
- European Social Fund
- European Maritime and Fisheries Fund
- European Regional Development Fund - including European Territorial Cooperation

The main dependency for Scalloway Fishmarket is the arrangements for the other fishmarket in Shetland which is at Lerwick. These two facilities currently operate in partnership with Shetland Fish Auctions to store and then sell Shetland's whitefish landings online to local, national and international markets.

The plans for a new fishmarket in Lerwick are also at an advanced stage. While this new facility should offer some increase in capacity and a general upgrade in quality control, it has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

3. The Economic Case

3.1 Introduction

This section documents and evidences that the most economically advantageous option has been selected as the preferred option, which best represents public value to the wider economy.

3.2 Critical success factors

The following critical success factors (CSFs) have been identified in relation to achieving the overall objective for the Outline Business Case and were used to assess the short list of options for the future of Scalloway Fishmarket.

1. Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
2. All services and facilities the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
3. Any investment of public money must be done as efficiently as possible in value for money terms, whole life costs and impacts etc. (efficiency).

A long list of options for Scalloway Harbour was developed from workshops held with stakeholders and reported to the Council in February 2016.

That review considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

3.3 The short list

- **Option 1a** - Maintain the existing Scalloway Fishmarket through rolling repairs
- **Option 1b** - Demolish the Scalloway Fishmarket and tranship fish to other markets
- **Option 2** - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Rebuild and extend the Scalloway Fishmarket on the existing site

This list was evaluated in the Outline Business Case and following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option was 4; rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site

This would deliver an extended fishmarket size and adapted layout on the same site which would offer additional capacity and would have a range of modern facilities designed in.

It will provide:

- Increased floor capacity to be able to handle increased peak landings on individual days, and carry out logistics, grading and fish management operations safely and efficiently.
- A widened fishmarket to cope with the introduction of palletisation and electric forklifts. The current fishmarket is very narrow which leads to restricted movement of both pallets and forklifts within the building, and this has been highlighted as a safety issue.
- Additional room to house grading machinery. A pilot project of grading fish both pre and post-sale has recently begun at the market, as a quality control and value adding exercise. This appears to be operating well, however it is taking up floor space within the building which is already very cramped, and a dedicated grading area for this machinery would be required within a modernised facility.
- The introduction of a transport corridor . This has become imperative due to the introduction of palletisation of fish. A transport corridor would allow for the safe and controlled storage for onward movement of palletised fish, in conjunction with covered loading bays.
- Dedicated overnight forklift charging points. Currently there are no specific charging points for forklifts, and this has led to congestion within the building.
- The introduction of covered loading bays. Fish are currently loaded into trucks outside the fishmarket which can lead to potential temperature control and contamination issues. This is not considered appropriate for a modern fishmarket facility, and has been highlighted as a potential quality and food safety issue. Covered loading bays would solve these issues.
- The upgrading of welfare facilities for fishmarket workers and visitors, including a washing and shower room, tea room, laundry, drying room and changing area. None of these facilities are currently available at the fishmarket.
- The use of a renewable energy source, from photovoltaic roof panels to help power chilling within the fishmarket. This will not only result in reduced environmental impact, but could also reduce the overall electrical running costs of a modernised fishmarket by a third.

3.3 Further Technical Evaluation of rebuilding the existing market

Arch Henderson LLP was appointed by Shetland Islands Council in December 2016 to bring forward proposals for the redevelopment of Scalloway Fishmarket to provide a modern 21st century facility that will facilitate current and future growth within the industry coupled with providing a modern quality controlled environment.

The existing fish market structure was inspected on the 20th December 2016 and a number of salient issues became apparent, including:

- Existing edge distance to quay edge at approx. 2.1m does not allow for safe mechanised fish handling
- Limited height of structural frame to accommodate modern chill facilities
- Existing floor slab and drainage will need to be reconstructed to prevent discharge to sea.
- Existing first floor accommodation will not comply with building regulations without additional escape access which in turn will impinge on market floor.

Fish handling is currently moving away from the practice of manually dragging boxes from quay edge to market, to pallet movement by forklift / pallet trolley, For this operation to be efficient and safe a distance of between 5 and 6m is considered a minimum requirement.

A further issue with the existing market is the current chilling facility. The existing market uses cold air blown across market from wall mounted chillers. This is considered detrimental to fish quality which has prompted the general industry move to static plate chillers that create the correct cold environment without the use of forced air circulation. These static plate chillers are ceiling mounted and a minimum clearance of 3m is required between the underside of chiller and the market floor. With a static plate chiller in place less than 3m head room would be left, making this unacceptable.

Current legislation confirms that all wash-down water from modern facilities can no longer be discharged directly into the sea, as is the case with the present market. For this reason the existing concrete floor slab would need to be completely broken out and re-laid, with falls directed away from the sea.

Finally, the existing first floor accommodation is on the limit of compliance with current building regulations, and if the central set of stairs was removed in order to open up and extend current market, the accommodation would not comply with emergency escape distances.

For all the above reasons then we confirm that retaining and extending the frame, ceiling and floor of the existing market is not a viable option and it is recommended

that designs are updated to include a more comprehensive rebuild, still on the same site.

3.3.1 Temporary Chill

Temporary chill facilities during demolition and construction will be required to continue the landing of fish at Scalloway to maintain customer loyalty and manage overall Shetland fish landings.

An option appraise recommended that these facilities should be provided within the north end unit of the Scalloway Harbour Office building during reconstruction.

That option appraisal is included as an appendix to this FBC.

3.3.2 Temporary Chill Conclusion

There are not many days throughout the year where more than 2,000 boxes are landed and so all options could cope with most daily landings, if they were managed correctly.

A disadvantage that has been noted and effects all options is the change to using mechanical aids rather than the typically manual procedures. However, this will be the normal procedure for transporting boxes in the redeveloped fish market and the building users should be familiar with this by the time the premises is operational.

The north unit of the Saga Building is the most advantageous with having good access and egress and the boats being able to land nearer to the facility than any other option. It has not however been possible to conclude any commercial arrangement for use of this building as time scales remain uncertain and other commercial use by the owner possible.

An extension built to the east of the existing Council shed requires the greatest upfront investment, but would be a Council asset for use as an additional chilled building or other storage in future. This option also has a longer lead-time, which would need careful management to avoid delays to the main market redevelopment project.

A temporary building erected in the same location would also require significant investment and would not be a long-term asset.

The two stores at the fish factory offers adequate space, but are split and each store only has one door for access and egress. It is the furthest from the quay meaning a longer transport between the boat and the landing facility. Also, one of the stores requires money spent for a refurbishment which will be a Scottish Sea Farms asset.

3.3.3 Temporary Chill Recommendation

The preferred option would be option 1 (North end Saga building). It is the cheapest option and provides the shortest distance between the boats and the facility. It is not a Council asset and would require refrigeration plant to be fitted. Beyond that it should not require significant refurbishment, although some works will be needed to protect the building's distribution boards. At this stage the main risk around this solution lies in the uncertainty around timescales for its rental.

Option 3 (Extension of existing Council shed) is the following choice if the north unit cannot be secured. It is the most expensive option and has the longest lead time, but the Council will be left with an asset for all the money it was spending on it. Part of the lead time for building an extension would be planning consents for that work and it is recommended that is progressed to further evaluate suitability and guard against avoidable delays.

Options 2 (Scottish Seafarms Factory) and 4 (rented temporary structure) are the least favourable. Both require larger sums to provide the facility, and would not generate any long-term asset for the Council.

3.3.3 Temporary Chill - Next Steps and Further Evaluation

Planning consents to extend the existing Council shed (Option 3) will be progressed as a contingency measure.

All other temporary chill options will continue to be examined and regularly reviewed in light of decisions that clarify project timing and progress with the Lerwick Fishmarket redevelopment.

A budget estimate of £500,000 for temporary chill costs (the highest cost option) has been included within calculations at this stage. This will be revised as final decisions are taken.

3.4 Economic appraisal

3.4.1 Introduction

This section provides a detailed overview of the main economic costs and benefits associated with the preferred option. Importantly, it indicates how they were identified and the main sources and assumptions.

3.4.2 Estimating costs

Capital costs used are in accordance with estimates developed by Ports & Harbours, the Council's Estate Operations service and professional advisors.

Operational costs have been based on the variation of current values supplied by Ports & Harbours Operations and Estate Operations services.

3.4.3 Summary of Costs

The costs for the preferred option have been investigated further during OBC update and through work undertaken by professional advisors and are detailed in appendices to this FBC.

Overall the project to redevelop the current site, including a transitional facility, will cost an estimated £5.6m and have an estimated annual revenue cost of £100k.

3.4.4 Estimating benefits

The benefits include the direct benefit to the Council in terms of income and the wider economic benefit to Shetland and beyond.

It is recognised that there are both quantitative and qualitative benefits from the options being considered, as separated below:

3.4.5 Quantifiable Benefits

These are benefits which can be measured and take account of all wider benefits to the UK, not just benefits to Shetland or the Council. It is recognised that not all benefits can be expressed in monetary values but as far as possible a monetary value has been given to benefits in order to enable a comparison between options to be achieved.

The quantifiable monetary benefits that have been identified are as follows:

- Increased income to the Council from the percentage levied on the increased value of whitefish landings once an upgraded market is in place.
- Increased income to fishing boats, Shetland Seafood Auctions and any other directly associated business from increased value of whitefish landings.

The core driver of monetary benefits from any fishmarket activity is the value added (or sustained) due to the use of that facility. The value of whitefish is a product of volume x market price. Under current arrangements harbour dues for whitefish landed at Council ports is 2.5% of value. The remaining 97.5% is shared between the boat, Shetland Fish Auctions and any other direct service providers; agents, lumpers, graders, haulage companies etc.

3.4.6 Qualitative Benefits

As outlined in the strategic case, the benefits associated with each option are wider than those which can be quantified by income generation; economic growth; job creation; leverage or exports.

Rather than attempting to evaluate these benefits in monetary terms, which may be necessary in some Business Cases, this study assessed these benefits as qualitative only. This is a reflection of the strength of the direct monetary case.

The wider benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholders and interested parties.

See Appendix 1 – Project Initiation Document for a list of stakeholders consulted.

The benefits identified fell into the following main categories.

Benefit type	Direct to Council	Indirect to Wider Community / Organisation(s)
Quantitative (or quantifiable)	Higher volume and/or value generating additional income to Council Potential EMFF grant	Additional income to primary producer and Shetland Seafood Auction
Cash releasing	Reduced electricity costs	
Non-cash releasing	Ability to comply with quality assurance and legislative requirements	Ability to comply with quality assurance and legislative requirements
Qualitative (or non-quantifiable)	Improved welfare facilities Image and reputation	Improved welfare facilities

3.4.7 Qualitative benefits appraisal

The benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility.

The appraisal of the qualitative benefits associated with each option was undertaken by identifying the benefits criteria relating to each of the investment objectives as follows;

- Quality of facility - (direct link to achieving any price premium, being fit for purpose and operational efficiency)

- Location of facility - (direct link to sustaining landing volumes and efficiency of associated logistics)
- Provision of staff/visitor amenities - (linked to fit for purpose)
- Capability to achieve quality accreditation - (direct link to fit for purpose and achieving any price premium)
- Disruption to service - (direct link to sustaining landing volumes and value during any period of disruption)

Allocating a weight to each benefit with reference to the relative importance attached to it by stakeholders.

Scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9, 0 not delivering any benefits to 9 delivering the greatest value of benefits. This was informed by the analysis by stakeholders of how that option would deliver against that benefit.

Benefits scores were allocated and agreed by discussion to confirm that the scores were fair and reasonable.

The key considerations that influenced the scores achieved by the preferred option was the option to Rebuild and Extend in the current location.

The key benefits from that option were judged to be that it would continue to be in the most suitable location for a fish market in Scalloway, it would provide a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities.

It was understood that rebuilding will result in some disruption to service during construction which will be mitigated by temporary cold storage facilities.

This benefits appraisal has been revisited and its conclusions remain valid.

3.4.8 Net Present Value analysis

Calculations have used the following assumptions.

Overall Assumptions;

- A lifespan of 30 years has been assumed for the facility.
- Landing volumes and general value are taken from the 2016 baseline with no projected growth or reduction.
- The landing charge of 2.5% based on of value is assumed to continue.
- It is assumed that a 2.5% increase relative to 2016 price (adjusted in real terms) is achieved through a quality improvement price premium.
- An EMFF Grant level of £1.5m has been assumed for calculation purposes although application has been made for 50% funding.
- A 3.5% discount rate is used across NPV calculations

- All NPV calculations have been presented with a +20%, optimistic scenario and a -20% pessimistic scenario as offsets from the Realistic baseline.
- Breakeven and 30 year NPV's for all options including Council and wider benefits are evaluated.

Cost and Benefits Assumptions;

- Operational costs have been reduced by 10% from year 3 on due to electricity and maintenance savings,
- a reduction of 10% in landings has been assumed during the construction period due to capacity and operational issues (note a temporary chilled facility will be available during this time), and
- a 2.5% quality improvement price premium has been assumed following completion of the project.

All of the NPV assumptions, input costs and values have been revisited and calculations rerun for the preferred option with the results summarised below.

Rebuild and extend - NPV Calculations (Figures rounded to ,000) -			
Breakeven in Years			
	Optimistic	Realistic	Pessimistic
No Grant Council Benefits Only	2	>30	>30
No Grant Inc Wider Benefits	0	2	>30
EMFF Grant Council Benefits Only	0	2	>30
EMFF Grant Inc Wider Benefits	0	0	2
NPV @ 30 Yrs (positive)/negative	Optimistic	Realistic	Pessimistic
No Grant Council Benefits Only	(732)	2,385	5,778
No Grant Inc Wider Costs/Benefits	(6,394)	(2,333)	2,004
50% Grant Council Benefits Only	(2,935)	(669)	1,734
50% Grant Inc Wider Costs/Benefits	(8,597)	(5,388)	(2,040)

Rebuilding and extending the current Fishmarket using the realistic cost and income projection set generates a positive NPV in all scenarios apart from the consideration of Council only benefits when grant funding is not achieved.

3.6 Sensitivity analysis

Using the “pessimistic” data set, increasing uncertain costs by 20% and reducing uncertain benefits by 20% continues to generate a positive NPV after 30 years with the inclusion of wider benefits when grant support is obtained.

All scenarios result in a positive NPV when the “optimistic” data set is used, +20% on benefits and -20% on costs.

3.5 Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options therefore the net present values assessed are risk adjusted.

There are other risks which are more difficult to quantify but remain relevant to the options. A workshop attended by members of the project team was held to identify the main risks and allocate scores for each option during the development of the Outline Business Case.

That workshop has been re-run as part of Full Business Case development. The list of key risk was reviewed and amended, Probability and Impact scores refined and risk management measures developed further.

The following table shows those main risks and their scores as assessed against their likelihood and potential impact as allocated from the participants' judgment and assessment of previous procurements

Further details of the risk management approach for the implementation of the preferred option is set out in Appendix 1 – Project Initiation Document

Risk	Impact	P x I	Tot.	Mitigation Measures
Current fishmarket fails before replacement is available	fishmarket service stops suddenly	2x4	8	Close monitoring of current condition and prompt resolution of issues. No delay in implementing new project.
Replacement project cannot be done technically	Project is aborted and new solution required	1x4	4	Engagement of experienced technical advisors and robust issue and risk management processes.
Replacement project does not match needs over medium / long term	Over or under supply of service	1x3	6	Inclusion of as much flexibility as possible in design and close liaison with stakeholders and business advisors
Quality price premium is not achieved	Cashflow benefit is not achieved	2x3	6	Robust benefits realisation plan and monitoring arrangements.

P = Probability – from 1 very Low to 5 Very High and I = Impact using the same scale.

Key considerations influencing scores are a relatively well understood construction project and on the same site which has preferred seaward access and known landward access arrangements.

Project communications and advisory arrangements have created strong connections between stakeholders including industry expertise who can regularly advise on projected trends in landing volumes and values.

3.10 Summary of Economic Appraisal

Outline Business Case analysis concluded that the Rebuild/Extend in the current location was the preferred option across economic, benefits and risk appraisals.

These appraisals have been revisited, updated and refined in this Full Business Case and those conclusions have been confirmed, taking into account updated information on costs and benefits.

3.7 Recommendation

Following an updated and refined full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site is confirmed.

4. The Commercial Case

4.1 Introduction

The purpose of this section is to describe how the deal for the preferred option will be procured and comment on the likely commercial appetite for such a deal and any associated issues.

4.2 Services required to deliver the preferred option

Detailed design of the rebuilt and extended facility, construction and equipment services and option appraisal of the temporary chill facility are included in appendices to this FBC.

4.3 Personnel implications (including TUPE)

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment as outlined above.

4.4 Procurement strategy and implementation timescales

The procurement strategy for the preferred option of rebuild on the existing site will be through contracts placed following open tender with appropriately experienced design and construction companies.

The preferred method of procurement will be finalised following advice from Capital Programme Service but is likely to be a Traditional Lump Sum / Bill of Quantities arrangement.

Other procurement approaches include;

- Traditional Lump Sum - In a lump sum contract the contractor prices the work based on drawings and written specification prepared by the design team but supported with measured bills of quantities prepared by the quantity surveyor. The BQ items are priced individually by the contractor and incorporated into the contract.
- Design and Build - initial design work may be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor would take single-point responsibility for the design and construction.
- EC/Target Cost essentially involves putting additional resources into the crucial early planning phase in order to maximise the benefits and cost savings that can be achieved during the later construction phase. Its innovation comes from the selection process; the interaction between the client, contractor and designers during the early stages; and the resultant strong relationship-based interaction during the construction phase.

Assuming a Lump Sum approach continues to be the preferred approach the construction project would be project led within the Council; supported by architectural design and engineering advisors. This would be expected to be a restricted competition procedure under the EU Utilities regulations due to the value of the contract, i.e. over £4.1 million.

Transitional arrangements will need to be complete before the main contractor begins demolition. If that requires a further building project then that will be sourced through a separate competitive procurement exercise. This would not require a full EU tendering procedure due to its lower value, c£500,000.

Arch Henderson has been appointed as design, specification and site management contractor to finalise tender documents. They have been instructed to apply for planning consents and building warrants to clarify any issues and progress project development.

Appendices outline the key milestones throughout the project along with a cost programme.

4.6 Accountancy treatment

The preferred option of rebuilding and extending the Scalloway Fishmarket would result in the completed asset being held on the Council's balance sheet as a non-current asset under International Accounting Standard (IAS) 16 - Property Plant & Equipment and International Public Sector Accounting Standards Board (IPSAS) 17 - Property Plant & Equipment.

5.0 The Financial Case

5.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option, shown by the four scenarios outlined above.

5.2 Annual Income & Expenditure Implications:

The anticipated payment stream for the four scenarios over the 30 year life of the Fishmarket is set out in the following table:

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	No grant, Council benefits only	No grant, wider community benefits included	Capital grant, Council benefits only	Capital grant, wider community benefits included
	£000	£000	£000	£000
Expenditure	464	464	351	351
Income	(640)	(640)	(531)	(531)
Net Total Income	(176)	(176)	(180)	(180)

This table shows that all scenarios of the preferred option provide a similar net income to the Council of approximately £178k per annum over the life of the Fishmarket.

5.2 Balance Sheet Implications

There will be an increase in the value of Long Term Assets of £5.6m and an increase in Long Term Liabilities for borrowing of £2.8m on the Council's Balance Sheet.

5.3 Overall affordability

The proposed capital cost of the project is £5.6m but it is envisaged that £2.8m of this cost will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £2.8m. In line with Council's Medium Term Financial Plan and Borrowing Policy, these costs would be funded by borrowing and would add to the Council's external debt.

Under the Local Government in Scotland Act 2003 there is a requirement that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code seeks to concentrate primarily on ensuring that local authorities' capital spending plans are affordable.

The Council's approved Prudential Indicator for its authorised limit for external debt, which should not be breached, is £43.8m and the Council's total external debt is currently £36.9m, therefore this proposal would not breach the Council's authorised limit and is within affordable limits.

6. The Management Case

6.1 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

Further details of project management arrangements are described the Project Initiation Document.

6.2 Outline Project Timetable

Milestone Activity	
Consideration of Full Business Case by Council	August 2017
Works Tendered	September - December 2017
Tenders Returned and EMFF Grant Determined	January – March 2018
Contractor Appointed	Spring 2018
Work Carried Out	from Summer 2018

6.3 Use of special advisers

Special Advisers

Specialist Area	Adviser
Financial	Finance Services
Technical	Estate Operations + External
Procurement and legal	Capital Programme Service and Governance & Law Service
Business assurance	Ports & Harbours Operations
Other	Fishmarket users and Key Stakeholders

Experienced design consultants have now been appointed to help ensure delivery of a successful building for now and the future. They have extensive relevant experience with this type of building that will help ensure that it will meet all legislation and modern procedures.

6.4 Arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

6.5 Arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the Project Board who will update the relevant Council Services and Committees at least quarterly.

The main benefits that this project will deliver are set out in the table below along with targets and dates.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours Operations through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Description	Measurement	Target	Date	Cost
Price premium due to quality preservation and value adding	Price for fish landed	2.5% increase	2020	£0
Landing levels at least maintained at current levels	Fish landed	At least as current	2020	£0
Ability to accommodate all vessels wishing to land	Vessels Turned away	0	2020	£0
Reduction in electricity costs	Electricity costs paid	-32%	2020	-£5,000
Reduction in maintenance costs	Maintenance costs paid	-10%	2020	-£2,000
Value adding grading services accommodated	Level of fish graded pre-sale	10%	2020	£0
Recognition of quality enhancement	Quality accreditation achieved	1	2021	£10,000

6.7 Arrangements for risk management

Further details of risk management arrangements are described the Project Initiation Document.

6.8 Arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

6.9 Gateway review arrangements

All gateway reviews will be conducted using the agreed standards and format as set out in Shetland Islands Council - Gateway Process for the Management of Capital Projects - June 2016

6.10 Contingency plans

In the event that this project fails, the following arrangements will have to be put in place for continued delivery of the required services and outputs

While the detailed nature of contingency arrangements would depend on the particulars of why the project had stalled / failed, options include;

- Ongoing rolling repairs and ad-hoc actions to continue operation of the existing market.
- Provision of an extended temporary chill facility
- Liaison with LPA about accelerating their new build project and / or the possibility of obtaining use of their old facility
- Investigation of support for trans-shipment of catches to mainland Scotland markets or support for boats to land catches out with Shetland.

All of these options would be likely to involve additional costs and disruption to the local whitefish catching sector and associated businesses.

<i>Signed:</i>
<i>Date:</i>
<i>Executive Manager Ports & Harbours</i>



Scalloway Fishmarket – Rebuild and Extend	Project Initiation Documentation
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Version 3	update 26th July 2017
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1 Purpose of Project Initiation Documentation

The purpose of this Project Initiation Documentation is to define the Scalloway Fishmarket rebuild and extension project and provide a basis for its sound management and successful completion.

The Project Initiation Documentation gives the direction and scope of the project at its outset and provides an agreed foundation to refer back to as the project develops through its stages.

2 Project Definition

Background

A business case evaluation exercise is being undertaken to help the Council to decide whether to continue to maintain, remove, replace or rebuild the Scalloway Fishmarket.

Following cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site was agreed by Council.

Project objectives and desired outcomes

The project is expected to plan and deliver a rebuild Scalloway Fishmarket by the end of 2018 / during 2019 with temporary chilling arrangements for any periods while no Fishmarket is available.

Project scope and exclusions

Within Scope:

- Confirmation of procurement strategy
- Tender and appointment of design team
- Tender and selection of temporary chilling facility

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- Transitional operations plan
- Tender and selection of main contractor
- Project supervision and management
- Operational planning
- Training
- Hand over to operations
- Maintenance planning
- EMFF Grant Management
- Benefits realisation planning

Out with Scope:

- Day to day operations of current market
- Day to day transitional operations
- Day to day operations of the rebuilt market

To be confirmed:

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-
-

Constraints and assumptions

- EMFF Grant Application for 50% funding

The user(s) and any other known interested parties:

- Scalloway Fishmarket is owned by Shetland Islands Council.
- It is operated by the Ports & Harbours service as part of their Harbour management duties.
- The Councils Harbour Board have an oversight role relating to Harbour activity and developments
- The Fishmarket is used by the Shetland Fishing fleet for the landing and sale of white fish.
- Shetland Seafood Auctions operate fish sales and a range of other businesses participate in that also, LHD, Fish Buyers, Transport operators, LHD etc.
- Scalloway community have an active interest in the operation of the Fishmarket
- There are for Council staff members who work full time at Scalloway Harbour and perform various duties around the Fishmarket.

Interfaces and Related Projects

The project will be informed by the projects;

- Lerwick Port Authority New Fishmarket

3 Project Approach

This project will produce a range of products including;

- A Project structure that identifies the necessary skills, expertise and experience to effectively conduct the project and any actions necessary to achieve that.
- A requirements specification setting out the fundamental technical characteristics and constraints from a rebuilt Fishmarket.
- A procurement exercise or exercises to select and appoint the design team, construction company and temporary chill provides including acceptance plans and implementation plans.
- A temporary chill and a plan for its use and any other transitional arrangements
- A rebuilt and extended Fishmarket.
- An updated operational plan for its use.
- New maintenance plans.
- Training plans for staff.

Further work will be done to break each of these down into further constituent parts to plan and manage the development and quality assurance of each.

Throughout the project “5 Case Business Planning” and “Prince 2” best practice will be implemented.

4 Business Case

A business case evaluation exercise is ongoing to help the Council to decide whether to continue to maintain, remove, replace or rebuild the Scalloway Fishmarket.

Following cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option recommended in the “Outline Business Case” was to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.

This preferred option was endorsed by the Councils Asset Investment Group for “Gateway 2 – Preferred Option” approval and was agreed in the Council’s October meeting cycle.

Work is now being undertaken on the “Full Business Case” for this project which will seek endorsement from the AIG for “Gateway 2/3 – Ready to Tender” and subsequent consideration of the final procurement proposal in the first business meeting cycle following the Council elections.

5 Project Management Structure

	Role	Appointee
Project Board	Chair (SRO / Executive)	John Smith, Ports & Harbours
	Project Manager	Michael Leftwich, Estate Service
	Operator Assurance	Andrew Inkster, Port Engineering

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	User Assurance	Alice Mathewson, SSQC
	Technical Assurance	Andy Sandison, Arch Henderson
	Business Assurance	Robert Sinclair, Capital Projects
	Business Assurance	Jonathan Belford, Finance
Project Team	Project Manager	Michael Leftwich, Estate Service
	Business Support	Rhona Tait, Estate Services
	Ports & Harbours Engineering	Andrew Inkster
	Ports & Harbours Scalloway Harbour	Ross McLennan, Stephen Simmonds, Brian Morrison
	Market Users	Fishermen, Buyers, SSA, LHD, Transport Operators
	Finance	Brenda Robb / Kara Collins
	Capital Programme	Robert Sinclair / John Williamson / Kenn Allan
	Legal	TBA
	Procurement	Colin Black / Lauri McLeod
	External Technical Advisor	Andy Sandison & John Manson, Arch Henderson

Project reporting structure

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Use of special advisers

Specialist Area	Adviser
Financial	Council Finance
Technical	Council Building Services + Arch Henderson + Specialist External
Procurement and legal	Council Procurement & Legal
Business assurance	Ports & Harbours Business Support
Other	Fish Market users and Key Stakeholders

Design consultants would be an asset to help towards a successful building for now and the future. They would have experience with this type of building that would ensure that it would meet all legislation and modern procedures.

Arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

Arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Arrangements for risk and Issue management

Risks and Issues are identified by Project Board and Project team members.

The Project Manager is responsible for recording these and keeping Project Board and Project Team members apprised.

Mitigation is planned, implemented and recorded on the Risk and Issue Registers which will be standing items on every Project Board meeting.

Arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

6 Role Descriptions

Project Board

The time that the Project Board can allocate to an individual project is normally limited. The Project Board role should be management by exception, which means that it sets relevant tolerances for the Project Manager to work within, and is regularly, informed of

Appendix 1

progress against plans and any potential problems that may affect the capability of the project to deliver what is expected.

Project Board members should ideally be individuals who can stay with the project throughout its complete lifecycle. In terms of meetings, the emphasis should be on quality rather than frequency.

The Project Board should represent three key areas of interest in any project, an overall business perspective, a “user” perspective and a “supplier” perspective.

Project Executive or Senior Responsible Officer (Project Board Chair)

Project Executive or Senior Responsible Officer (SRO) is the individual responsible and accountable for ensuring the project remains focused on achieving its business objectives and that the anticipated benefits can be achieved.

The SRO owns the Business Case and funding for the project.

The SRO must be prepared to take decisions, be proactive in providing leadership and direction throughout the project and ensure that the project is technically and financially viable and compliant with the organisation’s corporate standards and strategic business plans.

The SRO is responsible for approvals and decisions that affect project progress and delivery. The SRO takes executive responsibility for decisions relating to the project and will chair the Project Board.

The other members of the Project Board are available as advisors to the Project Executive, but it is ultimately the Project Executive who is responsible for decision making relating to the project under authority delegated to them via their job description, Council scheme of delegation, delegation included within a Strategy, Directorate Plan or Service Plan or specific decision of Committee or Council.

Expert opinion will be sought by the SRO as required.

For this Project the Project Executive will be the Executive Manager Ports & Harbours.

User Assurance

Senior users represent the end users of the project’s outputs or services by promoting their concerns and interests. This role also represents those who have an interest in the project and whose activities will be affected by the project.

In this project the “users” are Market users representatives who require the services of the Fishmarket to deliver safe and effective storage, grading, sales and logistics operations.

Operator Assurance

Senior operators represent those who will utilise and operate the projects outputs or services day to day to deliver the business services they were intended to provide.

In this project the “Operators” are ports & Harbours operational management.

Technical Assurance

The Technical Advisor will be expected to provide an independent view of how the project is progressing and that a suitable solution is being planned and delivered throughout all stages of the project into implementation and operations.

In this project it is anticipated that a Technical Advisor will be an external appointment.

Business Assurance

The Business Assurance Advisor(s) will be expected to consider the objectives and plans of the project in relation to their overall fit with Council strategic objectives, policy and procedures throughout all stages of the project into implementation and operations.

In this project the Business Advisors will be senior representatives of relevant Corporate support services.

7 Quality Management

Quality within the project will be managed through the development of appropriate quality tests for each important part of the key and periodically confirming that these quality standards are being met.

Further detailed work will confirm QA responsibilities. Initial quality Assurance assignments are set out below:-

Product	QA arrangements
Requirements Specification	Prepared by AH, QA by ML & Capital Programme, Signoff by Project Board
Procurement Strategy	Prepared by AH, QA by ML & Procurement, Signoff by Project Board
Acceptance and Performance Criteria	Prepared by AH, QA by ML, Signoff by Project Board
Safe Operational Plans	Prepared by P&H, QA by TBA, Signoff by Harbour Board
Maintenance Plans	Prepared by ML, QA by P&H, Signoff by Project Board
Training Plans	Prepared by ML, QA by P&H, Signoff by Project Board

8 Risk Management

Risk Management Arrangements

The risks are identified by Project Board and Project team members. The Project Manager is responsible for recording the risks and keeping Project Board and Project Team members apprised.

Mitigation is planned, implemented and recorded on the Risk Register which will be a standing item on every Project Board meeting.

Risk Reporting

- The Risk register will be a standing item on every Project Board meeting.
- Project Team members will escalate any risk that is impacting on the project and is out with their sphere of responsibility to the Project Manager.
- The Project Manager will escalate any risk that is impacting on the Project and is out with his sphere of authority to the Project Executive.
- The Project Executive will escalate any risk that is impacting negatively on the Project to Programme Board, CMT or committee as relevant.

Summary Risk Register

Date	Risk	Mitigation Actions	Status & Next Steps
March 2017	Current Fishmarket fails before replacement is available	Active management of current facility, prompt progress with replacement, prepared for contingency actions.	Nightly call out visits by Scalloway staff and regular review at Project Board
March 2017	Replacement project cannot be done technically	Ensure through professional due diligence during OBC / FBC and technical advice to Project Board from Arch Henderson, P&H, Estates Mgmt & Capital programme that the preferred option is relatively straightforward, affordable and mainstream	Regular review at Project Board
March 2017	Replacement project does not match volume or quality needs over medium / long term	Good industry advice during OBC / FBC production with options for expansion or contraction and periodic quality standards improvement available as part of underlying design.	Regular review at Project Board
March 2017	External funding is not available	Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines	Regular communications with EMFF and regular review at project Board

9 Issue Management.

Issue Management Arrangements

Issues are identified by Project Board and Project team members. The Project Manager is responsible for recording the issues and keeping Project Board and Project Team members apprised.

Resolution is planned, implemented and recorded on the Issue Register which will be a standing item on every Project Board meeting.

Issue Reporting

- The issue register will be a standing item on every Project Board meeting.
- Project Team members will escalate any risk that is impacting on the project and is out with their sphere of responsibility to the Project Manager.
- The Project Manager will escalate any issue that is impacting on the Project and is out with his sphere of authority to the Project Executive.
- The Project Executive will escalate any issue that is impacting negatively on the Project to Programme Board, CMT or committee as relevant.

Summary Risk Register

Date	Issue	Resolution	Issue Owner	Review Date
March 2017	Current status of the “preferred option” and direction of further work by Arch Henderson and others on tender package for that option or not.	OBC rerun with updated data set. Preferred option confirmed	John Smith	Closed May 2017
March 2017	Current status of the “preferred option” and initiation of any planning consents for it.	AH lodged planning application for preferred option	Arch Henderson	July 2017
March 2017	Temporary decant – status of preferred option – how many options to assess – what level to assess them at? – (full 5 case or BJC?) - how to present that option appraisal (updated OBC, part of FBC or separate reports?) – Who should do that assessment?	BJC produced for temporary decant option by Estates Services	Michael Leftwich	July 2017
March 2017	Procurement route reasoning requires further explanation – To what level – Who should do that.	AH recommendations contained	Arch Henderson	July 2017

Date	Issue	Resolution	Issue Owner	Review Date
		within FBC		
March 2017	Qualification of scale, likely hood and impact of EMFF contribution	Continued update of progress to Marine Scotland	John Smith	July 2017

10 Communication Management Strategy

In order to successfully deliver this ambitious project it is essential that all key stakeholders are engaged in the process throughout. Good communication is crucial both locally, regionally and nationally to assist in good design and implementation.

A Project Board and a Project Team with experience and expertise in relevant construction and operations has been established. In addition the following groups need to be communication with regularly and clearly:

Staff & Internal Colleagues

- Scalloway Harbour Staff through project team meetings
- Other P & H staff through regular staff briefings
- Relevant Council colleagues via project team, Infrastructure DMT, CMT
- Port partners and external service users
- Technical Working Group
- External regulators & scrutineers
- Lloyds & MCA through periodic audit etc.

Local Businesses

- TBC - Through the relevant community planning groups.

Harbour Board / Policy & Resources Committee / Shetland Islands Council

- Informal Harbour Board briefings.
- Through regular reports on progress to relevant committees and boards.

Stakeholder Engagement Group Structure

Stakeholder Engagement	Membership	Frequency
Harbour Board	8 SIC members	Quarterly + as required
Wider Stakeholder Group	See below	Quarterly + as required

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Wider Stakeholder Group Membership

- **Council Ports and Harbours**
 - P&H Management Team
 - Scalloway Small Ports Officers
- **Council Economic Development**
 - Neil Grant – Development Services Director
 - Douglas Irvine – Development Services Executive Manager
 - Sheila Keith – Development Officer
- **Council Planning Services**
 - Dale Hunter – Planning Officer
- **Council Environmental Services**
 - Patti Dinsdale – Environmental Health Officer
 - Dawn Manson – Environmental Health Officer
- **Council Building Services**
 - Carl Symonds
 - Michael Leftwich
 - Rhona Tait
- **Lerwick Port Authority**
 - Sandra Laurensen
 - Victor Sandison
 - Callum Grains
- **Other Interested Parties**
 - Martin Leyland – Shetland Seafood Auctions
 - Simon Collins – Shetland Fisherman’s Association
 - Brian Isbister – Shetland Fish Producers Organisation
 - Gary Spence – LHD Ltd
 - Hamish Balfour – Shetland Transport
 - David Goodlad – Net Services Shetland
 - Neville Martin – SHEAP
- **Fish Buyers**
 - Karl Simpson – Simpson and Ward
 - Gordon Johnson – QA Fish
 - Laurence Williamson – L Williamson Ltd
 - James John Shearer – Blydoit Fish
 - Earl Anderson

11 Project Plans and other relevant documentation.

- Business Case

Appendix 1

- Project Timeline
- Project Drawings
- Project Costings
- Risk Register
- Issues Register

Ends.....



Scalloway Fishmarket Outline Business Case

This Outline Business Case has been prepared (and updated) to determine the best value option for the future of the Scalloway Fishmarket.

It has been developed using the agreed standards and format for Business Cases, as defined in "Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016". This will mean best value has been demonstrated between the options, and that decisions can be taken on a well-informed basis.

Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that.

The key areas which must be evaluated in the Five Case Model are;

- the **strategic case**. This sets out background, and explains the reasons why it is appropriate to consider change at this time. Part of that is understanding and documenting the investment objectives for the area under consideration.
- the **economic case**. This demonstrates that the Council has properly evaluated and selected the most economically advantageous option, the one which optimises value for money. This evaluation has to take into account both the Council's direct costs and benefits, and wider community costs and benefits.
- the **commercial case**. This sets out the content of the service required; and whether we can find a supplier or partner who can deliver the option the Council wants.
- the **financial case**. This describes the funding arrangements for the preferred way forward and confirms the affordability of that for the Council.
- the **management case**. This examines what the Council will have to do to deliver the preferred option and confirms how that will be managed.



1 The Strategic Case

A project was initiated in 2015 to review the Council's options for the future of Scalloway Harbour. That project considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

A Scalloway Fishmarket "Option Appraisal" study was initiated in March 2016 to consider options and prepare an Outline Business Case to select and support the preferred option. Progress on that study was reported to the Council's Harbour Board in June 2016 – Appendix 1a – Interim Option Appraisal.

1.1 Objective

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective of this Outline Business Case is:

"to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is identified taking into account value for money and wider economic issues and benefits"

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local authorities at this time. It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

1.2 Background and Strategic Context

Scalloway Harbour and Scalloway Fishmarket is owned by the Council and operated by its Ports & Harbours Service.

The Council understands that the provision and operation of harbours or fish markets are not statutory obligations. Where the Council chooses to deliver discretionary services like this it must take particular care to demonstrate those services meet important needs, address market failure and/or deliver benefits to the Council and/or the community that justify the level of investment or funding required.

Widespread understanding and agreement exists that fisheries is a key sector in the Shetland economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches in good



condition and in a way that meets customer demands. Further details of the impact of Shetland Fisheries can be found in Appendix 1b.

This Outline Business Case is focused on the specific question of whether and how a fish market at Scalloway makes a contribution to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of how that is done.

1.3 Links to Policy and Priorities

The following sections outline how the Scalloway Fishmarket service links to policy and priorities including the Council's, Corporate Plan, Economic Development Policy and Community Plan, through to sectoral Strategies and Scottish Government and National Strategy.

Council's Corporate Plan - "Our Plan"

"Our Plan" recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our lifeblood. Shetland's ports and harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right ports & harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs, we have to make sure that we have the port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

The following Economy & Housing objectives are also detailed in the Corporate Plan:

"We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas."

"We will be investing development funds wisely to produce the maximum benefit for Shetland's economy."

Council Economic Development Policy



Fish marketing supports the following objective within the current Economic Policy Statement:

“Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth”.

Community Plan

The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.

The Community Plan incorporates the Local Outcome Improvement Plan (LOIP), which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are:

“D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development”

“D3: Supporting the development of a digital, diverse and innovative business base.”

National Strategy and Outcomes

In supporting economic growth the Council is contributing to National objectives as outlined in Scotland’s Economic Strategy published by the Scottish Government in 2015. The overarching objective is:

“to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

Scotland’s Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the ‘investment’ priority, the ‘business investment’ strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in.

Shetland’s economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a



range of socio-economic indicators and outcomes against which economic performance is measured.

Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).

Scottish Government strategic framework for the Scottish sea fishing industry, states at the heart of the strategic agenda must be the sustainability of fish stocks. Supporting that central objective, further themes are identified as providing the means by which sustainability of the fish stocks, the marine environment supporting those stocks, and the fishing industry itself might best be achieved.

These are as follows:

- Support for fishing communities
- An economically competitive industry
- A focus on quality
- An inclusive approach to fisheries management.

Under the focus on quality, aims include to encourage and give priority in financial support to initiatives to add value to fish products landed in Scotland.

Marine Scotland European Maritime & Fisheries Fund ("EMFF") Guidance concerning projects in line with strategic priorities and eligible for grant funding, includes investments in fishing ports, landing sites, auction halls and shelters. For the purpose of increasing the quality, control and traceability of the products landed, increasing energy efficiency, contributing to environmental protection and improving safety and working conditions, the EMFF may support investments in improving infrastructure of existing auction halls.

Local Sectoral Strategies

The relevant local sectoral guidance is the "Strategy for Shetland Seafood". It includes several priorities relevant to this project including:-

Business development, in order to develop viable businesses, assistance will be targeted towards commercially viable projects which contain elements of: innovation; market driven business expansion; diversification of product, process or market; fishing fleet improvements; new technologies or new production methods.



In order for Shetland's seafood producing companies to achieve greater success there is a need for a range of successful on-shore support services, e.g. marine engineering and port facilities, etc. Investment in these areas, and other fisheries infrastructure, will provide collective benefit to the whole seafood industry.

Promote best practice, sharing information on best practice and providing evidence of the benefits achieved will create incentives to increasingly pursue higher standards in all areas of seafood development. Where best practice schemes already exist, businesses should be encouraged to participate i.e. Responsible Fishing Scheme, Code of Good Practice for Scottish Finfish Aquaculture, etc.

Quality; In a highly competitive global market place improvements in product consistency and reliability through improved quality control and monitoring can enhance a product's attractiveness.

Quality improvements should be encouraged at all stages in a product life cycle e.g. new catching methods; vessel improvements; better handling of farmed species; hygiene and food safety upgrades; improving the conditions in which products are harvested, landed, processed, stored and auctioned.

Efficient and effective operational techniques, research and investment into new techniques can be targeted to secure improvements to operational efficiency and energy use within the industry that can help to mitigate the high costs of production in Shetland. This can lead to improved productivity and therefore profitability.

Modernisation of equipment and facilities investment is crucial to the growth and development of an industry. In a global market place remaining competitive requires being up-to-date. For example, technological advancements, non-statutory health and hygiene improvement, increasing environmental responsibilities etc. require ongoing investment in equipment and facilities.

1.4 Background on Shetland Whitefish fishmarkets –

Both Scalloway and Lerwick have longstanding involvement in Shetland fisheries and by the 20th century had become the focus for whitefish landings, sales and processing. Over the decades fish storage and sales facilities have developed as the demands of the industry has grown. Cover facilities were built, and then fitted with doors and eventually chill facilities.

As individual merchants' sheds were no longer able to provide the scale and quality of services required, the port owners became the owners and providers



of the then modern facilities built in the 1980s. The use of these facilities was paid for through a levy on fish landings at the port.

Port ownership of fish markets remains the common operational model in Scotland.

1.5 Background on Service Demand – Historic, Current and Projected Whitefish Landings

Historic and Current Whitefish Landings

Demersal (whitefish) landings are the mainstay of the fisheries activity at Scalloway, accounting for around 95% of all annual landings. The Council receives 2.5% of sale prices for fish landed at Council owned and operated ports as landing fees.

There has been long-term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15.

Between 2010 and 2014, total fish landings at Scalloway Fishmarket have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16. The value of landings for 2016/17 is projected to show further growth, and be in the order of £11m from the full financial year.

The number of boxes landed into Shetland including Scalloway has increased significantly, as have both the average sizes of daily landings and peak box landing numbers. Between 2003 and 2006 Scalloway Fishmarket had only one market day per year exceeding 1,000 boxes and there were no days where more than 2,000 boxes were landed in Shetland overall.

The total number of boxes landed into Scalloway has risen year on year, from 13,619 in 2004, to 96,652 in 2015, an increase of 610%. Total whitefish box landings for 2016 increased to almost 150,000 at Scalloway, an increase of some 50% on 2015 and 10 times the volume 15 years ago.

This is also reflected in the proportionate share of overall Shetland box landings being made into Scalloway and associated Council ports, which has risen from a low of 10% in 2004 to 40% for 2016.

In 2014 there were 24 days where over 1,000 boxes were landed at Scalloway, including one day with over 2,000 boxes and in 2015 there were 21 days. Daily



peaks throughout 2016 were both higher (the largest daily landing was 2,225 boxes) and more frequent (there were 47 days with over 1,000 boxes and 16 days above 1,400 boxes).

It should also be noted that the increase in landing figures to the market may still not reflect the true level of demand for Scalloway as a landing port, as vessels are sometimes turned away, due to a lack of capacity. Therefore actual demand at peak times may well be higher than indicated by these figures.

Scalloway and Lerwick Fishmarkets operate in a complimentary manner offering landing sites on the west and east side of the Islands. Increased landings into both Lerwick and Scalloway underline their continued and growing strategic importance to the Scottish fishing industry. Initiatives such as the Electronic Auction and Shetland Whitefish Improvement Scheme have helped to push these advances forward.

A review of quality policies and procedures was jointly undertaken for both Lerwick and Scalloway Fishmarkets last year, including the development of a service framework for a complete quality control system. This quality control system is being further developed within a second phase project, which is currently being undertaken. Both these projects have been jointly funded by Seafish Scotland and local industry.

However, in order to retain and improve on these advances and keep pace with customer requirements and consumer demands, modern and enlarged fish market facilities are required at both these ports.

Plans for a new fish market in Lerwick are at an advanced stage, and this facility has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

Projected Whitefish Landings and future Customer Requirements

Whitefish catches and landings are subject to fluctuation over time in terms of both volume and price. Forward projections are very difficult as there are many variables. Various landing volume scenarios can be generated depending on assumptions applied to factors external to any choice about fish market arrangements such as; fish stocks, quotas and licensing, the size and structure of the fishing fleet, and consumer markets and demands for fish. Different combinations of how these factors develop will influence the eventual validity of choice of projection.

Industry advisors suggest that given current and projected stock and quota levels, the size and capability of the local fleet and their investment plans and the level of catch being taken from adjacent waters by boats not currently



landing at Scalloway then future landing levels would be more likely to grow than reduce.

Brexit is also a very uncertain factor in how fishing arrangements around Scotland and Shetland may develop over the coming years. The consensus of professional opinion is that succeeding arrangements should create more opportunities than risks, therefore landing levels would be more likely to be higher than lower.

It is also difficult to estimate the internally generated impact on Scalloway and/or Shetland landing volumes that a better Scalloway Fishmarket (more space/more modern), a degrading Scalloway Fishmarket (congested space/being left behind by modern quality demands) or no Scalloway Fishmarket (fish landed at other ports/transhipped to Lerwick or transhipped out of Shetland) would make. The tendency of each of these alternatives to generally increase or reduce landing volumes and values can however be identified. A modern high quality facility with increased capacity should tend to attract higher volumes than otherwise.

Previously quantitative cost/benefit calculations have used 2015 volumes and values as a baseline. However, 2017 quota allocations and professional advice suggest that projected landings are expected to be in line with 2016 if not higher. Therefore, updated calculations have used 2016 volumes (150,000 boxes) and values (£11.6m) as their baseline.

The trend of long-term whitefish volume and value growth is paralleled by increasing quality premiums and obligations. The whitefish industry is now entering a phase similar to that already seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification. This means that both the current market, and any new developments in Scalloway, will have to keep pace with change in order to both satisfy increased quality assurance demands and remain competitive.

For the purposes of the quantitative cost/benefit calculations in this Full Business Case, fish prices have been assumed to increase by 2.5% due to a price improvement premium enabled by enhanced fish handling facilities.

1.6 Background on current service provision - the existing Scalloway Fishmarket

The current Fishmarket was built in 1984 as part of the Blacksness pier development which also provided safe and sheltered berthing for the local fleet, an extension was added in the early 1990s. The Fishmarket is a portal frame



structure with concrete slab floors. Walls are block and dash rendered to the ground floor with profile sheeting at first floor level.

The roof has profile sheeting and the building is double-glazed throughout. Sectional doors are situated along the east and west elevation with solid timber doors for pedestrian access and egress. The ground floor provides storage of just below 600m² and the first floor provides storage of 450m² and also has offices.

The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping of up to about 1,000 boxes of mixed whitefish. That storage efficiency is also affected by the number of boats landing and the nature of their catch on any given day. Each boat's catch needs to be managed individually and each species of fish graded and presented separately. Therefore, more boats with mixed catches need more space.

On a typical landing day in recent years there are likely to be up to 50+ species/grade combinations sold which can be multiplied by three to seven boats. Beyond 1,000 boxes, facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations having to be conducted outside the doors of the market and therefore outside controlled conditions.

The fabric of Scalloway Fishmarket is now aged and reaching the end of its serviceable life without significant work. Its facilities are unlikely to be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business.

The Fishmarket is currently running with various defects to the building. The roof has surpassed its economic life and has water ingress at the south end of the building. Some of the window frames have failed with water ingress to some of the units.

With increased landings, the floor space does not always allow walkways, with building users having to walk over fishboxes at times. This congestion and changes in industry processes have meant that the space is often very constrained which has contributed to damage being caused by logistic operations suffering collisions with doors and walls.

The electrics throughout the building will need to be replaced shortly; a building electrical test was carried out and reported a list of emergency and urgent faults. The electrics have had the emergency faults addressed, but the urgent faults are still to be rectified.



The building has various gaps and fire breaches throughout contributing to cold air leakage. These gaps should be sealed in walls, ceilings and doors for air leakage and to help prevent the spread of fire.

Bays are currently washed down with a hose and all waste transfers to the sea. Current practices means there should be a drain inside the property that leads to a separator tank before being drained away.

General security needs to be improved; the current operation allows un-supervised access to the building. A CCTV system is being installed, but further management of access to the property should be provided to better control access and egress.

1.7 Investment objectives

The justification for any spending by the Council on non-statutory services such as a fishmarket at Scalloway must demonstrate how that spending provides value for that cost. For Scalloway Fishmarket that means contributing to sustaining and maximising benefits to the Council and Shetland from the Shetland Fisheries sector balanced against the cost of how that is done.

Investment objectives that allow that to be tested for this Outline Business Case were established through reference to the overall objective for this Outline Business Case;

“to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is identified taking into account value for money and wider economic issues and benefits”

Extensive consultation was then undertaken with stakeholders, examination of Council and sectoral strategic plans, and the application of the principles of best value to translate that overall objective into;

- Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
- All services and facilities the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
- Any investment of public money must be done as efficiently as possible in value for money terms, whole life costs and impacts etc. (efficiency).



Further discussion of investment objectives and critical success factors is set out in the Scalloway Harbour Strategic Outline Case.

1.8 Main benefits

If investment in a non-statutory service like Scalloway Fishmarket is to be demonstrated to deliver best value then the benefits of that investment need to be identified and quantified. Non-quantifiable benefits also need to be identified so they can be considered when comparing options.

The table below sets out main benefits against the investment objectives identified.

Investment objectives	Main benefits criteria
Investment objective 1 (economy) - supports businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc.	Cash releasing (£s) <i>Better prices for improved quality of product</i> <i>Able to cope with bigger volumes more quickly</i> Non cash releasing (£s) <i>Improved fish handling systems</i> Qualitative <i>Better staff welfare facilities</i>
Investment objective 2 (effectiveness) - services the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc.	Cash releasing (£s) <i>Reduced maintenance</i> <i>Reduced need for reactive investment</i> <i>Reduced electricity consumption</i> Non cash releasing (£s) <i>Improved health and safety</i> Qualitative <i>Improved public and community image</i> <i>Able to comply with legislative and quality accreditation criteria.</i>
Investment objective 3 – (efficiency) - any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts etc.	Cash releasing (£s) <i>Lower maintenance costs</i> <i>Lower running costs</i> <i>Reduced environmental impact</i> <i>Increased income to Council and primary producer</i> Non cash releasing (£s) <i>Improved management</i>



1.9 ‘Dis-benefits’

As well as considering benefits from any continued service provision or enhancement, it is important to understand “dis-benefits” from its reduction or removal.

Degraded or removed facilities at Scalloway could lead to reduced fish quality and landings (or a failure to exploit an opportunity for growth) and therefore lose income to both the Council and primary producers. Other dis-benefits could include increased transport costs and double handling, inability to meet quality and legislative requirements and ultimately loss of profitability or employment.

Quantifying the potential scale of these dis-benefits is difficult but a significant factor would undoubtedly be the availability or lack of alternative facilities to provide the same service within Shetland (i.e. at the Lerwick Fishmarket) or whether those services would have to be obtained outside Shetland (boats landing to Scotland or trans-shipping to Scottish markets or buyers).

At this time Lerwick Fishmarket has similar capacity problems as Scalloway, typically has its peak demands at the same time, and cannot accept fish from Scalloway when those peaks occur. The new facility which Lerwick Port Authority are planning will have additional capacity but will also have to cater for more space-demanding fish handling obligations as future quality demands and regulations rise.

1.10 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

A risk evaluation of each option is set out below and risk management arrangements for delivery of the preferred option is included in Appendix 6a – Project Initiation Document.

Risk	Risk Management Actions
Current fishmarket fails before replacement is available	Active management of current facility, prompt progress with replacement
Replacement project cannot be done technically	Ensure preferred option is relatively straightforward, affordable and mainstream
Replacement project mis-matches need over medium/long term	Good industry advice with some options for expansion or contraction available.
External funding is not available	Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines



1.11 Constraints and Dependencies

The constraints placed on this project include the current expected lifespan of the existing facility, and time limits for both applying for and accessing EMFF funding.

Marine Scotland have stated that they would be willing to consider a 50% grant bid for the capital elements of a suitably qualifying project which would be very significant in determining whether the internal economic case for the Council shows a positive return.

The closing date for the next round of EMFF was 16th September and an application was submitted for the preferred option – Appendix 2 – EMFF Outline Business Case.

Following his announcement in August, which guaranteed funds for projects signed up until the Autumn Statement, the Chancellor has now extended this guarantee to confirm that the Government will guarantee EU funding for structural and investment fund projects signed after the Autumn Statement and which continue after we have left the EU.

He was clear, while the UK is still a member of the EU, British businesses, farmers and other organisations must be entitled to apply for EU funds.

Funding for projects will be honoured by the Government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

As a result, British businesses, farmers and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Each Government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending.

Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the Government will ensure they are funded to meet these commitments.

The structural and investment subject to HM Treasury's assurances include:

- European Agricultural Fund for Rural Development – CAP Pillar 2



- European Social Fund
- European Maritime and Fisheries Fund
- European Regional Development Fund - including European Territorial Co-operation

The main dependency for Scalloway Fishmarket is the arrangements for the other fishmarket in Shetland, which is at Lerwick. These two facilities currently operate in partnership with Shetland Fish Auctions to store and then sell Shetland's whitefish landings online to local, national and international markets.

The plans for a new fishmarket in Lerwick are at an advanced stage. While this new facility should offer some increase in capacity and a general upgrade in quality control, it has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.



2. The Economic Case

2.1 Introduction

This section documents and evidences that the most economically advantageous option has been selected as the preferred option, which best represents public value to the wider economy.

2.2 Critical success factors

The following critical success factors (CSFs) have been identified in relation to achieving the overall objective for this Outline Business Case and have been used to assess the short-list of options for the future of Scalloway Fishmarket.

- Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
- All services and facilities the Council provides must be of good quality and resilience, i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
- Any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts, etc. (efficiency).

A long-list of options for Scalloway Harbour was developed from workshops held with stakeholders and reported to the Council in February 2016.

That review considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

2.3 The short- list from the Strategic Outline Case.

- **Option 1** - Demolish the Scalloway Fishmarket and tranship fish to other markets
- **Option 2** - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Redevelop and extend the Scalloway Fishmarket on the existing site

This list was re-visited in the original Outline Business Case.

For completeness the second “do minimum” option was added, “1b - Maintain the existing Scalloway Fishmarket through rolling repairs”.



In this updated Outline Business Case, Option 4 – “Redevelop and Extend the Scalloway Fishmarket on the existing site” has been replaced with the Option to “Redevelop the existing Fishmarket site by demolishing the existing Fishmarket and building a new and larger Fishmarket on same site”. Utilising the current structure was found to be technically unfeasible following review work done by Arch Henderson.

This is referred to as the “Redevelop and Extend the Scalloway Fishmarket on the Existing Site”.

Option 2 - - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site has also been removed as it has found to be technically unfeasible following review work done by Arch Henderson. No other alternative existing site could be identified within Scalloway Harbour.

Further details of the Arch Henderson review can be found in the appendix - “Proposed Redevelopment of Scalloway Fish Market Survey of Existing Building Structure – Report & Recommendations”

The new short-list.

- **Option 1** - Maintain the existing fishmarket through rolling repairs
- **Option 2** - Demolish the Scalloway Fishmarket and tranship any fish landed to other markets.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Redevelop and extend the Scalloway Fishmarket on the existing site

Option 1 would seek to continue operation of the current Fishmarket at its current size through a programme of rolling repairs. While the need and costs of periodic building fabric replacement can be reasonably estimated, it is more difficult to price fundamental upgrades of matters such as the chilling system or waste water management facilities. It is also difficult to be clear about what limits might have to be brought in to contain volumes to allow safe, quality controlled operation as restrictions, and obligations continue to grow.

Option 2 would mean the closure of Scalloway Fishmarket and its demolition. It would then become the responsibility of the boat landing fish, or their agents, to arrange onwards transport to some other market for any fish still landed at Scalloway.

Options 3 and 4 have been evaluated on the same design of an expanded fishmarket size and adapted layout, which would offer additional capacity and would have a range of modern facilities designed in.



These options would provide:

- Increased floor capacity to be able to handle increased peak landings on individual days, and carry out logistics, grading and fish management operations safely and efficiently.
- A widened fishmarket to cope with the introduction of palletisation and electric forklifts. The current fishmarket is very narrow which leads to restricted movement of both pallets and forklifts within the building, and this has been highlighted as a safety issue.
- Additional room to house grading machinery. A pilot project of grading fish both pre and post-sale has recently begun at the market, as a quality control and value adding exercise. This appears to be operating well, however it is taking up floor space within the building, which is already very cramped, and a dedicated grading area for this machinery would be required within a modernised facility.
- The introduction of a transport corridor. This has become imperative due to the introduction of palletisation of fish. A transport corridor would allow for the safe and controlled storage for onward movement of palletised fish, in conjunction with covered loading bays.
- Dedicated overnight forklift charging points. Currently there are no specific charging points for forklifts, and this has led to congestion within the building.
- The introduction of covered loading bays. Fish are currently loaded into trucks outside the fishmarket, which can lead to potential temperature control and contamination issues. This is not considered appropriate for a modern fishmarket facility, and has been highlighted as a potential quality and food safety issue. Covered loading bays would solve these issues.
- The upgrading of welfare facilities for fishmarket workers and visitors, including a washing and shower room, tea room, laundry, drying room and changing area. None of these facilities are currently available at the fishmarket.
- The use of a renewable energy source, from photovoltaic roof panels to help power chilling within the fishmarket. This will not only result in reduced environmental impact, but could also reduce the overall electrical running costs of a modernised fishmarket by a third.



Option 4 will require a transitional plan to manage fish landings during the period between the demolition of the existing market and the completion of the redeveloped building.

The options for those transitional arrangements include adapting and utilising an existing building, erecting a temporary building or erecting a permanent building, which could then be utilised for another purpose once the new fishmarket is in place. An indicative cost of £0.5m for this transitional arrangement has been used for cost comparison purposes.

The costs, risks, resourcing and timescale implications of transitional arrangements will be fully appraised, as part of the Full Business Case for Option 4 should that be the preferred option taken forward to that stage.

2.4 Economic appraisal

2.4.1 Introduction

This section provides a detailed overview of the main economic costs and benefits associated with each of the selected options. Importantly, it indicates how they were identified and the main sources and assumptions.

Further information on Costs can be found in appendices 3a, 3b and 4a. Further information on benefits is contained in appendix 4a.

2.4.2 Estimating costs

Capital costs used are in accordance with estimates developed by the Estate Operations service.

Operational costs have been based on the variation of current values supplied by Ports & Harbours Operations and Estate Operations services.

2.4.3 Comparison of Costs for Each Option

The costs for each of the short-listed options have been calculated and shown in Appendix 4a along with a list of assumptions made.

The following is a summary of the total costs for each of the short-listed options:



	Option 1	Option 2	Option 3	Option 4
Option	Rolling Repairs	Demolish & Tranship	New Build / New Quay	Redevelop Current Site (including temporary facility)
Capital Cost	£2m	£0.2m	£15m	£5.6m
Annual Revenue Cost	£100k	£3k	£100k reducing to £90k	£100k reducing to £90k

2.4.4 Estimating benefits

The benefits include the direct benefit to the Council in terms of income and the wider economic benefit to Shetland and beyond.

It is recognised that there are both quantitative and qualitative benefits from the options being considered, as separated below:

2.4.5 Quantifiable Benefits

These are benefits, which can be measured, and take account of all wider benefits to the UK, not just benefits to Shetland or the Council. It is recognised that not all benefits can be expressed in monetary values but as far as possible, a monetary value has been given to benefits in order to enable a comparison between options to be achieved.

The quantifiable monetary benefits that have been identified are as follows:

- Increased income to the Council from the percentage levied on the increased value of whitefish landings once an upgraded market is in place.
- Increased income to fishing boats, Shetland Seafood Auctions and any other directly associated business from increased value of whitefish landings.

The core driver of monetary benefits from any fishmarket activity is the value added (or sustained) due to the use of that facility. The value of whitefish is a product of volume x market price. Under current arrangements harbour dues for whitefish landed at Council ports is 2.5% of value. The remaining 97.5% is shared between the boat, Shetland Fish Auctions and any other direct service providers: agents, lumpers, graders, haulage companies etc.



Monetary benefit value calculations for the options have used the following price, volume and harbour landing dues assumptions.

- Option 1 – No immediate change to level of landing dues. Gradually reduced landing volume and gradually reduced product price. It assumes that a maintenance programme that delivers appropriate service quality will maintain current landing levels and relative price for a period of time but as other markets are modernised and undergo quality improvement both will gradually reduce.
- Option 2 - 50% reduction in landing volume, as some fishing boats choose to land their catches at other ports, no change in price obtained when fish is sold but a 50% reduction in the level of whitefish landing charge levied by the Council due to the reduced service offered.
- Options 3 and 4- No change in landing volume, no change in the level of landing and a 2.5% increase relative to current price achieved through a quality improvement price premium.

2.4.6 Qualitative Benefits

As outlined in the strategic case, the benefits associated with each option are wider than those which can be quantified by income generation; economic growth; job creation; leverage or exports.

Rather than attempting to evaluate these benefits in monetary terms, which may be necessary in some outline business cases, this study assessed these benefits as qualitative only. This was to manage the workload of generating the Outline Business Case and a reflection of the strength of the direct monetary case.

The wider benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholders and interested parties.

See Appendix 6a – Project Initiation Document for a list of stakeholders consulted.

The benefits identified fell into the following main categories.



Benefit type	Direct to Council	Indirect to Wider Community / Organisation(s)
Quantitative (or quantifiable)	Higher volume and/or value generating additional income to Council Potential EMFF grant	Additional income to primary producer and Shetland Seafood Auction
Cash releasing	Reduced electricity costs	
Non-cash releasing	Ability to comply with quality assurance and legislative requirements	Ability to comply with quality assurance and legislative requirements
Qualitative (or non-quantifiable)	Improved welfare facilities Image and reputation	Improved welfare facilities

2.4.7 Qualitative benefits appraisal

The benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility.

The appraisal of the qualitative benefits associated with each option was undertaken by identifying the benefits criteria relating to each of the investment objectives as follows:

- Quality of facility - (direct link to achieving any price premium, being fit for purpose and operational efficiency)
- Location of facility - (direct link to sustaining landing volumes and efficiency of associated logistics)
- Provision of staff/visitor amenities - (linked to fit for purpose)
- Capability to achieve quality accreditation - (direct link to fit for purpose and achieving any price premium)
- Disruption to service - (direct link to sustaining landing volumes and value during any period of disruption)

Allocating a weight to each benefit with reference to the relative importance attached to it by stakeholders.

Scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9, 0 not delivering any benefits to 9 delivering the greatest value of benefits.



This was informed by the analysis by stakeholders of how that option would deliver against that benefit.

Benefits scores were allocated and agreed by discussion to confirm that the scores were fair and reasonable.

The results of the qualitative benefits appraisal are shown in the following table:

Factor	Weight	Option 1 Rolling Repairs		Option 2 Demolition		Option 3 New Quay/ New Build		Option 4 Redevelop	
		Score	Total	Score	Total	Score	Total	Score	Total
General quality of facility	30	5	150	0	0	9	270	9	270
Location of facility	20	9	180	0	0	6	120	9	180
Staff/ visitor amenities	25	0	0	0	0	9	225	9	225
Quality accreditation	15	3	45	0	0	9	135	9	135
Disruption to service	10	9	90	0	0	9	90	7	70
Total	100		465		0		840		880

The key considerations that influenced the scores achieved by the various options were as follows:

Option 1 – Rolling Repairs

- This option ranks 3
- It provides a good location with no disruption to service, however the facilities are not of sufficient quality for a modern fishmarket, are unlikely to achieve quality accreditation, and contain no welfare amenities.

Option 2 – Demolition

- This option ranks 4
- This option would result in the complete removal of the facility.

Option 3 – New Build/New Quay

- This option ranks 2
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It would not result in



disruption to service due to its location, but is not in as suitable a location as the current fishmarket.

Option 4 – Redevelop Current Site

- This option ranks 1
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It will result in some disruption to service during construction which is mitigated by temporary cold storage facilities, however it is the most suitable location for a fishmarket.

Qualitative benefits appraisal conclusions:

- Option 1 – 3
- Option 2 – 4
- Option 3 – 2
- Option 4 – 1

The preferred option from this benefits appraisal is therefore option 4, to redevelop and extend on the existing site.

2.4.8 Net Present Value analysis

The detailed economic appraisals for each option are attached as Appendices 4a and 4b together with detailed descriptions for costs and benefits, and their sources and assumptions.

- Capital costs of each option is taken from the cost estimates for its provision.
- A lifespan of 30 years has been assumed for the facility.
- All NPV calculations have been presented with a +20%, optimistic scenario and a -20% pessimistic scenario as offsets from the realistic baseline.
- Breakeven and 30 year NPVs for all options including Council and wider benefits are evaluated.
- EMFF grant scenarios are presented for relevant options.
- A 3.5% discount rate is used across NPV calculations.

Determination of realistic costs and income for each option.

Within Scenario 1, Council operational costs have been reduced by 10% from year 3 on due to electricity and maintenance savings, a reduction of 2.5% in landings has been assumed during the construction period due to capacity and operational issues (note a temporary chilled facility will be available during this time), and a 2.5% quality improvement price premium has been assumed following completion of the project.



Scenario 2 consists of the same assumptions as Scenario 1, with inclusion of additional income to Lerwick Fish Market during construction, and a 2.5% quality improvement price premium to both the primary producer and the auction company, less the 2.5% already accounted for under Council benefits.

Scenario 3 is as per scenario 1, with the addition of a 50% EMFF grant assumption.

Scenario 4 is as per scenario 2, with the addition of a 50% EMFF grant assumption

NPV Calculations (monetary values rounded to (£000) positive / £000 negative)			
<u>Option 1 Rolling Repairs</u>	Optimistic	Realistic	Pessimistic
Breakeven in Years			
Scenario 1 No Grant Council Benefits Only	0	0	>30
Scenario 2 No Grant Inc Wider Costs/Benefits	>30	>30	>30
NPV @ 30 Yrs			
Scenario 1 No Grant Council Benefits Only	(2,663)	(1,198)	268
Scenario 2 No Grant Inc Wider Costs/Benefits	6,208	11,279	16,162
<u>Option 2 Demolition</u>	Optimistic	Realistic	Pessimistic
Breakeven in Years			
Scenario 1 No Grant Council Benefits Only	1	1	1
Scenario 2 No Grant Inc Wider Costs/Benefits	>30	>30	>30
NPV @ 30 Yrs			
Scenario 1 No Grant Council Benefits Only	(1,401)	(1,085)	(769)
Scenario 2 No Grant Inc Wider Costs/Benefits	10,316	15,629	20,835



<u>Option 3 New Quay</u>	Optimistic	Realistic	Pessimistic
Breakeven in Years			
Scenario 1 No Grant Council Benefits Only	>30	>30	>30
Scenario 2 No Grant Inc Wider Costs/Benefits	>30	>30	>30
Scenario 3 50% Grant Council Benefits Only	>30	>30	>30
Scenario 4 50% Grant Inc Wider Costs/Benefits	3	3	>30
NPV @ 30 Yrs			
Scenario 1 No Grant Council Benefits Only	6,613	12,600	19,326
Scenario 2 No Grant Inc Wider Costs/Benefits	1,323	8,192	15,800
Scenario 3 50% Grant Council Benefits Only	809	4,500	8,559
Scenario 4 50% Grant Inc Wider Costs/Benefits	(4,578)	10	4,968
<u>Option 4 Redevelop and extend</u>	Optimistic	Realistic	Pessimistic
Breakeven in Years			
Scenario 1 No Grant Council Benefits Only	2	>30	>30
Scenario 2 No Grant Inc Wider Costs/Benefits	0	2	>30
Scenario 3 50% Grant Council Benefits Only	0	2	>30
Scenario 4 50% Grant Inc Wider Costs/Benefits	0	0	2
NPV @ 30 Yrs			
Scenario 1 No Grant Council Benefits Only	(732)	2,385	5,778
Scenario 2 No Grant Inc Wider Costs/Benefits	(6,394)	(2,333)	2,004
Scenario 3 50% Grant Council Benefits Only	(2,935)	(669)	1,734
Scenario 4 50% Grant Inc Wider Costs/Benefits	(8,597)	(5,388)	(2,040)



Option 1 - Maintain the existing fishmarket through rolling repairs

- This option ranks 2
- This provides a moderate return for the Council, but has a significant negative outcome when wider benefits are taken into consideration. In addition it does not allow either the Council nor primary producers to access the benefits which could be gained from a fit for purpose facility.

Option 2 - Demolish the existing fishmarket and tranship fish

- This option ranks 3
- This does not provide an adequate return for the Council, and also has a significant negative outcome when wider benefits are taken into consideration. In addition it does not allow either the Council nor primary producers to access the benefits which could be gained from a fit for purpose facility.

Option 3 – Build a new West Quay and a new fishmarket on that site

- This option ranks 4 with or without EMFF grant
- This provides a significant negative return for the Council, even when wider benefits are taken into consideration. Please note due to time restraints no EMFF funding would be available for this option.

Option 4 – Redevelop and extend on the existing fishmarket site

- This option ranks 1
- This provides a good return for the Council if EMFF grant funding is secured. In addition it also has significant positive wider benefits.

NPV Analysis:

The table below summaries the results of the 30 Year NPV Analysis, the first section compares “Council Only” costs and benefits, the second section sets out a “Wider Shetland” impact including the Council but also other affected businesses, mainly fishing boats and their associated support services in this case.

"Council Only" 30 Year NPV Summary			
	000 - (Positive) / -Negative		
Option	Pessimistic	Realistic	Optimistic



Repairs	-268	(1,198)	(2,663)
Demolish	(769)	(1,085)	(1,401)
New Quay	-19,326	-12,600	-6,613
Redevelop & Extend	-5,778	-2,385	(732)
Redevelop & Extend + EMFF	-1,734	(669)	(2,935)
"Wider Shetland including Council" 30 Year NPV Summary			
	000 - (Positive) / -Negative		
Option	Pessimistic	Realistic	Optimistic
Repairs	-16,162	-11,279	-6,208
Demolish	-20,835	-15,629	-10,316
New Quay	-15,800	-8,192	-1,323
Redevelop & Extend	-2,004	(2,333)	(6,394)
Redevelop & Extend + EMFF	(2,040)	(5,388)	(8,597)

"Council Only" Analysis

In ranking sequence, the programme of rolling repairs is projected as the most cost effective investment from a Council financial perspective using the "realistic" assumption set, under pessimistic assumptions demolition would be proffered, with optimistic assumptions the redevelop and extend option (with EMFF grant) ranks highest.

The implication of pursuing any other option than the strictly most cost effective from the Councils perspective needs a judgement to be taken that the wider benefits from that investment at least balance the alternative value that could be obtained from that investment in another service area, or retaining funds in its reserves.

The range between options for "Council Only" analysis is quite narrow, on the order of £500,000 NPV separation between competing options across the scenarios. In this review that provides a scale of the "opportunity cost" for other activities which the Council has to consider against the wider benefits of this project.

"Wider Shetland Including Council" Analysis



The “Redevelop & Extend” option, with or without EMFF Grant, is significantly the highest ranking option when wider benefits are considered. There is consistently at least a £10million + benefit to the wider Shetland economy projected under those options than any other.

Overall Analysis

It is clear that on balance NPV analysis concludes that “Rebuild” is the preferred option in terms of the “better Business Case” methodology, even when direct Council benefits are weighted more heavily than wider Shetland benefits

NPV appraisal conclusions:

- Option 1 – 2
- Option 2 – 3
- Option 3 – 4
- Option 4 – 1

The preferred option of NVP appraisal for this project is therefore 4, Redevelop and extend the existing facility.

2.5 Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options therefore the net present values assessed are risk adjusted.

There are other risks which are more difficult to quantify but remain relevant to the options. A workshop attended by members of the project team was held to identify the main risks and allocate scores for each option.

The following table shows those main risks and their scores as assessed against their likelihood and potential impact as allocated from the participants’ judgment and assessment of previous procurements

Further details of the risk management approach for the implementation of the preferred option is set out in Appendix 6a – Project Initiation Document

Risk	Impact	Option 1 Rolling Repairs		Option 2 Demolish/ Trans-Ship		Option 3 New Quay		Option 4 Redevelop/ Extend	
		P x I	Tot.	P x I	Tot.	P x I	Tot.	P x I	Tot.
Current fishmarket fails before replacement	fishmarket service stops suddenly	5x4	20	2x4	8	5x4	20	2x4	8



is available									
Replacement project cannot be done technically	Project is aborted and new solution required	4x4	16	4x4	16	3x4	12	1x4	4
Replacement project does not match needs over medium / long term	Over or under supply of service	5x3	12	4x4	16	3x3	9	1x3	6
Quality price premium is not achieved	Cashflow benefit is not achieved	5x2	10	5x2	10	2x3	6	2x3	6
Total			58		50		47		24
Rank			4		3		2		1

P = Probability – from 1 very Low to 5 Very High and I = Impact using the same scale.

Risk Appraisal Results

Option 1 – Rolling repairs

- This option ranks 4
- Key considerations influencing its score are the difficulty of maintaining an already ageing building providing a demanding service level to cope with increasing volumes and rising quality requirements. This option would not be likely to qualify for external funding.

Option 2 – Demolish and Trans-ship

- This option ranks 3
- Key considerations influencing its score are the uncertainty whether a high volume/ high quality trans-shipment service is capable of being organised when the only other local market is regularly at full capacity. This option would not be likely to qualify for external funding.

Option 3 – New Build on a New Quay

- This option ranks 2
- Key considerations influencing its score are the substantially higher cost, complexity and timescale of the construction project on a site less favoured by users for its seaward access. This project would be unlikely to meet external funding timetables.



Option 4 – Redevelop/Extend on current site.

- This option ranks 1
- Key considerations influencing its score are a relatively well understood construction project and on the same site which has preferred seaward access and known landward access arrangements.

Risk appraisal conclusions:

- Option 1 – 4
- Option 2 – 3
- Option 3 – 2
- Option 4 – 1

The preferred option of NVP appraisal for this project is therefore 4, refurbishment of the existing facility.

Summary of Economic Appraisal

Evaluation Results	Option 1 Maintenance	Option 2 Demolition	Option 3 New Quay	Option 4 Redevelop / Extend
Economic appraisals	2	3	4	1
Benefits appraisal	3	4	2	1
Risk appraisal	4	3	2	1
Overall Ranking				1

2.6 Sensitivity analysis

The table below summarises the results of increasing uncertain costs by 20% and reducing uncertain benefits by 20% for the benchmark option (1 - maintenance) and the preferred option (4 – Redevelop and extend) and re-running NPV calculations.

Table 14: Summary of results applying sensitivity analysis

	Option 1 – benchmark	Option 4 – the preferred option	New order in ranking Option 1	New order in ranking Option 4
Scenario 1 No Grant Council	268	5,778		



Benefits Only			2	3
Scenario 2 No Grant Inc Wider Benefits	16,162	2,004	3	1
Scenario 3 50% Grant Council Benefits Only*	268	1,734	1	2
Scenario 4 50% Grant Inc Wider Benefits*	16,162	(2,040)	3	1

*Note – there is no EMFF grant available for option 1 therefore the values of scenarios 1 and 2 have been repeated.

With the pessimistic outcome factored into this sensitivity analysis it can be seen that when only Council benefits are taken into account the Rolling Maintenance option ranks ahead of the Extend and Redevelop option. However when the wider benefits are considered the preferred Extend and Redevelop option remains ranked at number 1.

2.7 Preferred option

Following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option is to Redevelop and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.



3. The Commercial Case

3.1 Introduction

The purpose of this section is to describe how the deal for the preferred option will be procured and comment on the likely commercial appetite for such a deal and any associated issues.

3.2 Services required to deliver the preferred option

Detailed design of the rebuilt and extended facility, construction and equipment services, temporary chill facility.

3.3 Potential for risk transfer

The general principle is that risks should be passed to 'the party best able to manage them', subject to value for money.

This section provides an assessment of how the associated risks might be apportioned between the Council, the suppliers of the refurbished facility and operating partners.

Risk transfer matrix

Risk Category	Potential allocation		
	Public	Private	Shared
1. Design risk	✓		✓
2. Construction and development risk			✓
3. Transition and implementation risk			✓
4. Availability and performance risk			✓
5. Operating risk	✓		
6. Variability of revenue risks	✓		
7. Termination risks	✓		
8. Technology and obsolescence risks			✓
9. Control risks	✓		
10. Residual value risks	✓		
11. Financing risks	✓		
12. Legislative risks	✓		
13. Other project risks	✓		

3.4 Personnel implications (including TUPE)



It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment as outlined above.

3.5 Procurement strategy and implementation timescales

The procurement strategy for the preferred option of Redevelop on the existing site would be through contracts placed following open tender with appropriately experienced design and construction companies.

The preferred method of procurement will be finalised following advice from Capital Programme Service but is likely to be a Traditional Lump Sum arrangement. Other procurement approaches include;

- Traditional Lump Sum - In a lump sum contract the contractor prices the work based on drawings and written specification prepared by the design team but supported with measured bills of quantities prepared by the quantity surveyor. The BQ items are priced individually by the contractor and incorporated into the contract.
- Design and Build - initial design work may be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor would take single-point responsibility for the design and construction.
- ECI/Target Cost essentially involves putting additional resources into the crucial early planning phase in order to maximise the benefits and cost savings that can be achieved during the later construction phase. Its innovation comes from the selection process; the interaction between the client, contractor and designers during the early stages; and the resultant strong relationship-based interaction during the construction phase.

Assuming a Lump Sum approach continues to be the preferred approach the construction project would be project led within the Council supported by architectural design and engineering advisors also appointed via tender.

During the period between commencement and completion of the fishmarket construction, a temporary chilled facility at Scalloway Harbour would be provided through a further competitive procurement exercise.

Section 6.3.3 outlines the key milestones throughout the project and appendix 6b sets out a project timeline for the preferred option, Redevelop and Extend.

The design, specification and site management contractor will need to be appointed first to finalise main contractor tender documents and apply for the building warrant.



A pre-contract meeting is to be in place to introduce the project team and organise proceeding with the project.

The temporary chilled facility will need to be complete before the main contractor begins demolition so there is no disruption in service.

3.6 Accountancy treatment

The preferred option of Redevelop and extend the Scalloway Fishmarket would result in the completed asset being held on the Council's balance sheet as a non-current asset under International Accounting Standard (IAS) 16 - Property Plant & Equipment and International Public Sector Accounting Standards Board (IPSAS) 17 - Property Plant & Equipment.



4. The Financial Case

4.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option.

4.2 Cashflow

The anticipated payment stream over the contract period for the preferred option is set out in the following table:

	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Capital Expenditure	112	4,424	1,064	5,600
Net Revenue Operating Position	(190)	(161)	(161)	(512)
Total	(78)	4,263	903	5,088
Funded by:				
EEMF	(56)	(2,212)	(532)	(2,800)
SIC	134	(2,051)	(371)	(2,288)
Net Total	78	(4,263)	(903)	(5,088)

*Net Revenue Operating Position includes operating expenditure offset by operating income

4.3 Impact on the Council's Annual Accounts

The impact on the Income & Expenditure Account will be additional debt charges for the Council's capital expenditure of approximately £166k per annum.

There will be an increase in the value of Long Term Assets for the new building of approximately £5m and an increase in Long Term Liabilities for the increase in borrowing on the Balance Sheet of £2.8m.

4.4 Overall affordability

The proposed capital cost of the project is £5.6m over the construction project, but it is envisaged that 50% of these costs will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £2.8m. In line with Council's Medium Term Financial Plan and Borrowing Policy these costs would be funded by borrowing and would add to the Council's external debt.



Under the Local Government in Scotland Act 2003 there is a requirement that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code seeks to concentrate primarily on ensuring that local authorities' capital spending plans are affordable.

The Council's approved Prudential Indicator for its authorised limit for external debt, which should not be breached, is £40.4m and the Council's total external debt is currently £37m, therefore this proposal would not breach the Council's authorised limit and is within affordable limits.



5. The Management Case

5.1 Introduction

This section addresses the 'achievability' of the scheme by setting out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

5.2 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

5.2.1 Project management arrangements for the preferred option.

Further details of project management arrangements are described in appendix 6a - Project Initiation Document.

5.2.2 Outline Project Timetable

Milestone Activity	Week No.
Design, specification and site management contractor tender	0
Design contractor accepted	5
Design & specification finalised and building warrant application submitted	17
Bill of Quantities completed and Main Contractor tender advertised	23
Tenders received and building warrant accepted	27
Tenders checked and Main Contractor accepted	30
Pre-contract meeting and temporary building ordered	31
Site setup	34
Temporary building complete and taking down start	37
Taking down complete	47
New build structure complete	72
Internals complete	91
Electrical installations complete	101
Building commissioned and temporary building deconstructed	103

5.3 Use of Special Advisers



Specialist Area	Adviser
Financial	Finance Services
Technical	Estate Operations + External
Procurement and legal	Capital Programme Service and Governance & Law Service
Business assurance	Ports & Harbours Operations
Other	Fishmarket users and Key Stakeholders

Design consultants would be an asset to help towards a successful building for now and the future. They would have experience with this type of building that would ensure that it would meet all legislation and modern procedures.

5.4 Outline arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

5.5 Outline arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the Project Board who will update the relevant Council Services and Committees at least quarterly.

The main benefits that this project will deliver are set out in the table below along with targets and dates.

Following completion and commissioning, initial performance of the new arrangements will be monitored by Ports & Harbours Operations through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Description	Measurement	Target	Date	Cost
Price premium due to quality preservation and value adding	Price for fish landed	2.5% increase	2019	£0
Landing levels maintained at current levels	Fish landed	As current	2019	£0



Ability to accommodate all vessels wishing to land	Vessels Turned away	0	2019	£0
Reduction in electricity costs	Electricity costs paid	-32%	2019	£5,000
Reduction in maintenance costs	Maintenance costs paid	-10%	2019	£2,000
Value adding grading services accommodated	Level of fish graded pre-sale	10%	2019	£0
Recognition of quality enhancement	Quality accreditation achieved	1	2020	£10,000

5.6 Outline arrangements for risk management

Further details of risk management arrangements are described in appendix xxxx – Project Plan

5.7 Outline arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

5.8 Gateway review arrangements

All gateway reviews will be conducted using the agreed standards and format as set out in Shetland Islands Council - Gateway Process for the Management of Capital Projects - June 2016

5.9 Contingency plans

In the event that this project fails, the following arrangements will have to be put in place for continued delivery of the required services and outputs

While the detailed nature of contingency arrangements would depend on the particulars of why the project had stalled / failed, options include;

- Ongoing rolling repairs and ad-hoc actions to continue operation of the existing market.
- Provision of an extended temporary chill facility



- Liaison with LPA about accelerating their new build project and / or the possibility of obtaining use of their old facility
- Investigation of support for trans-shipment of catches to mainland Scotland markets or support for boats to land catches out with Shetland.

All of these options would be likely to involve additional costs and disruption to the local whitefish catching sector and associated businesses.

<i>Signed: John Smith</i>
<i>Date: 20th April 2017</i>
<i>Executive Manager Ports & Harbours</i>

SHETLAND ISLANDS COUNCIL REDEVELOPMENT SCALLOWAY FISHMARKET PROGRAMME

[illegible]

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

£		
<u>New Fishmarket</u>		
1 Builderswork incl Demolition Works		2,041,000
2 Mechanical Services		222,000
3 Electrical Services		370,000
4 Refrigeration Services - reduced based on m2		480,000
<u>External Works</u>		
5 Siteworks, incl Drainage & Services		575,000
6 Sub total		3,688,000
7 Preliminaries and General Items		675,000
8 Sub total		4,363,000
9 Contingency and Risk Items	5%	218,000
10 Sub total		4,581,000
11 Inflation (allowance meantime until programme dates confirmed)	1%	46,000
12 Total Indicative Cost Budget		4,627,000

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

Notes, Exclusions and Assumptions

Assumed all infrastructure (access roads and Services) to remain unchanged
 Demolition works are limited to demolition of existing Fishmarket building and existing hardstandings
 No allowance has been made for provision of temporary market and chilling facilities
 No allowance for phased construction
 No allowance for any enabling or decant works other than demolition stated above
 M&E costs provided by CCDP
 Refrigeration costs provided by CCDP
 Costs exclude VAT
 Costs exclude Professional Fees
 Costs exclude Planning and Warrant Fees
 Costs shown above have been benchmarked against similar current Fishmarket projects.

Drawings: Arch Henderson Project Ref. 162057

25 rev B - Existing Site Plan
 100 rev C - Location & Site Plan
 101 rev E - Proposed Floor Plan
 102 rev D - Proposed Elevations
 103 rev D - Proposed Accommodation
 104 rev D - Roof & Site Drainage
 105 rev C - Proposed Sections
 106 - Drainage Schematic
 107 - Reception Desk Details
 108 rev A - Window Schedule
 109 rev A - Misc Details Sheet 1
 110 rev A - Chillzone Details
 111 rev A - Finishes Schedule
 112 rev A - Furniture & Fittings
 113 rev A - Door Schedule
 114 rev A - Market Door Schedule
 115 rev A - Specification
 116 - Misc Details Sheet 2
 201 rev A - Typ Cross Section Thru Ex Market
 202 rev A - Typ Cross Section Thru Prop Market
 210 rev A - External Surfacing Layout
 220 rev A - External Surfacing Details
 230 rev A - Drainage Details Sht 1 of 2
 231 rev A - Drainage Details Sht 2 of 2
 240 rev A - Internal Slab Joint Layout
 241 rev A - Internal Slab Details
 301 rev A - Proposed Foundation Layout
 302 rev A - Proposed Retaining Wall
 303 rev A - Proposed Foundation Details

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

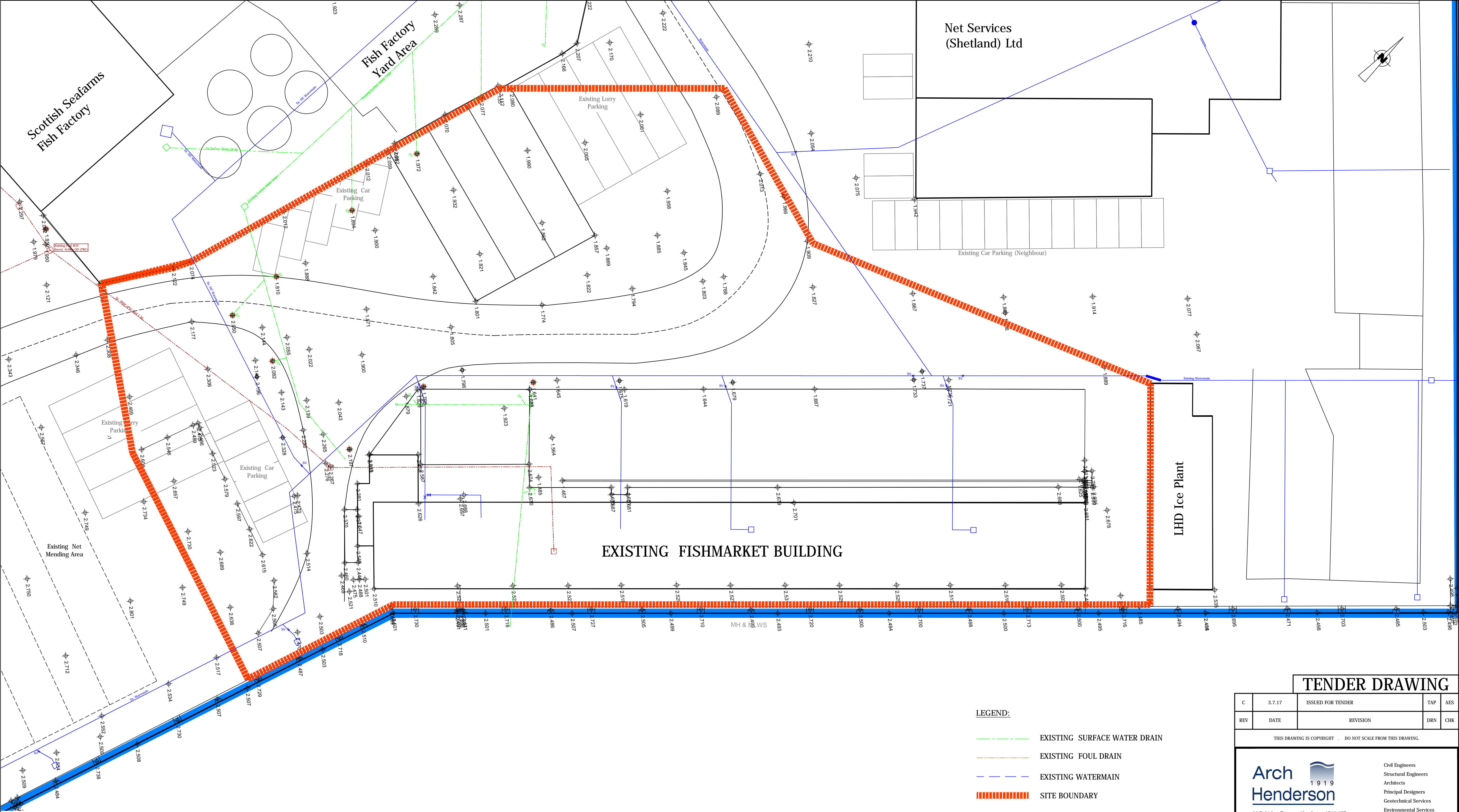
ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

Drawings; Arch Henderson Project Ref. 162057 (continued.)

304 rev A - Proposed Retaining Wall Details
306 rev B - Proposed Loading Bay Details
319 rev A - Proposed Masonry Details
321 rev A - Proposed Column Layout
322 rev A - Proposed Steelwork Roof Plan
331 rev B - Cross Section
332 rev B - Proposed Steelwork Elevations

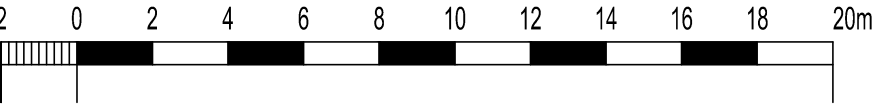


EXISTING SITE PLAN
SCALE 1:200

- LEGEND:
- EXISTING SURFACE WATER DRAIN
 - EXISTING FOUL DRAIN
 - EXISTING WATERMAIN
 - SITE BOUNDARY

- NOTES:
- ALL LEVELS TO ORDNANCE DATUM (UNLESS NOTED).
 - LOCATION OF SERVICES TO BE CONFIRMED ON SITE PRIOR TO EXCAVATION.

SCALE 1:200



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PROJECT :
SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET

TITLE :
EXISTING SITE PLAN

DRAWN : AES	DATE : MAY 2017	CHECKED : AES	DATE : MAY 2017
SCALE : (A1) 1:200	DRAWING STATUS : TENDER	DRAWING No : 162057-25	REV : C



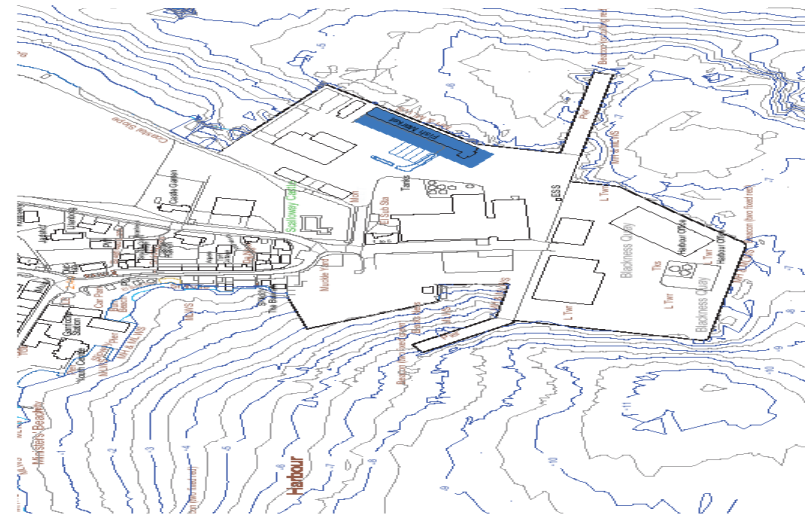
A New Fish Market for Scalloway



Architect's impression of the new market

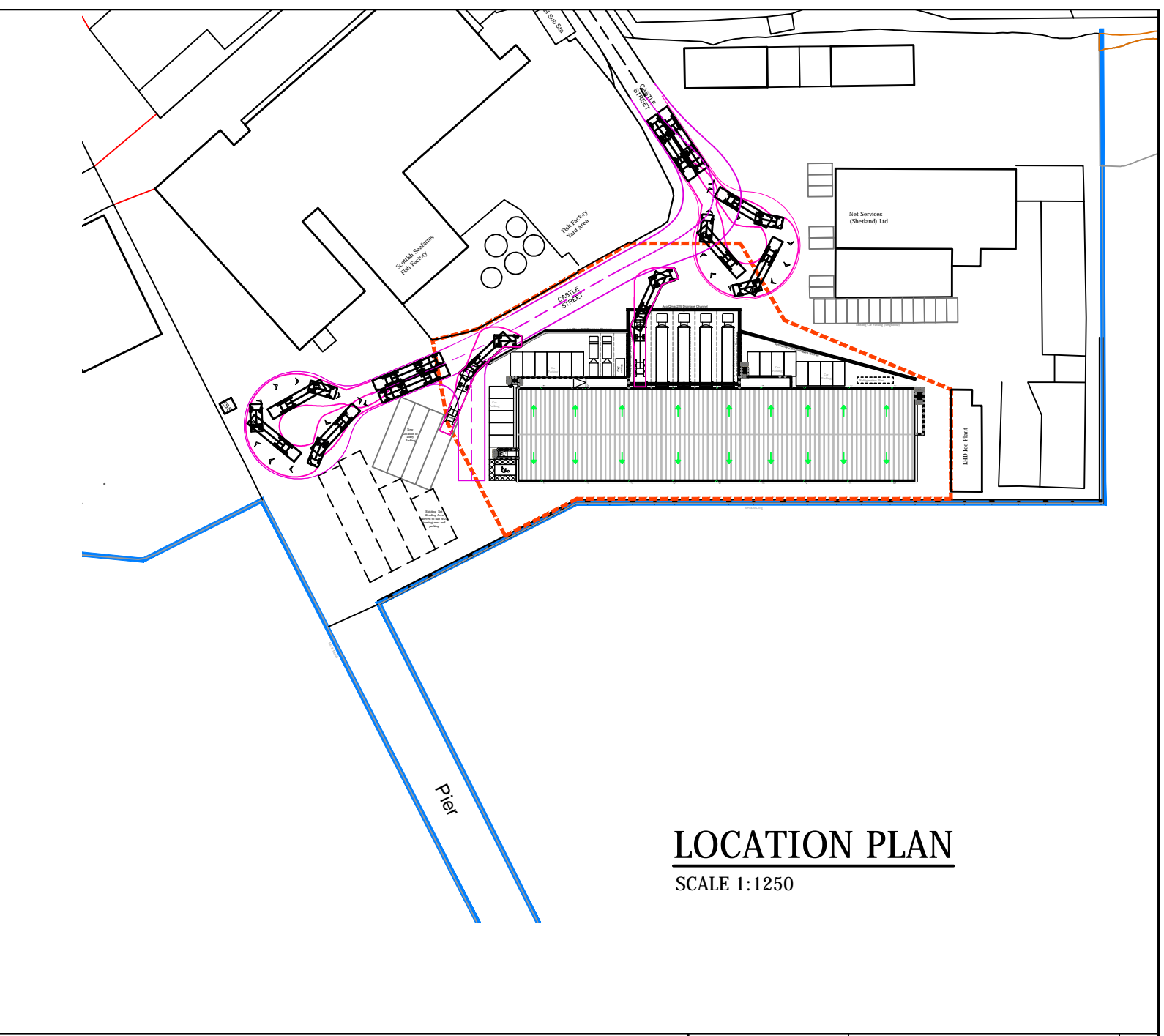
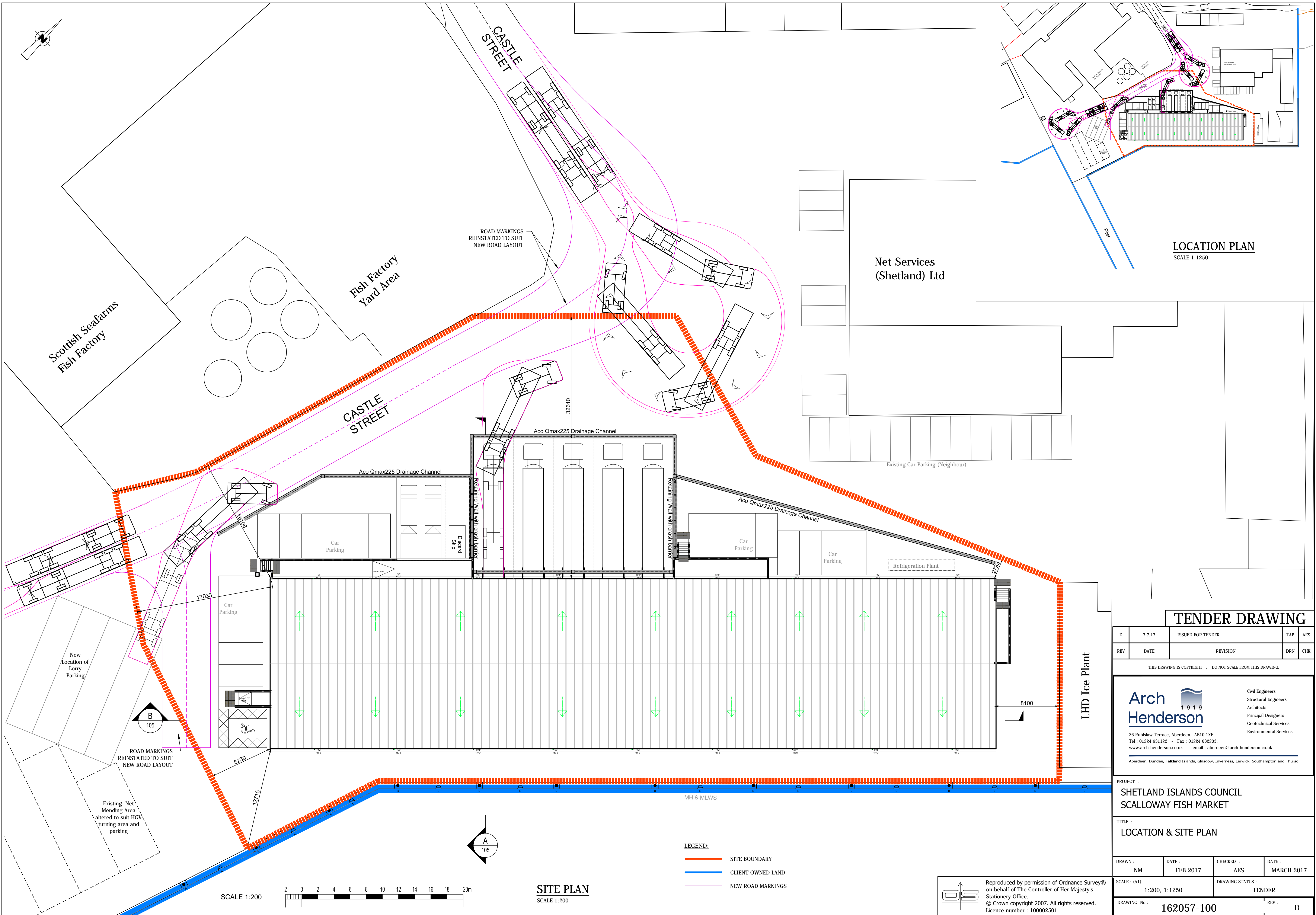


Scalloway harbour showing location of the market



Key features includes:

- Substantial increase in capacity for fish boxes compared to existing market
- Improved layout of fish boxes allowing for safer handling and easier inspection
- Larger landing area alongside the quay for safer access to the market
- More reliable and efficient static plate cooling system will not dry out fish
- Easier to clean and would avoid washdown of waste into sea
- Mechanisation for moving fish boxes rather than manual handling
- Larger market floor will accommodate larger fish landings
- Would support increased grading of fish which adds value at sale
- Improved welfare facilities and changing area for staff and visitors
- 125% increase in overall floor space compared with existing market



TENDER DRAWING

D	7.7.17	ISSUED FOR TENDER	TAP	AES
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PROJECT :
SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET

TITLE :
LOCATION & SITE PLAN

DRAWN : NM	DATE : FEB 2017	CHECKED : AES	DATE : MARCH 2017
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SCALE : (A1)
1:200, 1:1250

DRAWING STATUS :
TENDER

DRAWING No :
162057-100

REV :
D

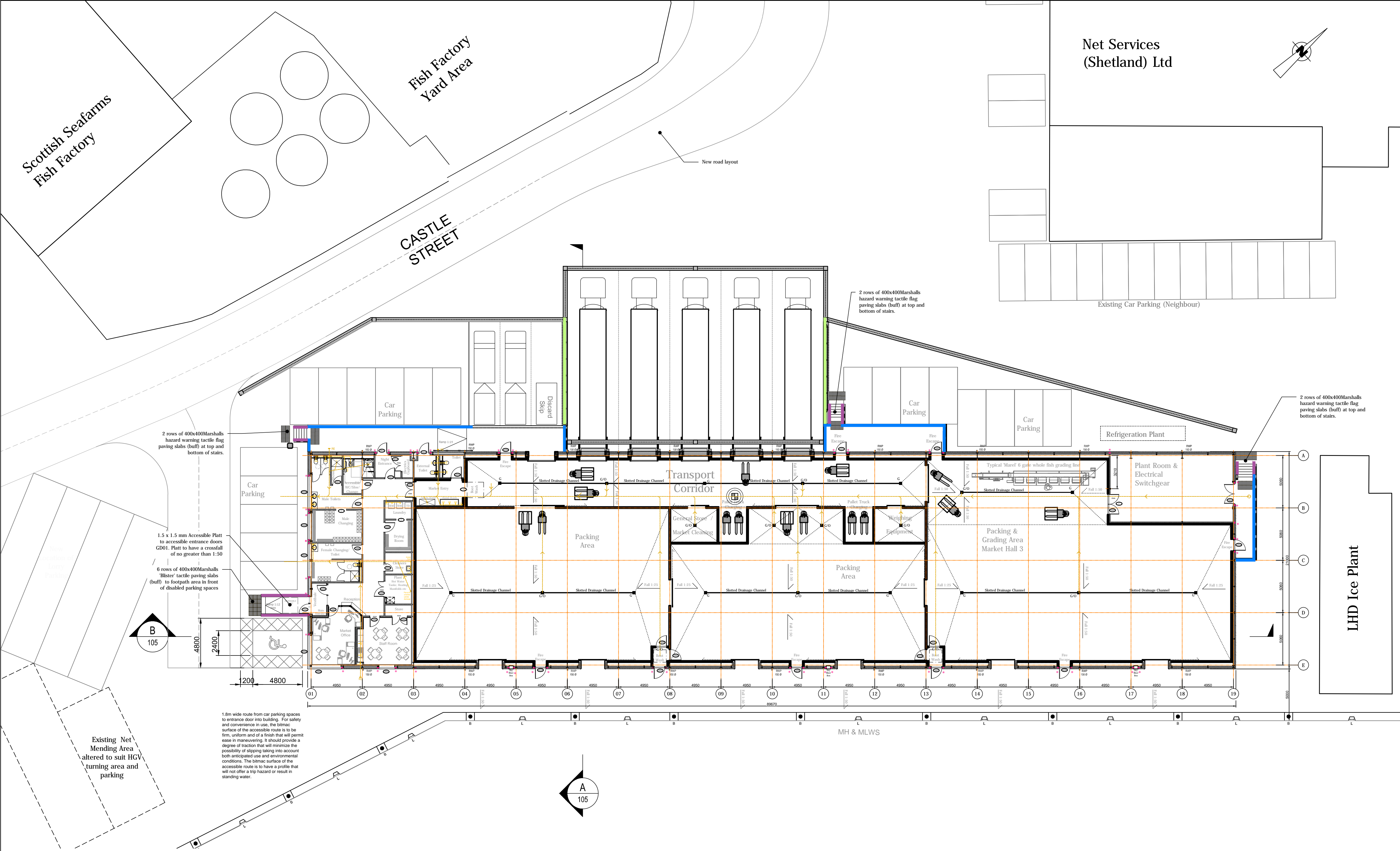
- LEGEND:
- SITE BOUNDARY
 - CLIENT OWNED LAND
 - NEW ROAD MARKINGS

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SITE PLAN
SCALE 1:200

SCALE 1:200





FLOOR PLAN
SCALE 1:200

- NOTES:
1. ALL DIMENSIONS ARE IN MILLIMETRES UNLESS NOTED OTHERWISE. NO DIMENSIONS TO BE SCALED FROM THIS DRAWING. ALL DIMENSIONS TO BE CONFIRMED ON SITE PRIOR TO ORDERING MATERIALS.
 2. THIS DRAWING IS TO BE READ IN CONJUNCTION WITH ALL RELEVANT ENGINEERS DRAWINGS AND THE CONTRACT SPECIFICATION. THE ENGINEER IS TO BE NOTIFIED OF ANY DISCREPANCIES ENCOUNTERED ON SITE DURING CONSTRUCTION WORKS.
 3. ACCESSIBLE ROUTE TO GD01 AND GD07 WILL BE IN ACCORDANCE WITH SCOTTISH BUILDING STANDARDS - TECHNICAL STANDARDS REGULATIONS 4.1.1/2/3/4/7 & 9
 4. ALL LEVELS TO CHART DATUM.
 5. CAVITY BARRIERS TO BE SPACED MAX. 20m HORIZONTALLY AND VERTICALLY AND AROUND ALL EDGES OF A CAVITY INCLUDING HEADS, JAMBS, AND CILLS OF WINDOWS AND DOORS.

- KEY:
- 1100mm BALUSTRADE GALVANIZED STEEL
 - HANDRAIL 950mm HIGH
 - VEHICLE CRASH BARRIER 760mm HIGH
 - * - DENOTES POSITION OF VERTICAL CAVITY BARRIER
- CAVITY BARRIERS TO BE SPACED 20M MAX (10M WHERE WITHIN ULTRATEMP WALLS) HORIZONTALLY AND VERTICALLY INCLUDING HEADS, JAMBS, AND CILLS OF WINDOWS AND DOORS. CAVITY BARRIER ALSO TO BE INSTALLED AT JUNCTION OF ULTRATEMP WALL PANELS AND TOP OF BLOCKWORK.

TENDER DRAWING

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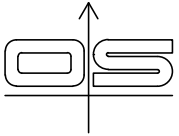
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PROJECT :
SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET

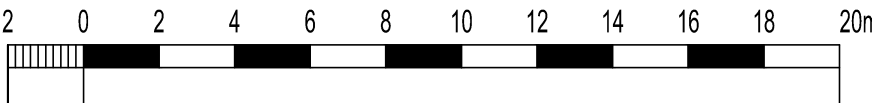
TITLE :
PROPOSED FLOOR PLAN

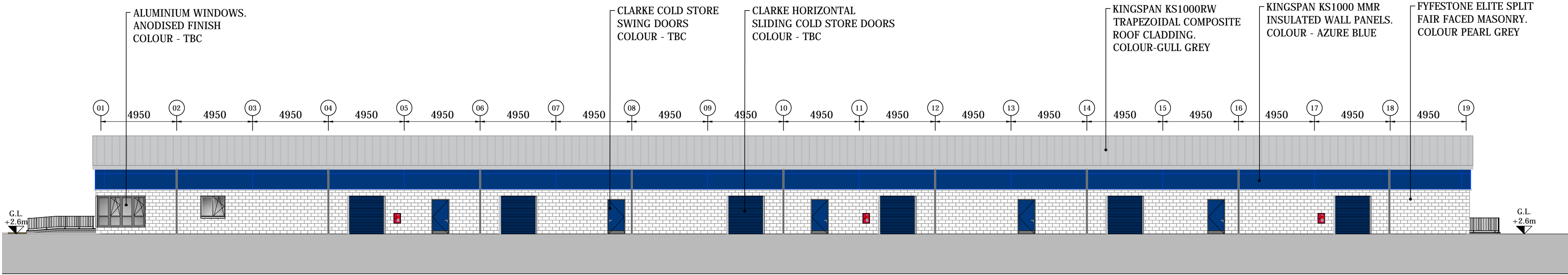
DRAWN : NM	DATE : FEB 2017	CHECKED : AES	DATE : MARCH 2017
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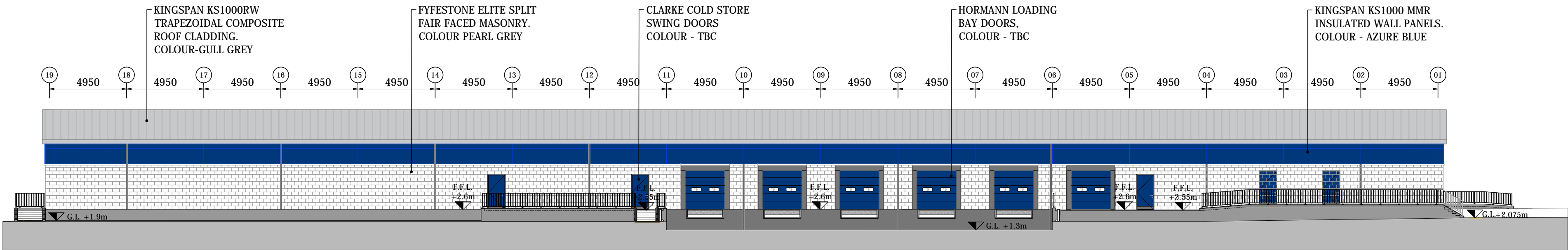
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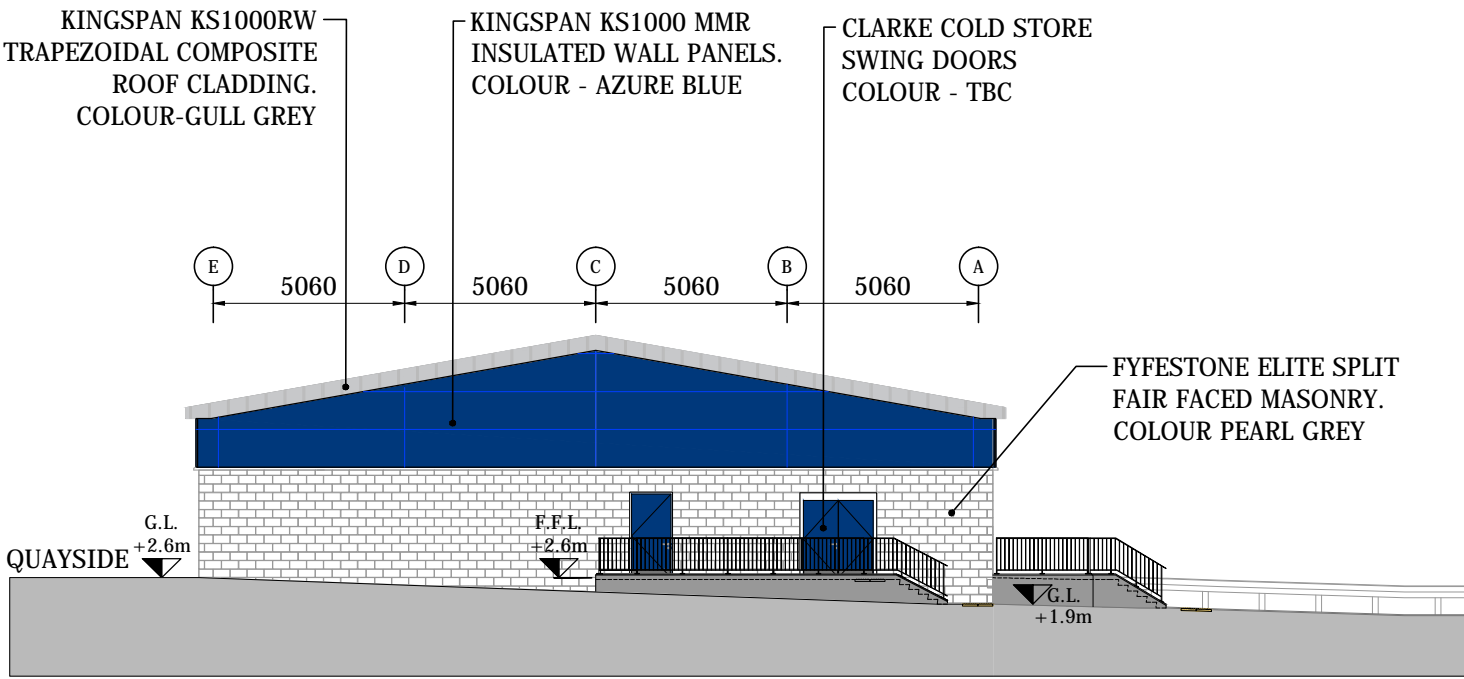
SOUTH EAST ELEVATION

SCALE 1:200



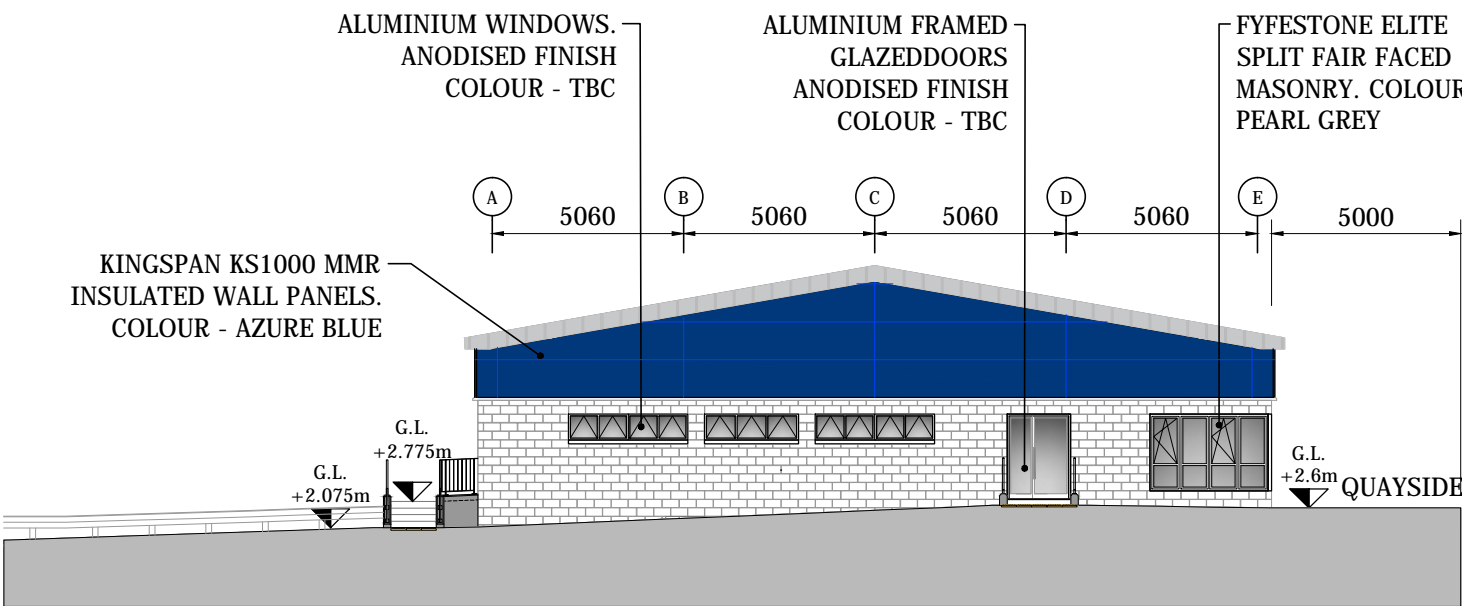
NORTH WEST ELEVATION

SCALE 1:200



NORTH EAST ELEVATION

SCALE 1:200



SOUTH WEST ELEVATION

SCALE 1:200

ROOF
KINGSPAN KS1000RW TRAPEZOIDAL COMPOSITE ROOF CLADDING.
AT 10 DEGREE PITCH.
COLOUR - GULL GREY, BS18B17

RAINWATER GOODS
PPC ALUMINIUM GUTTERS AND DOWNPIPES.
COLOUR- TBC

WALLS
FYFESTONE ELITE SPLIT FAIR FACED MASONRY TO MARKET HALL & ACCOMMODATION BLOCK AT GROUND FLOOR LEVEL.
COLOUR - PEARL GREY

KINGSPAN KS1000 MINI MICRO RIB INSULATED WALL PANELS.
COLOUR - AZURE BLUE BS18C39

WINDOWS
METAL TECHNOLOGY ANODISED ALUMINIUM DOUBLE GLAZED UNITS
COLOUR- TBC

ACCOMMODATION BLOCK EXTERNAL DOORS
METAL TECHNOLOGY ANODISED ALUMINIUM DOUBLE GLAZED DOORS
COLOUR- TBC

LOADING BAY DOORS
HORMANN SECTIONAL OVERHEAD DOORS WITH DOCK LEVELLER AND CUSHION SEAL.
DOOR COLOUR - TBC

QUAYSIDE DOORS
CLARKE DOORS HORIZONTAL SLIDING COLD STORE DOORS
COLOUR - TBC

PERSONNEL DOORS TO MARKET HALL
CLARKE DOORS HORIZONTAL SLIDING COLD STORE DOORS
COLOUR - TBC

NOTES:

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3. ALL LEVELS TO CHART DATUM.

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PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

TITLE :
PROPOSED ELEVATIONS

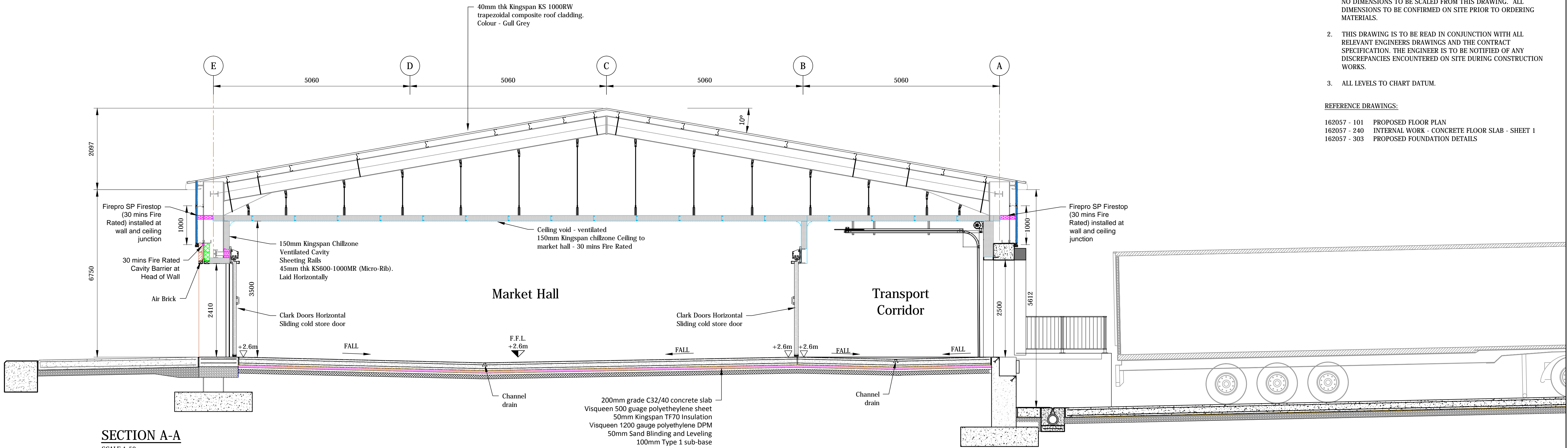
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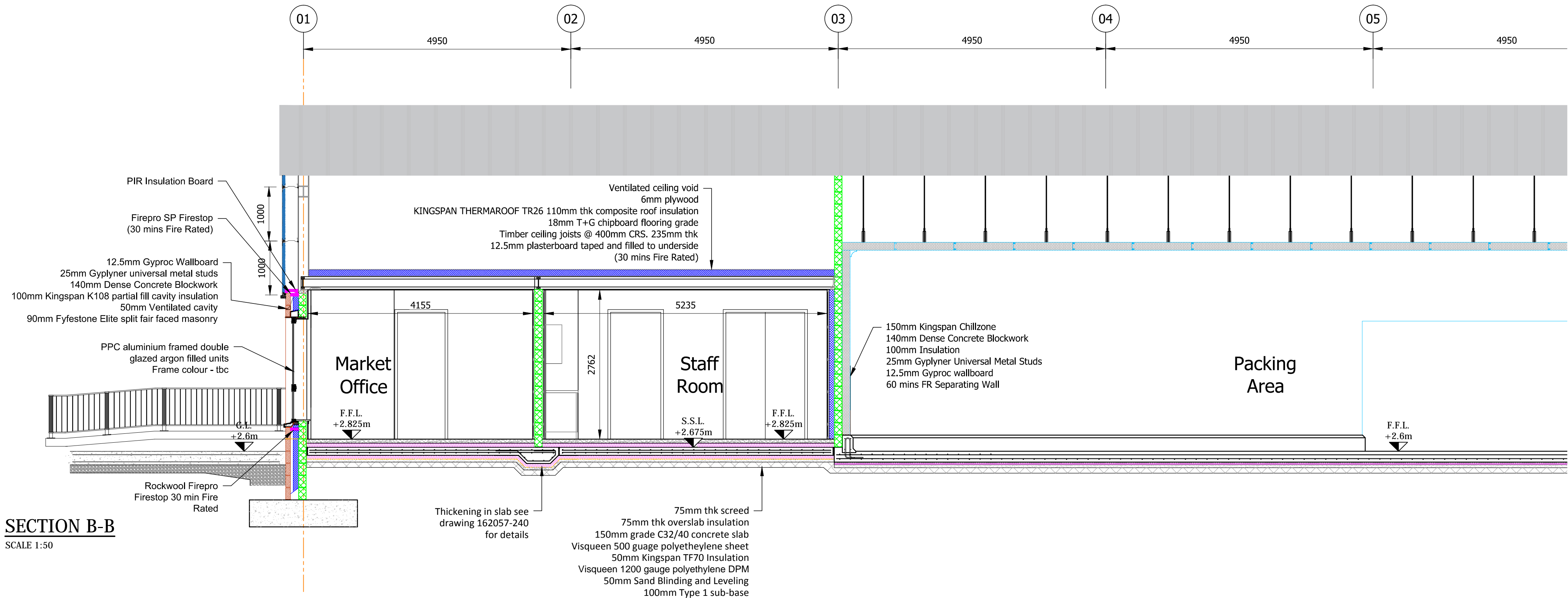
DRAWING No : 162057-102	REV : E
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SCALE 1:200





SECTION A-A
SCALE 1:50



SECTION B-B
SCALE 1:50

- NOTES:**
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 - ALL LEVELS TO CHART DATUM.
- REFERENCE DRAWINGS:**
- 162057 - 101 PROPOSED FLOOR PLAN
162057 - 240 INTERNAL WORK - CONCRETE FLOOR SLAB - SHEET 1
162057 - 303 PROPOSED FOUNDATION DETAILS

TENDER DRAWING

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PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

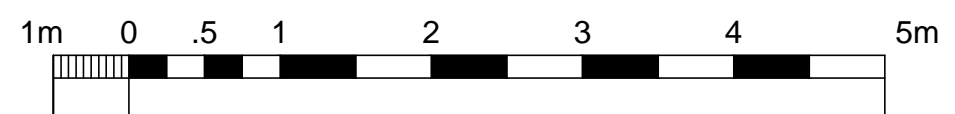
TITLE :
PROPOSED SECTION A-A & B-B

DRAWN : NM	DATE : FEB 2017	CHECKED : AES	DATE : MARCH 2017
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SCALE : (A1) 1:50	DRAWING STATUS : TENDER
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DRAWING No : 162057-105	REV : F
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SCALE 1:50





Shetland Islands Council

Option Appraisal Report

Temporary Facility for Landing Fish Blacksness Pier, Scalloway, Shetland



Report By:

Michael Leftwich ICIOB
Building Maintenance Officer

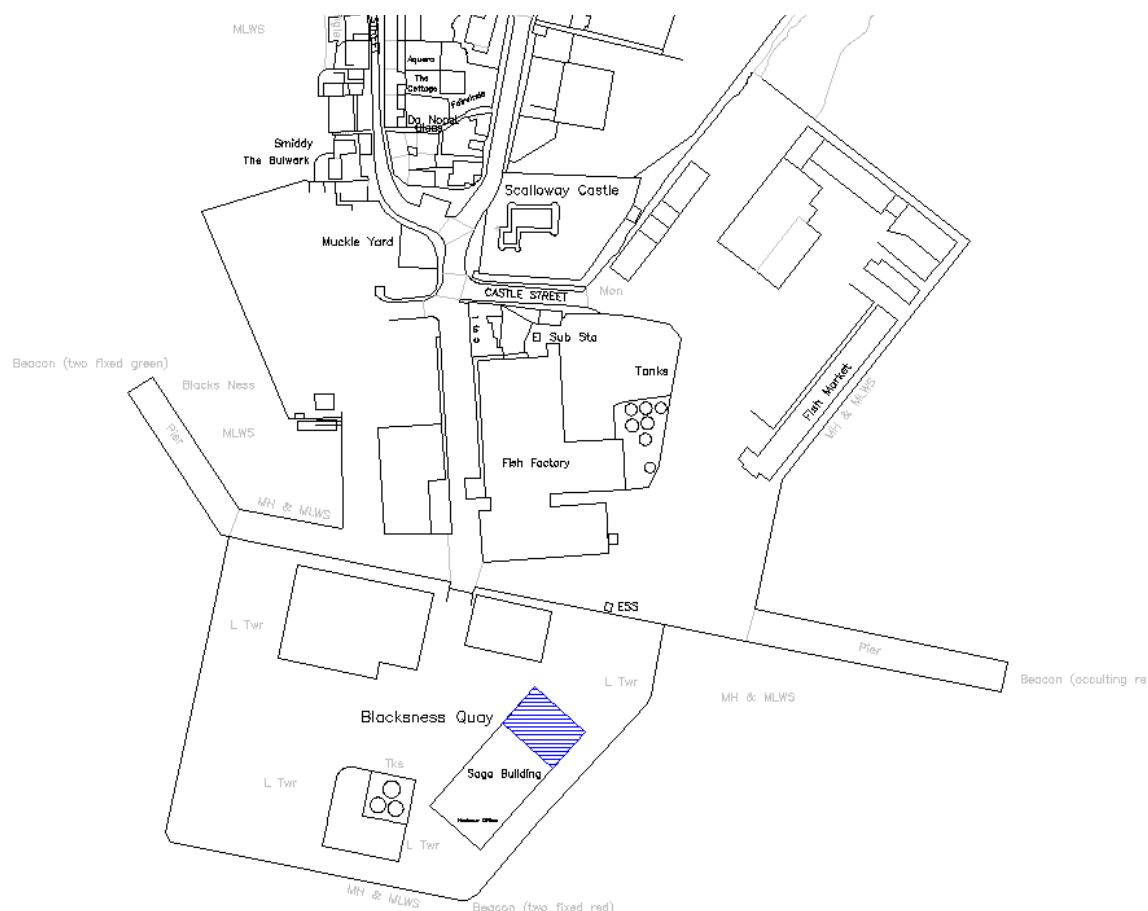
Estate Operations
Gremista
Lerwick
Shetland ZE1 0PX

Introduction

There is a requirement for a temporary facility to land fish if the redevelopment of the fish market proceeds. There are four options that have been considered and they are all located at Blacksness Pier in Scalloway.

Options

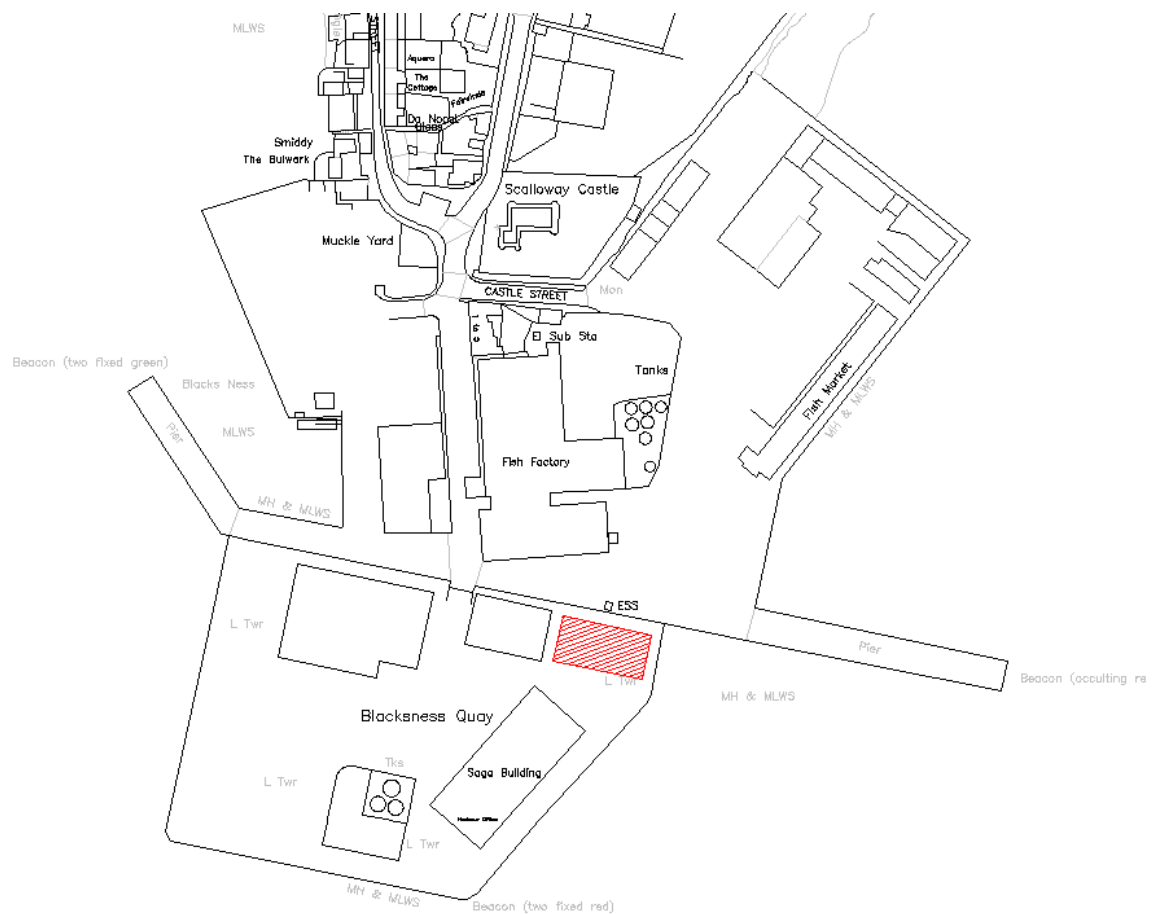
Option 1 – East Commercial Quay, Saga Building, North Unit



Advantages	Disadvantages
Potential box capacity of 2,080	Building work required to box in electrics
No requirement for planning permission	Require mechanical aids for handling
The boats can still berth in the same area	Needs to be surplus to Scottish Sea Farms
One door to land and another to load	Facility manager may be required
Good access for loading trucks	
Short lead time	

This option requires communication with Scottish Sea Farms who are the owners of the building. They may still require the use of this part of the Saga Building which would then rule out this option. The estimate for this option is **£198,000** with a 1-2 month lead time to be operational. This estimate includes the building works, hire of the unit and refrigeration hire.

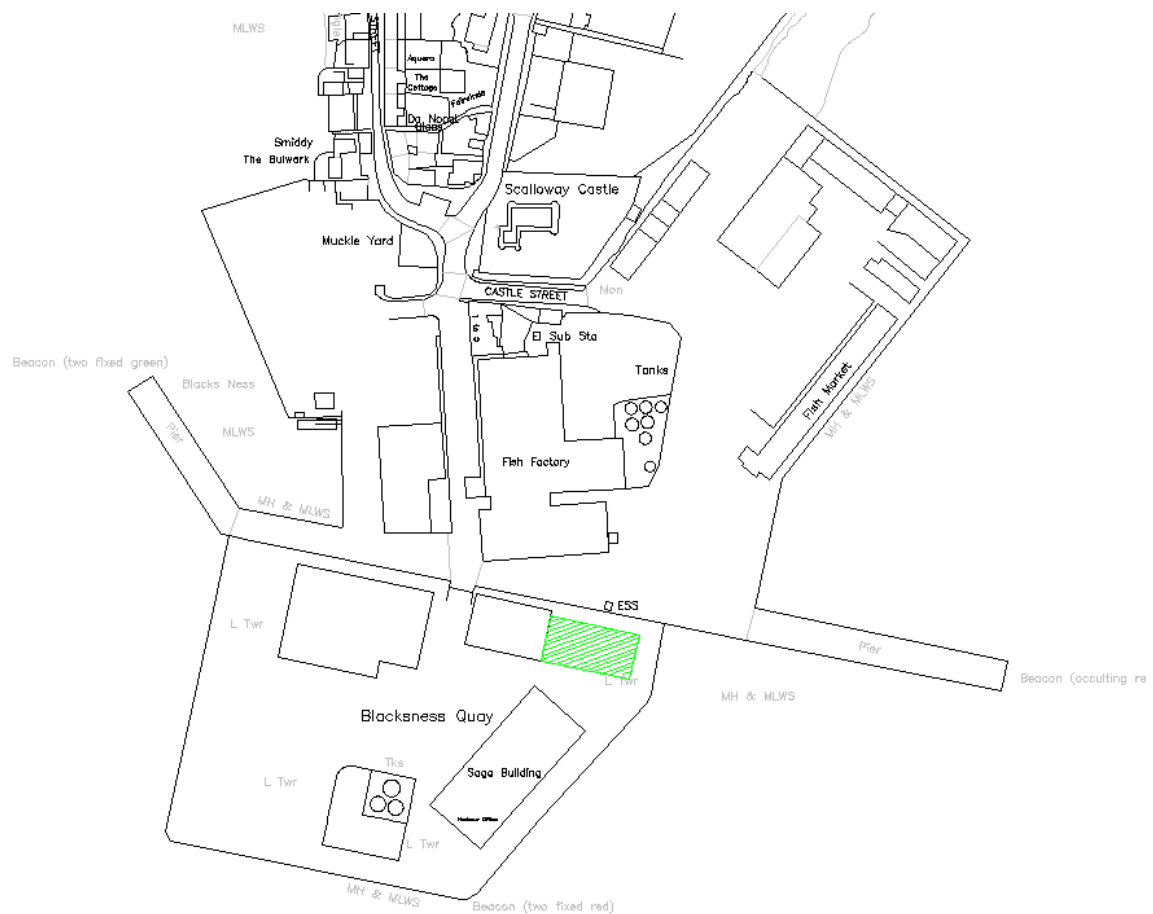
Option 2 – Temporary Chill Facility, East of Oil Spill Building



Advantages	Disadvantages
Potential box capacity of 2,080	Requires planning permission
The building is maintained by the hiring company	Works to the surface of the pier and services
An option to purchase the building	Require mechanical aids for handling
Adequate provision of sectional doors	Long lead time
	Access would be restrictive for trucks

The building would take up area currently used for net mending. There is a fence to the north which would restrict access to the south and there is limited space. It also has a lead time of 6-8 months to be operational. The estimate for this option is **£313,000** which includes the building works, hire of the structure and the hire of the refrigeration.

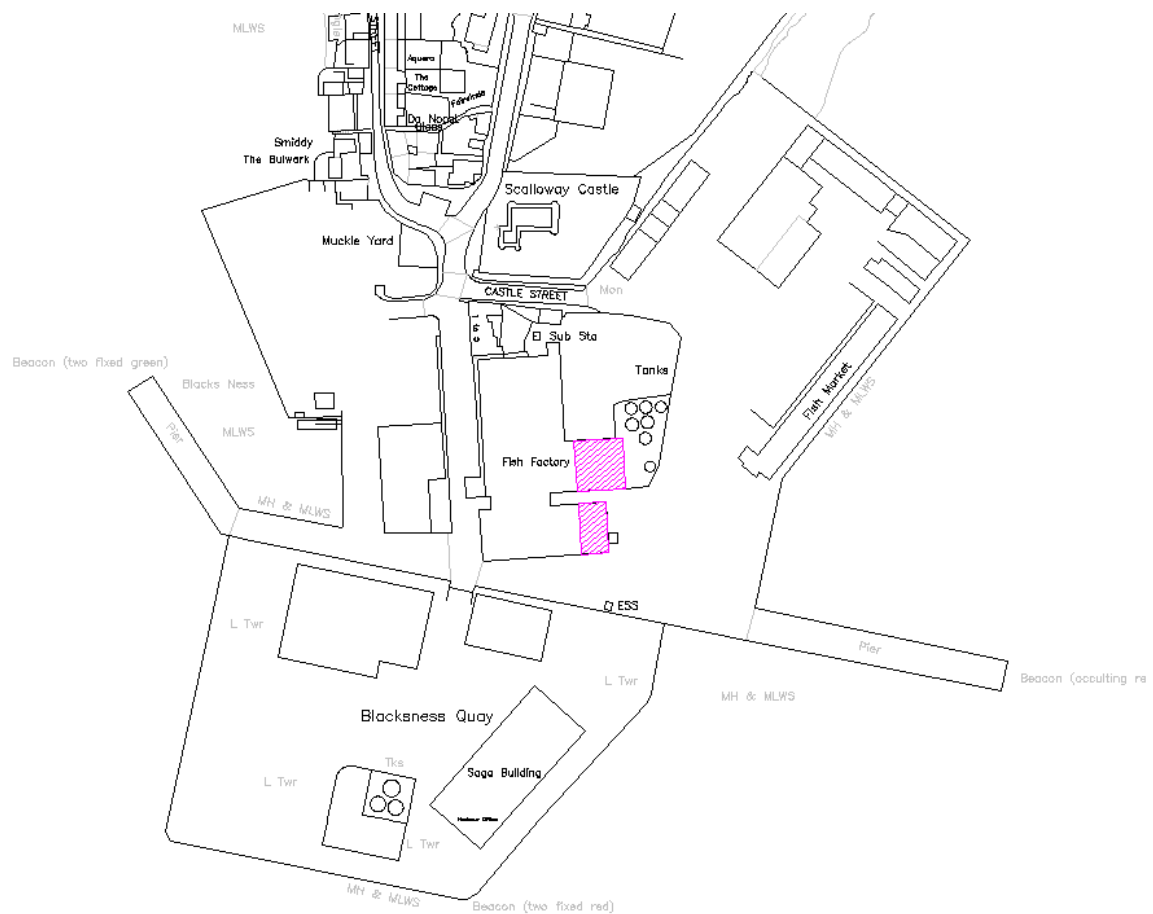
Option 3 – New Build Extension to Oil Spill Building



Advantages	Disadvantages
Potential box capacity of 2,080	Requires planning permission
Adequate provision of doors	Restricted access & egress
Can be used as a store after its chill use	Long lead time
	Access would be restrictive for trucks

This option would be another sizable project in itself with a lead time of 1 year to become operational. It is the most expensive option at an estimate of **£487,000**, but it would be a Council asset and have a future storage use at Blackness Pier. It has the same access issue as the temporary chill facility with tight space from the south.

Option 4 – Saga Factory



Advantages	Disadvantages
Unit in the factory is already a hygienic facility	Two sets of refrigeration required
Potential box capacity of 2,018	Facility manager may be required
No requirement for planning permission	One access and egress door
	Works required to one of the stores

The two units at the factory offer enough space, but the split may be an issue. Both stores have one sectional door to provide access and egress. There would be room for the trucks to load, but this would mean being parked on the net mending area. Money will need to be spent to refurbish the second store which in the end is an asset for Scottish Sea Farms. This option has a lead time of 2-4 months and an estimate of **£238,000**.

Conclusion

There are not many days throughout the year where more than 2,000 boxes are landed and so all options could cope with daily landings, if they were managed correctly.

A disadvantage that has been noted and affects all options is the change to using mechanical aids rather than the typically manual procedures. However, this will be the normal procedure for transporting boxes in the redeveloped fish market and the building users should be familiar with this by the time the premises is operational.

The north unit of the Saga Building is the most advantageous with having good access and egress and the boats being able to land nearer to the facility than any other option.

The temporary building would have ample sectional doors for good access and egress, but for the quantity of funds required will not ultimately be a Council asset.

An extension built in the same location would be a Council asset. This option has a long lead time, which delays the main project of the redevelopment and costs nearly half a million pounds.

The two stores at the fish factory offers adequate space, but are split and each store only has one door for access and egress. It is the furthest from the quay meaning a longer transport between the boat and the landing facility. Also, one of the stores requires money spent for a refurbishment which will be a Scottish Sea Farms asset.

Recommendation

The preferred option would be option 1. It is the cheapest and provides the shortest distance between the boats and the facility. It is not a Council asset, but does not require any refurbishment, just some minor work to protect the building's distribution boards.

Option 3 would be the following choice if the north unit was not available. It is the most expensive option and has the longest lead time, but the Council will be left with an asset for all the money it was spending on it.

Options 2 and 4 would be the least favourable. Both require larger sums to provide the facility and they do not belong to the Council.



Meeting(s):	Harbour Board	4 October 2017
Report Title:	Ports & Harbours Business Programme	
Reference Number:	PH-15-17F	
Author / Job Title:	John Smith, Acting Executive Manager – Ports & Harbours	

1.0	Decisions / Action required:
1.1	That the Harbour Board are asked to consider this report, comment on its contents within their remit, and NOTE the proposed reporting actions of the Ports & Harbours service in partnership with other Council services over the coming period.
2.0	High Level Summary:
2.1	This report provides the Harbour Board with an opportunity to consider the proposed Ports & Harbours work programme.
3.0	Corporate Priorities and Joint Working:
3.1	‘Our Plan 2016 to 2020’ states; “We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.
3.2	This report recognises the importance of cross Council co-operation in much of the work that Ports & Harbours is involved in and therefore looks to discuss that work with, and be informed by, key committees.
4.0	Key Issues:
4.1	There are a range of performance management, compliance and policy and project development matters which will require Harbour Board consideration over the coming months. Target reporting dates for these are laid out in Appendix A.
5.0	Exempt and/or confidential information:
5.1	None
6.0	Implications:
6.1 Service Users, Patients and Communities:	No implications arising directly from this report.

6.2 Human Resources and Organisational Development:	No implications arising directly from this report.
6.3 Equality, Diversity and Human Rights:	No implications arising directly from this report.
6.4 Legal:	Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report.
6.5 Finance:	<p>The Council has a very costly and very valuable estate of marine infrastructure and services. These are expensive to provide and expensive to maintain.</p> <p>To demonstrate that investment in non-statutory services like harbours and piers is best value; then the benefits of that investment need to be identified and quantified, both for the Council and for the overall economy and community.</p> <p>Ports & Harbours infrastructure and services are a significant cost centre and a very important income stream to the Council and community. Maximising impact and income when containing cost are both central to best value.</p> <p>There are no decisions with specific financial implications requested in this report. However generating a significant financial surplus and compliance with overall Council financial policies are key elements in all Ports & Harbours business planning and work programing.</p>
6.6 Assets and Property:	No implications arising directly from this report.
6.7 ICT and new technologies:	No implications arising directly from this report.
6.8 Environmental:	No implications arising directly from this report, however protection of the Shetland marine environment is one of the key priorities in all work planning.
6.9 Risk Management:	Work in the marine environment is intrinsically risky, both in health and safety and environmental protection terms. All activity must therefore be closely examined to ensure that it delivers the highest safeguards and standards.
6.10 Policy and Delegated Authority:	<p>Harbour Board</p> <p>Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p>

	<p>Act as Duty Holder as required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.</p> <p>Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council.</p>	
6.11 Previously considered by:		

Contact Details:

John Smith, Acting Executive Manager – Ports & Harbours
jrsmith@shetland.gov.uk
14 September 2017

Appendices:

Appendix A – Ports & Harbours Business Programme

Background Documents:

None

END

Ports & Harbours Business Programme - Agenda Management Dates 2017/18

Cycle 3					Harbour Board (by P&H)	P&R / Council / Other
Committee	Drafts	Clearance	Meeting	Time	Marine Pilots Market Forces Salloway Fishmarket FBC P&H Overview / Small Piers Review Fair Isle Slipway Rails	EJCC & P&R by P&H Devt by P&H and P&R by Capital Projects Devt & E&T & P&R by P&H
EJCC	1 Sept	8 Sept	19 Sept	11 a.m.		
Envt. and Transport	14 Sept	21 Sept	2 Oct	2 p.m.		
Development	15 Sept	22 Sept	3 Oct	10 a.m.		
Harbour Board	18 Sept	25 Sept	4 Oct	10 a.m.		
Policy and Resources	5 Oct	12 Oct	23 Oct	10 a.m.		
13 - 17 November - Budget Seminars					P&H Budget Estimates (by Finance) Annual Maintenance Plans/ BJC Draft Tables of Dues	P&R by Finance P&R by Capital Projects P&R by Finance
Cycle 4 – Budget and Q2 Performance Monitoring Meetings					P&H Performance Report Harbourmaster Report Port Engineering Report Harbour Board Business Programme Management Accounts (by Finance) Pilotage Accounts (by Finance)	
Committee	Drafts	Clearance	Meeting	Time		
Harbour Board	20 Nov	27 Nov	6 Dec	10 a.m.		
Policy and Resources	20 Nov	27 Nov	6 Dec	2 p.m.		
Cycle 5					Update of Harbour Regulations Sullom Voe Harbour Area Exclusions Toft Pier OBC / Update Report PoSV Contract Ops Update Report	Devt by P&H and P&R by Capital Projects P&R by P&H
Committee	Drafts	Clearance	Meeting	Time		
EJCC	4 Jan	11 Jan	22 Jan	11 a.m.		
Harbour Board	22 Jan	29 Jan	7 Feb	10 a.m.		
Policy and Resources	25 Jan	1 Feb	12 Feb	10 a.m.		
Cycle 6 – Q3 Performance Monitoring and Budget Setting Meetings					P&H Performance Report Harbourmaster Report Port Engineering Report Harbour Board Business Programme Management Accounts (by Finance) Pilotage Accounts (by Finance) Ports & Harbours Budgets (by Finance) Final Tables of Dues	P&R and Council by Finance P&R and Council by Finance
Committee	Drafts	Clearance	Meeting	Time		
Harbour Board	15 Feb	22 Feb	5 Mar	3.30 p.m.		
Policy and Resources	16 Feb	23 Feb	6 Mar	10 a.m.		

Wednesday, 27 September 2017

Wednesday, 27 September 2017