
NORTH AYRSHIRE COUNCIL

30 May 2023

Cabinet

Title:	Ardrossan Harbour Redevelopment Procurement Agreement
Purpose:	To seek Cabinet's agreement to enter a procurement agreement with Ardrossan Harbour Company Limited to allow the Ardrossan Harbour Redevelopment tender process to proceed.
Recommendation:	That Cabinet agrees to enter into a procurement co-operation agreement with the Ardrossan Harbour Company Limited [AHCL] to enable Peel Ports Group to lead a procurement process to secure contractors to undertake the proposed redevelopment works at Ardrossan Harbour.

1. Executive Summary

- 1.1 The Council together with the Ardrossan community successfully campaigned to retain Ardrossan as the mainland port for the Arran and Kintyre ferry services through the Save our Ferry Campaign in late 2016/early 2017. Ministers confirmed that the services would continue to operate from Ardrossan in April 2017. Since this time, and under the direction of the Ministerial Taskforce established to oversee the project; partners have worked to develop design proposals for all aspects of the project to their current state, which allows project partners to proceed with procurement activity for the project.
- 1.2 In terms of advancing the programme of works, partners have agreed in principle that Ardrossan Harbour Company Limited as a subsidiary of Peel Ports Group, in their role as Project Managers, will commence the procurement process to obtain tenders for the project and ultimately enable partners to agree a funding package for the project and thereafter enter into a contract to execute a design and build contract for marine and landside works, as a single works package. This report seeks approval to enable the Council to enter a procurement agreement with AHCL/PPG to provide a framework for protecting the Council's interest through the procurement process for the project and allowing partners to proceed to obtain market cost for the project.

2. Background

- 2.1 The Council meeting of November 2016 agreed to take all necessary steps to retain the lifeline service at Ardrossan. This led to the submission of a technical case to justify the advantages of retaining Ardrossan as the mainland port for the services in December 2016, and the submission of a financial case setting out proposals for

investment in the harbour infrastructure by the Council and the ports owners, Peel Ports Group (PPG) in January 2017 and proposals for a lease agreement between the Council and AHCL (PPG) over land at Ardrossan Harbour. At that time the package of works involved only a limited upgrade to the existing marine infrastructure specification.

- 2.2 Following confirmation by Scottish Government of Ardrossan being the mainland port for the Brodick and Campbeltown ferry services in April 2017, further modelling and simulations of the ferry utilising the harbour led to the conclusion that additional works to the marine infrastructure at the harbour would require to be undertaken to deliver a more resilient harbour service in the long term and accordingly designs have been co-developed and agreed by partners for a new terminal building, marshalling areas, access / public transport; and active travel / car parking.
- 2.3 All parties have agreed current project designs through the Ardrossan Taskforce, as a basis for proceeding to procurement to obtain tenders for a design and build contractor to complete technical design for the marine and landside components of the project and to lead construction activity at an agreed price. A Procurement Co-operation Agreement has been developed to outline all procurement arrangements for the appointment of a design and build contractor to allow AHCL (PPG) to act on the Council's behalf and lead procurement activity to secure a market price and contractor for the works. Subject to approval of this paper, the agreement will confirm governance and general arrangements for the procurement process from invitation to tender, to bid selection, development of lease terms up to award of contract. This will be set out in a gateway model, whereby agreement of all parties is required to proceed through each stage of the process. As such, it should be noted that entering the Procurement Co-operation Agreement and proceeding with procurement activity does not commit the Council to proceeding to contract award.
- 2.4 The Procurement Co-operation Agreement will reflect the current project plan and reflects the Ministerial Taskforce objectives of seeking to commence the procurement process through an Invitation to Tender being issued to market in June 2023, with bids for the contract being submitted by December 2023 for consideration of partners to agree the preferred bidder, the funding package for the works and to set contract terms for appointment. Construction completion is anticipated in late 2025, based on the current project plan.
- 2.5 It is considered that proceeding to procurement is a necessary critical path step in the project because it will allow the project development process to proceed, thereby offsetting potentially substantial service delivery and cost risks associated with delay, by allowing project partners to understand the true project cost, to be able to agree a funding package for the project, appoint a contractor team and commence technical design and construction works.
- 2.6 Given that the marine works will involve significant disruption to the harbour infrastructure, the closure of the Arran berth for a 24-month period during the construction phase will be required. To allow the works to proceed effectively, the service is to be relocated temporarily to Troon, until the Ardrossan works are complete. The proposed approach set out in this report seeks to minimise service disruption by limiting delay to the project development process and thereby minimising the period during which the ferry service will be temporarily relocated to Troon as well as limit impact of construction cost inflation.

3. Proposals

- 3.1 That Cabinet agrees to enter into a procurement co-operation agreement with the Ardrossan Harbour Company Limited [AHCL] to enable Peel Ports Group to lead a procurement process to secure contractors to undertake the proposed redevelopment works at Ardrossan Harbour.

4. Implications/Socio-economic Duty

Financial

- 4.1 This report recommends expediting the project development process towards procurement in order that a fixed cost for the project is understood and that will enable project partners to agree a financial package to fund the project cost. Delay to this process will potentially increase the length of time to completion of works and therefore, that the ferry service operates from Troon and may also increase project cost arising from future construction cost inflation.
- 4.2 The investment proposed by the Council to support landside investment components of the contract will be facilitated by a lease agreement with the owner of the landside infrastructure, Peel Ports Group. Detailed lease terms are in development. This agreement will be mirrored by a lease agreement to CMAL at an annual commercial rate decided by our Estates team in consultation with and external surveyor. In addition to this NAC will seek to raise revenue from the operation of the car park facility to be constructed as part of the landside works.
- 4.3 In summary, it is important to note that the level of NAC contribution to this project will only be known when the tender process is complete and when the project partners agree the financial package. Due to the ongoing impact of construction inflation, there is a risk that the required NAC contribution will exceed current available resources. Approval for any additional financial contribution will therefore have to be considered within the context of affordability within the overall capital programme.

Human Resources

- 4.4 There are no Human Resource implications arising from the report.

Legal

- 4.5 The proposed works to the harbour will be facilitated by the Council entering into a “pepper corn” lease agreement for the land with the Ardrossan Harbour Company Limited [AHCL] to enable Peel Ports Group, the owners. A sub lease will also be entered into between the Council and CMAL (or their successors) for the proposed new terminal building at a commercial rate to help finance the investment in the build over the expected lifespan of the building (25 years).
- 4.6 Legal advice has been taken on the subsidy control implications of public investment in the harbour area. It is considered that subsidy control issues do not arise given that the Council is investing on commercial terms, meaning that no undertaking benefits from the measure. Peel does not benefit from granting the pepper corn lease. CMAL does not benefit as it will be paying a market rent. Business users of the terminal and car park will similarly be paying market terms of the use of those facilities.

Equality/Socio-economic

4.7 The proposals will form part of a major capital investment programme in Ardrossan, with positive socio-economic impacts for the town, and deliver the benefits articulated in the case for retaining the service at Ardrossan.

Climate Change and Carbon

4.8 The procurement process will ensure that bidders set out the impact of their bids from a climate change perspective and this will inform bid selection.

Key Priorities

4.9 The proposed investment will support the Council Plan themes of:

- Growing our economy, increasing employment, and regenerating towns
- Working together to develop stronger communities.
- Protecting and enhancing the environment for future generations

Community Wealth Building

4.10 Local benefits in terms of employment and skills will be sought through the procurement process for what are major capital works. In addition, the proposed lease agreements illustrate how the use of land and commercial income can be used to secure investment for community benefit.

5. Consultation

- 5.1 The project is being led by the Ardrossan Harbour Taskforce, co-ordinated by Transport Scotland and with membership including North Ayrshire Council, Peel Ports Group, Caledonian Maritime Assets Ltd (CMAL), Cal Mac Ferries Ltd (CalMac), and the Arran Ferry Committee.
- 5.2 Public Consultation has been undertaken during the design process for the landside infrastructure with the local community in both Arran and Ardrossan. This consultation has also involved Caledonian Maritime Assets Ltd, CalMac Ferries Ltd, Peel Ports Group, Scotrail, local landowners, harbour tenants and other relevant partners/interested bodies.
- 5.3 A consultation is ongoing in relation to the service providers/users given the impact of the works on service reliability and the temporary use of an alternative port at Troon and being carried out by partners TS, CMAL and CalMac. Proceeding to tender stage will inform future planning for the impact of the construction works on the local community as the full impact of the works will be determined by the design and build process.

- 5.4 Project updates will be provided through project specific pages on the Council and Transport Scotland websites.

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Background Papers

None.