



**NORTH AYRSHIRE**  
COUNCIL

Cunninghame House,  
Irvine.

27 March 2014

### **North Ayrshire Council**

You are requested to attend a Meeting of North Ayrshire Council to be held in the Council Chambers, Cunninghame House, Irvine on **WEDNESDAY 2 APRIL 2014** at **2.00 p.m.** to consider the undernoted business.

Yours faithfully

Elma Murray

Chief Executive

**1. Apologies**

The Provost will invite notification of any apologies for absence.

**2. Declarations of Interest**

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

**3. Minutes (Page 7)**

The accuracy of the Minutes of (a) the ordinary meeting of the Council held on 19 February 2014; and (b) the special meeting of the Council held on 26 March 2014 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973 (copies enclosed).

- 4. Referral from Cabinet: Brodick Harbour Redevelopment (Page 25)**  
Submit report by the Chief Executive on proposals by Caledonian Maritime Assets Limited to implement a comprehensive redevelopment of Brodick Harbour and requesting consideration of a recommendation by the Cabinet on the Council's financial contribution to the project (copy enclosed).
- 5. Leader's Report**  
The Leader of the Council will report.
- 6. Committee Minutes (11 February to 20 March 2014)**  
Submit for noting, the minutes of meetings of committees of the Council held in the period 11 February to 20 March 2014 (issued under separate cover).
- 7. Questions**  
In terms of Standing Order No. 12 submit
  - (a) a question by Councillor Marshall to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"A report to the Corporate Health and Safety Group on 6 February 2014 recorded 296 incidents of Aggression and Violence within the Education and Skills Service for the nine months to December 2013 – an annualised figure of some 400.

How many of these incidents were reported to the Police and what remedial action is being taken to reduce the incidence of such aggression and violence to staff and pupils?"
  - (b) a question by Councillor Marshall to the Cabinet Member for Economic Development and Regeneration in the following terms:

"It was reported in February 2014 that Argyll and Bute Council had been successful in their application for £18.9M from the Scottish Government's Tax Incremental Finance (TIF) Scheme. The funds will be used in the Oban and Lorn area, the Lorn Arc, to promote economic growth. It is noted that NAC's bid for TIF in August 2011 for £15.2M for Irvine was unsuccessful.

Can we have an assurance that North Ayrshire Council will emulate Argyll and Bute Council in seeking to apply for any future TIF funding to promote economic growth in the North Coast Tourist areas?"

- (c) a question by Councillor Reid to the Cabinet Member for Community and Culture Policy and Service in the following terms:

"The Council endorsed free swimming across North Ayrshire last summer which was reported as a great success and certainly made the pools across Ayrshire considerably busier. A recent campaign during the Winter Olympics resulted in increased attendance at the ice skating in the Auchenharvie rink. This promotion reduced the cost of attendance by a small margin resulted in four fold increase in attendance at very small increase in costs to North Ayrshire Leisure.

Can the Cabinet Member advise me if they can investigate the possibilities of extending free skating or reduced price skating for North Ayrshires young people during the school holiday periods when attendance in past has been very low? This would have health benefits and benefit the wider sporting community like the swimming promotion has?"

- (d) a question by Councillor Bell to the Cabinet Member for Economic Development and Regeneration in the following terms:

"Since 2007 the claimant unemployment rate has doubled. What steps has the administration taken to attempt to improve the situation?"

- (e) a question by Councillor Cullinane to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"How many agency staff are employed by the Council?"

- (f) a question by Councillor Gallagher to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"How much has been spent by the Council, how much has been committed in contracts and how much is projected to be spent on purchasing and preparing the land at Longbar for the proposed new Garnock Academy and from which budgets?"

**8. Treasury Management Strategy Report (Page 105)**

Submit report by the Corporate Director (Finance and Corporate Support) on the proposed Strategy for Treasury Management activities within the Council for the financial year 2014/15 (copy enclosed).

**9. Revenue Estimates 2014/15 - Common Good and Trusts (Page 143)**

Submit report by the Corporate Director (Finance and Corporate Support) on annual income and expenditure in respect of the Common Good Funds and Trusts administered by North Ayrshire Council, and the proposed levels of grant funding to be made available for disbursement in 2014/15 (copy enclosed).

**10. Election/Referendum Policies on Display of Campaign Posters on Council Property (Page 167)**

Submit report by the Chief Executive on the revised policy on display of campaign posters on Council property (copy enclosed).

**11. Urgent Items**

Any other items which the Provost considers to be urgent.

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## North Ayrshire Council

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Sederunt:

Joan Sturgeon (Provost)  
Robert Barr (Depute Provost)  
John Bell  
Matthew Brown  
John Bruce  
Marie Burns  
Ian Clarkson  
Joe Cullinane  
Anthea Dickson  
John Easdale  
John Ferguson  
Alex Gallagher  
Willie Gibson  
Tony Gurney  
Jean Highgate  
Alan Hill  
John Hunter  
Elizabeth McLardy  
Alex McLean  
Catherine McMillan  
Peter McNamara  
Ronnie McNicol  
Ruth Maguire  
Tom Marshall  
Jim Montgomerie  
Alan Munro  
David O'Neill  
Irene Oldfather  
Donald Reid  
Robert Steel

Attending:

Apologies:

Meeting Ended:



North Ayrshire Council  
19 February 2014

**IRVINE, 19 February 2014** - At a Meeting of North Ayrshire Council at 2.00 p.m.

**Present**

Joan Sturgeon, Robert Barr, John Bell, Matthew Brown, Marie Burns, Ian Clarkson, Anthea Dickson, John Easdale, John Ferguson, Alex Gallagher, Willie Gibson, Tony Gurney, Alan Hill, John Hunter, Elizabeth McLardy, Alex McLean, Catherine McMillan, Peter McNamara, Ronnie McNicol, Ruth Maguire, Tom Marshall, Alan Munro, David O'Neill, Irene Oldfather, Donald Reid and Robert Steel.

**In Attendance**

E. Murray, Chief Executive; I. Colvin, Director (North Ayrshire Health and Social Care Partnership); L. Friel, Corporate Director (Finance and Corporate Support); C. Kirk, Corporate Director (Education and Skills); C. Hatton, Corporate Director and A. Savage, Housing Officer (Development and Environment); A. Fraser, Head of Service (Democratic and Administration); C. Andrew, Senior Legal Services Manager; L. McEwan, Communications Manager and A. Woodison, Communications Officer; and M. McKeown, Committee and Members Services Manager (Chief Executive's Service).

**Chair**

Provost Sturgeon in the Chair

**Apologies for Absence**

Councillors John Bruce, Joe Cullinane, Jean Highgate and Jim Montgomerie.

**1. Apologies for Absence**

Apologies were intimated on behalf of Councillors John Bruce, Joe Cullinane, Jean Highgate and Jim Montgomerie.

**2. Declarations of Interest**

There were no declarations of interest in terms of Standing Order 16 and Section 5 of the Councillors' Code of Conduct.

**3. Previous Minutes**

The accuracy of the minutes of the ordinary meeting of the Council held on 18 December 2013 was confirmed and the minutes signed by the Provost in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

#### **4. Referral from Planning Committee & Cabinet: Scheme of Delegation for High Hedges**

Submitted report by the Corporate Director (Development and Environment) on a referral from the Planning Committee and the Cabinet, seeking Council agreement to a change to the Scheme of Delegation to Officers to allow Officers to determine applications in terms of High Hedges (Scotland) Act 2013.

The Council agreed to approve the amendment to the Scheme of Delegation to Officers to delegate to the Corporate Director (Development & Environment) the determination of any application in respect of the High Hedges (Scotland) Act 2013.

#### **5. Leader's Report**

The Leader of the Council reported on the following matters:-

- the official opening on 16 January 2014 of the refurbished sheltered housing units in Currie Court, Ardrossan, which have been specifically designed for 21<sup>st</sup> Century living;
- the success of one of the Council's apprentices, Martin Elder, in reaching the finals in the APSE Scottish Housing and Building Maintenance Apprentice of the Year awards, the results of which are awaited;
- the attendance of the Leader, together with Fergus Ewing, the Scottish Government's Minister for Energy, Enterprise and Tourism, at a briefing on the progress of i3, Irvine's Enterprise area, and the success of the enterprise area in increasing employment by 160 in the first year of designation, with the potential of up to 1,500 more jobs as companies take advantage of the financial incentives, infrastructure and premises available. During the visit the Leader and the Minister had a tour of Oricom, a cutting edge telecommunications business which has recently set up their head office in the newly renovated Innovation B office space at Cockburn Place;
- the joint meeting of the Cabinet and Youth Council Executive held on 21 January 2014 at Largs Academy, which was attended by 3<sup>rd</sup> year Modern Studies and fifth and sixth year pupils who took part in a Question Time session at the close of the Youth Cabinet;



- the Leader's attendance at the Creative Place Awards in January where a joint bid by the Arran Community and North Ayrshire Council (which sought to engage professional art experts to work with individuals and groups on the island, improve access to the arts for everyone in the community, and develop and nurture the island's brightest talents) narrowly missed out on the top prize;
- the Leader's attendance in February at the 'Making Your Business Our Business' event held by Ayrshire College at their Ayr Campus, which provided an opportunity to build further on the good relationship the Council has with the College and to discuss the Council's skills requirements with College Board Members and senior staff;
- the Leader's visit on 6 February to the Arran Outdoor Education Centre to join Councillor Bruce in congratulating 32 pupils from Auchendarvie Academy and Ardrossan Academy on successfully completing the S3 Leadership Academy course, which aims to make pupils aware of their own leadership potential by taking part in physical outdoor activities together with reflective and creative indoor sessions; and
- the generosity of the Members in raising £175 (in lieu of exchanging Christmas cards) for Ayrshire Hospice which was handed over at the Ayrshire Hospice 25th Anniversary Reception held at the weekend. The Leader expressed his hope that Members would participate in a similar initiative in future years.

Noted.

## **6. Minutes**

### **6.1 Minutes of North Ayrshire Council (10 December 2013 to 11 February 2014)**

Submitted for noting, the minutes of meetings of committees of the Council held in the period 10 December 2013 to 11 February 2014.

Noted.

### **6.2 North Ayrshire Community Planning Partnership (CPP) Board: Minutes of Meeting held on 12 December 2013**

Submitted report by the Chief Executive being the Minutes of the meeting of the North Ayrshire Community Planning Partnership (CPP) Board held on 12 December 2013.

Noted.

## 7. Questions

In terms of Standing Order No. 12, there was submitted:

- (a) a question by Councillor Gallagher to the Cabinet Member for Economic Development and Regeneration in the following terms:

"What is the estimated annual financial and economic contribution to the economy of North Ayrshire of Hunterston B power station in operation and how long that contribution is expected to continue? Also, what is the estimated annual financial and economic contribution to the economy of North Ayrshire of Hunterston A power station in decommissioning and how long that contribution is expected to continue? How does the SNP Administration propose to replace these contributions when they cease to support the local economy?"

Councillor Burns referred to the written response provided:-

"Hunterston B employs around 530 staff and 180 full-time contractors. It is estimated that the plant provides an annual benefit to the local economy of up to £40 million. The operator, EDF, has stated that the plant can technically and economically operate until 2023. Once this plant ceases to operate, and enters the decommissioning phase, a number of jobs will be retained providing continued benefit to the locally economy for a number of years.

The completion of the decommissioning phase at Hunterston A, which is estimated to take place between 2017 and 2020, is estimated to result in a net loss of between 300 and 330 jobs along with £28million in economic activity and £11 million in GVA. A number of early decisions have been taken and developed to minimise the impact of these plants reaching the end of their operating life including, but not exclusively:-

- the completion of a competitive advantage study for the wider Hunterston area to analyse the potential for uses such as energy production, renewables manufacturing, bulk imports and maritime decommissioning. The recommendations of this study are being taken forward including the pursuit of national development status and marketing the site on the basis of a masterplan;
- work to secure funds from the Nuclear Decommissioning Authority to address the socio economic implications of any loss of employment associated with decommissioning;
- through the recently launched Team North Ayrshire, dedicated account management of businesses with the potential to grow and provide employment;
- development of an international strategy to attract inward investment and support exports;
- improvements to the areas infrastructure including an upgrade to the B714;
- the continued development of strategic investment sites such as the Irvine Enterprise Area."

Councillor Gallagher thanked the Cabinet Member for her response. Referring to the National Planning Framework, he asked as a supplementary question if the Cabinet Member regretted that the Scottish Government has removed provision for the development of new nuclear power station at Hunterston as part of its strategic plans for North Ayrshire.

Councillor Burns responded that she regretted that Hunterston was not a national priority within the Plan, an issue that was being pursued with the Scottish Government, but did not regret the absence of any provision for the development of a new nuclear power plant at Hunterston.

(b) a question by Councillor McNicol to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Now that work has been completed to refurbish the double glazing and cladding at Lambie Court and O'Connor Court, Saltcoats, will the Cabinet Member for Housing inform the Members of the final amount payable by the owner occupiers?"

Councillor Maguire responded in the following terms:-

"I can confirm that the final amount payable by the owners is £708.63 per household (inclusive of VAT)."

Councillor McNicol thanked the Cabinet Member for her response. Referring to the different figures that had been quoted at various stages to tenants in relation to the works carried out, and to the concern that had been caused in some cases, he asked as a supplementary question if the Cabinet Member would ensure that such situations are not repeated in future.

The Cabinet Member gave this undertaking.

(c) a question by Councillor McNicol to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Would it be likely that an email sent to all 30 Elected Members would leave no trace on the Council's IT system?"

Councillor Maguire responded in the following terms:-

"All emails received by the Council are logged. It is unlikely that an email sent to all Elected Members would leave no trace on the Council's systems."

Councillor McNicol thanked the Cabinet Member for the response. As a supplementary question, and referring to a reference contained in a letter published in a local press in relation to an email allegedly sent to all Members but not received by some, he asked if the Cabinet Member would ensure that I.T. continue to exercise vigilance in relation to emails directed to Members.

The Cabinet Member gave this undertaking.

(d) a question by Councillor McNamara to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Does the Cabinet Member for Finance agree with me that the working group set up to look into pay day loans should include a member of the Labour Group and one member of the Independent/Tory groups?"

Withdrawn.

(e) a question by Councillor Marshall to the Cabinet Member for Education Attainment and Achievement in the following terms:

"For Primary Schools of actual roll greater than 79, ascertain the number of iPads or similar devices in use in each school and to list, by name of school, school roll and number of devices, the three schools with the most devices per 20 pupils and also the three schools with the least number of devices per 20 pupils?"

In the absence of Councillor Bruce the Leader referred to the written response provided:-

"North Ayrshire Council currently delivers an education to primary aged pupils in 52 establishments. This will reduce to 50 by August 2014. At the moment there are 42 establishments with a roll greater than 79. The number of tablet devices, including iPads, in all primary establishments total 758 at the moment. It should, however, be noted that the number of devices in each individual establishment does not necessarily give us a picture of the IT availability or otherwise, as these devices complement the vast number of desk top, laptop, apple computers and interactive boards also available to our young people.

In response to the data asked for, I can offer the following information:

<b>Three schools with the most devices per 20 pupils (with school rolls greater than 79)</b>			
<b>SCHOOL</b>	<b>ROLL</b>	<b>NO. OF DEVICES</b>	<b>RATIO</b>
<b>Fencedyke Primary</b>	141	33	4.7 per 20 pupils
<b>Glengarnock Primary</b>	177	32	3.6 per 20 pupils
<b>St Mary's Primary</b>	85	14	3.3 per 20 pupils

<b>Four schools with the least devices per 20 pupils (with school rolls greater than 79)</b>			
<b>SCHOOL</b>	<b>ROLL</b>	<b>NO. OF DEVICES</b>	<b>RATIO</b>
<b>Corsehill Primary</b>	213	0	0
<b>Dykesmains Primary</b>	200	0	0
<b>Loudoun Montgomery Primary</b>	137	0	0
<b>St Peter's Primary</b>	96	0	0

IT provision is currently devolved to school head teachers and management teams who, as a result, have the autonomy to develop their own priorities within overall allocation of resource to their school. This, in the past, has been complemented at times with additional resource for IT refresh. As a result, there is not a uniformity of resource available within each establishment. However, in the main, schools in North Ayrshire are very well served in terms of IT provision.

Nevertheless, given the ever increasing importance of IT in today's worlds, Education and Skills along with Corporate IT are currently carrying out a review of IT provision in all of our schools. This review will deliver recommendations in the near future and in doing so will provide the information required that will allow the Council to develop a new IT strategy for all educational establishments. Part of this will include ensuring that all schools have a baseline of IT provision and that adequate support is also provided. Indeed, work is currently taking place to ensure our least well equipped schools are having their hardware updated and added to."

Councillor Marshall, as a supplementary question asked what plans the department had to deliver quality provision across all schools.

The Leader advised that he would refer the supplementary question to the Cabinet Member for a direct response.

(f) a question by Councillor Marshall to the Cabinet Member for Education Attainment and Achievement in the following terms:

"Is the Cabinet Member aware that the (Glasgow) Herald Guide to the performance of Scottish local education authorities (in terms of number of the percentage of 5 + Highers awarded per pupil in 2012/13) lists North Ayrshire Council as the second poorest performing Scottish Authority (9% of pupils with 5 + Highers) and to ask what plans has he to improve on this performance?"

In the absence of Councillor Bruce the Leader referred to the written response provided, highlighting the first sentence of the response:-

"The reason the Scottish Government no longer publishes data in this form is that it is crude and does not give an accurate picture of school performance or value added for pupils. The 9% represents the percentage of pupils who passed 5 or more Highers by the end of S5. The same indicator (5 or more Highers) by the end of S6 places North Ayrshire 26<sup>th</sup> in the ranking of 32 Scottish Authorities with 22.6% pupils achieving this standard in 2013. This represents a 22% rate of improvement in performance compared to the previous year. The indicator used by the Herald (5 or more Higher awards focuses on the performance of high academic achievers, which represent about 25% of a school roll in an average school. It is worth noting that attainment at SCQF level 6 (equivalent to Higher Grade) in S5 is strongly influenced by performance at SCQF level 5 (equivalent to Standard Grade) in S4. In order to get the complete picture of attainment and achievement in Scottish schools we use a diverse range of indicators, to address all ability levels as well as accounting for academic, vocational and personal achievements of young people.

In this vein, North Ayrshire is the 4<sup>th</sup> highest performing authority in the indicator % of pupils achieving 5 or more awards at SCQF level 3 (equivalent to Standard Grade Foundation Awards) or above by the end of S4 (98.2%) for 2013. We also rank 24<sup>th</sup> in the indicator for pupils attaining 5 or more awards at SCQF level 4 (equivalent to Standard Grade General Awards) or above (79.5%) in 2013 and 28<sup>th</sup> in the % of pupils achieving at least one Advanced Higher award by the end of S6 (14.4%). However there is always room for improvement in raising expectations and aspirations for our young people to achieve their full potential.

Our challenge is to ensure learners with the potential to do Highers are identified early and their progress is closely monitored. Progression rates from National 5 to Higher passes in S5 nationally will affect the learner journeys of our pupils in the future with our senior phase policy allowing able learners to bypass National 5 qualifications and focus on Higher in S4/5.

The new Senior Phase Benchmarking Tool, to be introduced this summer, will provide a completely new approach to educational attainment and achievement evaluation, focusing on attainment and achievement by the time the pupils leave school. Doing away completely with the stage-by-stage approach to attainment and achievement is more consistent with the Curriculum for Excellence strategy, which acknowledges that young people learn, develop and progress at their own personal pace. While some pupils - after their Broad General Education stage (by the end of S3) - may take a vocational path (leading to further education, training and/or employment after they leave school), other pupils' abilities and aspirations may direct them towards a curriculum that would prepare them for higher education at the end of secondary school. The aim is for a more personalised curriculum which prepares young people for on-going learning life and work and leads to positive post school destinations. Incidentally North Ayrshire ranks 7<sup>th</sup> out of all Scottish mainland authorities in young people going into positive destinations with every one of our schools performing above the national average."

As a supplementary question, Councillor Marshall asked why, if East Renfrewshire can achieve a 40% rate for pupils with 5+ Highers, can North Ayrshire only achieve 9%.

The Leader advised that he would refer the supplementary question to the Cabinet Member for a direct response. He noted the achievements of other pupils.

(g) a question by Councillor Marshall to the Cabinet Member for Education Attainment and Achievement in the following terms:

"Is the Cabinet Member aware that the (Glasgow) Herald Guide to the performance of the top 50 Scottish State schools in 2012/13 shows that the top performing school in North Ayrshire has now slipped to 9th on the list (22% of pupils with 5 + Highers) whereas the schools in East Renfrewshire are top of the list (51% with 5 + Highers) and to ask what extra resources he plans to earmark for this school to effect an improvement?"

In the absence of Councillor Bruce the Leader referred to the written response provided:-

"The relative performance of a school can be regarded in relation to other schools in Scotland and in relation to its own performance across time. While it is true that the performance of Largs Academy (the best performing school in the authority in the measure on which the Herald has arbitrarily selected) has dipped in 2013 compared to previous performance in S5, it is still ranked as the second best performance in the group of comparator schools (selected on the basis of a statistical procedure used by Education Scotland). If, however we look at the performance in the same measure by the end of S6 in 2013 – which is an average performance for Largs judging by their results in the past few years, we see that Largs Academy is consistently the highest performing school in their comparator schools group.

Variations in performance from one year to another are not uncommon and are cohort-related. Any consistent drop in performance at school or departmental level is analysed internally by school management and with the support and challenge of senior managers of the authority so that specific actions are targeted to address identified issues.

The new Senior Phase Benchmarking Tool will offer schools and departments within schools the opportunity to compare themselves to the performance of “virtual schools” made up of pupils drawn from all schools across Scotland, with similar demographic and socio-economic characteristics, to match their own school roll structure. Schools will also be able to easily identify “improvement partners” – best performing schools and departments within schools – so that best practice and efficient actions can be investigated and adapted as needed to ensure continuous improvements in learning and teaching.

### **Strategies for raising attainment at Higher:**

A significant number of strategies have been identified in discussions between schools and the Leadership Team. These include:

- Leadership Training for all secondary Headteachers
- Leadership training including the use of STACS to analyse performance data for Faculty Leaders
- Deeper analysis of pupil performance with class teachers drilling down into performance in the assessable elements
- Greater accountability by class teachers through fuller participation in whole school data analysis of pupil performance and self -evaluation procedures
- More robust approaches to monitoring and tracking of performance
- A Depute Headteacher working group on monitoring and tracking provides support, challenge and sharing of good practice
- Target setting for all senior pupils
- Subjects with low success rates removed from the curriculum
- Introduction of Photography, Dance, Sociology, Environmental Science, Media to ensure breadth of choice

- Increasing opportunities for Supported Study e.g. Saturday morning classes in some schools
- More rigorous approaches to moderation and verification demanded by new Qualifications
- Every school/department has in place a quality assurance policy on Verification

### **Some challenges remain:**

- Lack of supply cover has put additional pressures on school
- Workload pressures associated with moving to the implementation of new qualification

### **Resourcing**

All of our resources have to be carefully targeted to ensure that we are effecting improvement for all young people and particularly to ensure that we are closing the attainment gap which is still too closely linked to socio economic factors.

(h) a question from Councillor Hunter to the Cabinet Member for Education Attainment and Achievement in the following terms:

"How much of the £9,603 penalty levied on the PPP contractor for the recent non-use of the St. Matthew's Academy games hall did North Ayrshire Council have to pay to KA Leisure for *their* non-use of the facility? Also, is the Cabinet Member in a position to state how much revenue was lost by KA Leisure due to the closure of the facility?"

In the absence of Councillor Bruce the Leader referred to the written response provided:-

"The total deductions levied on the PPP Contractor in respect of the recent issues affecting use of the games hall at St Matthew's Academy amounted to £12,362.93. Although no invoice has been received from KA Leisure in respect of their use of the premises, they are entitled to recompense at the rate of £28.90 for each week day, and £94.95 for each weekend day/non-term time day, for which they were displaced. The potential claim by KA Leisure is £2,984.54."

As a supplementary question, Councillor Hunter asked if the penalty was fair recompense for over 3 months of non use.

Councillor Gibson responded that he personally did not, but would refer the question to Councillor Bruce for a direct response.



- (i) a question from Councillor Hunter to the Cabinet Member for Education Attainment and Achievement in the following terms:

"What was the cost of the repair works to the St. Matthew's Academy games hall and did North Ayrshire Council have to pay for any portion of that?"

In the absence of Councillor Bruce the Leader referred to the written response provided:-

"The works which were undertaken were entirely the responsibility of the PPP Contractor. Therefore the cost of repairs is not able to be provided."

- (j) a question from Councillor Hunter to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Since the start of the PPP contract, how much has been paid in 'indexation' payments over and above the unitary charge, and is the addition of the 'indexation' cumulative?"

Councillor Maguire responded in the following terms:-

"The PPP Agreement states that the Unitary Charge payable each year by North Ayrshire Council will vary according to a formula which is linked to the Retail Prices Index (RPI) at the time of Financial Close (September 2005). Each year, the indexation ratio is applied to a "Base Unitary Charge" defined within the agreement and is recalculated each year.

The indexation calculation for each year of the PPP contract is shown below:

Financial Year	Indexation	Adjustment to Base	Annual Movement
2008/09	1.0631797	£594,615.76	£594,615.76
2009/10	1.0631797	£594,615.76	£0.00
2010/11	1.0901088	£848,058.52	£253,442.76
2011/12	1.1318833	£1,241,219.80	£393,161.28
2012/13	1.615743	£1,520,656.60	£279,436.80
2013/14	1.1881581	£1,770,850.12	£250,193.52
			£1,770,850.12

- (k) a question from Councillor Hunter to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Notwithstanding the contractual obligation to pay 'indexation' uplift on the PPP unitary charge, what does North Ayrshire Council actually get for the extra money?"

Councillor Maguire responded in the following terms:-

"Indexation is a contractual requirement which does not result in additional services."

- (l) a question from Councillor Hunter to the Leader of the Council in the following terms:

"Given the recent media coverage on the notice of certain Councils to withdraw from COSLA, and the threat of more to follow, can the Leader of the Council say whether or not this Administration has considered or even discussed such a move?"

Councillor Gibson responded that leaving COSLA has not been considered and that he has faith in the aims of the Convention.

- (m) a question from Councillor Hunter to the Leader of the Council in the following terms:-

"How much does North Ayrshire Council pay annually to COSLA for membership of that organisation?"

Councillor Gibson responded in the following terms:-

"In the current financial year and for the next, the Council has budgeted £87,700 for contributions to COSLA. The actual contribution in the current year is £85,913."

- (n) a question from Councillor Hunter to the Cabinet Member for Community and Culture Policy and Service in the following terms:

"When will Members get sight of the business plan promised for the Arran Outdoor Centre?"

Councillor Hill responded in the following terms:-

"A Cabinet paper containing proposals for the future of Arran Outdoor Centre will be brought to Elected Members in April 2014."

- (o) a question from Councillor Hunter to the Cabinet Member for Community and Culture Policy and Service in the following terms:

"How much has North Ayrshire Council paid in consultant's fees thus far with respect to the improved financial viability of the Arran Outdoor Centre?"

Councillor Hill responded in the following terms:-

"£5,358.95 in March 2011 for the current business plan; and £2,225.00 in January 2014 for work relating to the current options appraisal."

## **8. Motions**

In terms of Standing Order 13, there was submitted:

- (a) a Motion by Councillor McNicol, seconded by Councillor Gibson, in the following terms:

"Coronary Heart Disease is the UKs biggest killer causing around 82,000 deaths each year. At a recent Corporate Health and Safety Group it was reported that North Ayrshire Council have no Defibrillators within any of their premises, especially Secondary Schools.

This Council requests that the Chief Executive bring a report to Cabinet detailing the financial implications regarding the supply of and associated budget costs of installing external defibrillators in all North Ayrshire Council secondary schools, James Reid School, Haysholm and James MacFarlane Special Needs Schools."

As an amendment Councillor McNamara, seconded by Councillor Gallagher, proposed that the report by the Chief Executive be extended to consider the financial implications associated with supplying, on a phased basis or otherwise, and training staff to use, external defibrillators in all Council premises. Councillor McNicol accepted the terms of the amendment and, there being no other amendment and no division, the amendment was declared carried.

Accordingly the Council agreed that the Chief Executive report to a future meeting of the Cabinet detailing the financial implications associated with supplying, on a phased basis or otherwise, and training staff to use, external defibrillators to all Council premises.

## **9. Appointment of the Chief Social Worker**

Submitted report by the Chief Executive on the requirement to appoint a new Chief Social Work Officer (CSWO) in terms of Section 3 of the Social Work (Scotland) Act 1968.

The former post of Corporate Director of Social Services and Health previously occupied the role of Chief Social Work Officer. The post holder has since been appointed to the post of Chief Officer of the Health and Social Care Partnership. The report proposed to appoint a new CSWO pending finalisation of the management structure of the Health and Social Care Partnership at which time it is likely that the post of CSWO will fall under one the new posts. At that stage a further report will be submitted to Council, seeking authority to appoint the role of CSWO to the new post.

The Council agreed to (a) appoint the Council's Head of Children, Families and Criminal Justice Services as the CSWO pending finalisation of the management structure of North Ayrshire Health and Social Care Partnership; and (b) receive a further report at a future meeting.

## **10. Health and Social Care Partnership: Appointment of Senior Management Team**

Submitted report by the Chief Executive which updated the Council on the appointment of the Director of the North Ayrshire Health and Social Care Partnership in terms of the Public Bodies (Joint Working) (Scotland) Bill and set out a rationale and process for the recruitment of the Senior Management Team of the Partnership.

The Council agreed (a) to approve a recruitment panel consisting of three Elected Members and three NHS Ayrshire and Arran Board Members i.e. six panel Members plus the Director of the North Ayrshire Health and Social Care Partnership, and, for Mental Health, a specialist; (b) that the three Elected Members be the Leader of the Council, Councillor Dickson and Councillor McNamara; and (c) that Councillor Steel act as a substitute should any of the aforementioned Members be unable to participate in the recruitment exercise.

## **11. Appointments to Committees and Other Bodies**

Submitted report by the Chief Executive which updated the Council with regard to the position on the membership of committees and other groups and bodies.

The Council agreed to (a) note the vacancy arising on the Licensing Committee; (b) note the membership of the Physical Environment and Communities and Lifelong Learning Advisory Panels; (c) approve the appointment of Councillor Bruce to COSLA's Education, Children and Young People Executive Group; (d) approve the appointment of Councillor Gurney to replace Councillor Bruce on the Flood Risk Local Plan District Steering Group; (e) note the composition of the Member/Officer Working Group on the Living Wage; and (f) appoint Councillor Easdale to Kilmarnock Prison Visiting Committee, replacing Councillor Oldfather.

The meeting ended at 3.00 p.m.

North Ayrshire Council  
26 March 2014

**IRVINE, 26 March 2014** - At a Special Meeting of North Ayrshire Council at 2.00 p.m.

**Present**

Joan Sturgeon, Robert Barr, John Bell, Matthew Brown, John Bruce, Marie Burns, Ian Clarkson, Joe Cullinane, Anthea Dickson, John Easdale, John Ferguson, Alex Gallagher, Willie Gibson, Tony Gurney, Jean Highgate, Alan Hill, John Hunter, Elizabeth McLardy, Alex McLean, Catherine McMillan, Peter McNamara, Ruth Maguire, Tom Marshall, Alan Munro, Jim Montgomerie, Irene Oldfather, Donald Reid and Robert Steel.

**In Attendance**

E. Murray, Chief Executive; I. Colvin, Director (North Ayrshire Health and Social Care Partnership); L. Friel, Corporate Director (Finance and Corporate Support); S. Quinn, Head of Service (Development) (Education and Skills); C. Hatton, Corporate Director (Development and Environment); A. Fraser, Head of Service (Democratic and Administration), C. Andrew, Senior Manager (Legal Services), M. McKeown, Committee and Members Services Manager and M. Gilmour, Communications Officer (Chief Executive's Service).

**Chair**

Provost Sturgeon in the Chair

**Apologies for Absence**

Ronnie McNicol and David O'Neill.

**1. Apologies for Absence**

Apologies were recorded.

**2. Declarations of Interest**

There were no declarations of interest in terms of Standing Order 16 and Section 5 of the Councillors' Code of Conduct.

**3. Questions**

In terms of Standing Order No. 12 there was submitted

(a) a question by Councillor Montgomerie to the Cabinet Member for Finance, Corporate Support and Housing in the following terms:

"Having refused to implement their own party's guidelines on blacklisting, because our motion fell foul of the six months rule by a couple of hours, can the portfolio holder confirm that the administration will now act quickly and decisively to ban blacklisters from Council contracts now that the Scottish Affairs Committee has

published its report on blacklisting which shows unequivocal evidence on blacklisting and calls for public bodies to blacklist the blacklisters?"

In response, Councillor Maguire advised that the Council's procurement rules were consistent with Scottish Government policy. The final report of the Scottish Affairs Committee was published on 14 March 2014 and a report would be submitted to the next available meeting of the Scrutiny and Petitions Committee on 7 May.

Councillor Montgomerie thanked the Cabinet Member for the response. As a supplementary question, and referring to the new care home and resource hub on Arran which will replace the existing Montrose House and Stronach Day Services, he asked the Cabinet Member what steps the Council had taken to ensure that the developer, Keir Construction, was not involved in blacklisting and if the Cabinet Member was satisfied with any assurances provided by the developer to that effect.

The Cabinet Member advised that to the best of her knowledge issues between Unite Union and Keir had been resolved.

#### **4. Motions**

In terms of Standing Order 13, there was submitted:

(a) a Motion by Councillor Cullinane seconded by Councillor McNamara, in the following terms:

"This Council recognises the important job that carers do and believes that they deserve to receive a fair wage for their labour and good terms and conditions. The Council therefore welcomes UNISON's Ethical Care Charter and requests the Chief Executive to bring a report to Cabinet regarding the implications of the Council signing up to the charter and becoming a Ethical Care Council by commissioning home care services which adhere to the charter."

As an amendment Councillor Hill, seconded by Councillor Burns, moved that the terms of the motion be remitted to the Member/Officer Working Group on the Living Wage for consideration.

Following a discussion on the merits of the motion and amendment, Councillor McNamara proposed as a compromise, and with Councillor Cullinane's agreement, that the terms of the amendment be accepted such that the motion before the Council now read:-

"This Council recognises the important job that carers do and believes that they deserve to receive a fair wage for their labour and good terms and conditions. The Council therefore welcomes UNISON's Ethical Care Charter and requests that the Chief Executive arrange for a report to be submitted to the Member/Officer Working Group on the background to the Charter and the implications (including financial) of the Council signing up to the Charter and becoming a Ethical Care Council by commissioning home care services which adhere to the Charter. The Council further agrees that the Working Group be renamed the "Member/Officer Working Group on the Living Wage and Ethical Care" and that its membership be expanded to include

such members as the Chair may invite, including Councillors Oldfather and Dickson". There being no division, the revised motion was accepted.

Accordingly, the Council agreed that (a) the Chief Executive arrange for a report to be submitted to the Member/Officer Working Group on the background to the Charter and the implications (including financial) of the Council signing up to the Charter and becoming a Ethical Care Council by commissioning home care services which adhere to the Charter; and (b) the Working Group be renamed the "Member/Officer Working Group on the Living Wage and Ethical Care" and that its membership be expanded to include such Members as the Chair may invite.

## **5. Integration of Adult Health and Social Care - Shadow Integration Board**

Submitted report by the Chief Executive on arrangements for the Members, Chair, and Standing Orders of the Shadow Integration Board from 1 April 2014.

On 19 June 2013, the Council agreed to create a Transition Integration Board to operate from October 2013 to 31 March 2014. The Council further agreed to create a Shadow Integration Board from 1 April 2014 to the date when the Integration Joint Board created in terms of the Public Bodies (Joint Working) (Scotland) Act 2014 comes into creation. The report set out recommendations for the membership and standing orders of the Shadow Integration Board.

The Council agreed (a) that the existing four Elected Members (Councillors Dickson, Maguire, McNamara and Steel) and four members nominated by NHS Ayrshire and Arran (Dr Carol Davidson, Janet McKay, Stephen McKenzie and John Wright) serving on the Transition Integration Board will from 1 April 2014 be the members of the Shadow Integration Board; (b) that the existing Chair of the Transition Integration Board become the Chair of the Shadow Integration Board and noted this position will rotate annually with the Vice-Chair; (c) that the standing orders applicable to the Transition Integration Board will from 1 April 2014 be the standing orders applicable to the Shadow Integration Board; and (d) to note that the Shadow Integration Board will in due course include non-voting representatives drawn from Health and Social Care professionals, staff, the third sector, users, the public and carers.

## **6. Health and Social Care Partnership: Proposed Health Board Functions to be Delegated to the North Ayrshire Health and Social Care Partnership and Shadow Integration Board**

Submitted report by the Chief Executive on the Health Board's proposals regarding those Board functions which are to be delegated to the North Ayrshire Health and Social Care Partnership and the Shadow Integration Board from 1 April 2014.

Prior to the commencement of the shadow year on 1 April 2014, agreement requires to be reached between the Council and NHS Ayrshire and Arran in relation to the services (management of which is to be delegated to the Health and Social Care Partnership) and decision making on which is to be delegated to the Shadow Integration Board. The report summarised the Health Board's proposals regarding the NHS services to be delegated to the Health and Social Care Partnership and the Shadow Integration Board.

Noted.

## **7. Delegation to Chief Officer of the North Ayrshire Health and Social Care Partnership**

Submitted report by the Chief Executive on the proposed delegation of functions presently delegated to the Corporate Director (Social Services and Health) to the Chief Officer of the North Ayrshire Health and Social Care Partnership

The Council agreed (a) that Social Services and Health functions presently delegated to the Corporate Director (Social Services and Health), with the exception of Housing, Anti-Social Behaviour and Community Safety functions, be delegated to the Chief Officer of North Ayrshire Health and Social Care Partnership; and (b) to note that a full revision of the Scheme of Delegation to Officers will be submitted to Council later this year for its consideration.

## **8. North Ayrshire Council Scheme of Administration**

Submitted report by the Chief Executive on proposed changes to the Scheme of Administration, including the delegation of Social Services functions to the Shadow Integration Board from 1 April 2014.

Councillor Gibson, seconded by Councillor McNamara, moved that the revised Scheme of Administration be approved with the following exceptions:-

- (a) That the Audit Committee and Scrutiny and Petitions Committees would remain as separate committees;
- (b) The number and composition of members of the Licensing and Planning Committees, and the Local Review Body, remain at 10 as at present;
- (c) The definition of "opposition" on page 26 of the agenda [page 4 of the revised Scheme] be changed to "Opposition means any Group or Member not forming part of the Council Administration"; and
- (d) that the memberships of both the Appeals and Police and Fire and Rescue Committees be reduced to 7.

There being no amendment, the motion was declared carried.

Accordingly, the Council agreed to approve the revised Scheme of Administration, a copy of which was appended to the report, subject to the changes listed in a) to d) above, with all changes to come into effect immediately, with the exception of those relating to the reduction in the membership of certain committees, which would come into effect from 23 July 2014.

The meeting ended at 2.40 p.m.



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## NORTH AYRSHIRE COUNCIL

### Agenda Item 4

2 April 2014

#### North Ayrshire Council

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**Subject:** Brodick Harbour Redevelopment

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**Purpose:** To advise the Council of proposals by Caledonian Maritime Assets Ltd to implement a comprehensive redevelopment of Brodick Harbour and request consideration of a recommendation by the Cabinet on the Council's financial contribution to the project.

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**Recommendation:** That the Council's financial contribution of £1.2m to the Brodick Harbour Redevelopment project be met from the uncommitted balance on the Council's Capital Fund.

---

#### 1. Introduction

1.1 Brodick Harbour is owned and operated by Caledonian Maritime Assets Ltd (CMAL). It is reaching the end of its serviceable life and the existing facilities do not offer adequate provision in terms of passenger facilities, vehicle marshalling and the ability to accommodate concurrent vessel activities. Proposals have been developed by CMAL for investment in the provision of a new two-berth pier to the east of the existing pier and linkspan, a new terminal building with covered walkway, increased marshalling areas, reconfigured and expanded parking and drop off facilities, and a new bus stance. However, without a full funding package in place, the project runs the risk of being delivered on a phased basis or with the new pier only, with no other facilities.

#### 2. Current Position

2.1 At its meeting on 25 March 2014, the Cabinet received a report by the Corporate Director (Development and Environment) on proposals by CMAL to implement a comprehensive redevelopment of Brodick Harbour. The report raised matters in respect of the case for financial support to be provided by the Council and considered options for sourcing the funding. The report in question is set out at Appendix 1. Its appendices contain a plan of the site and an Impact Assessment of Brodick Harbour Redevelopment.

- 2.2 The Cabinet agreed (a) to note the progress made with proposals for the redevelopment of Brodick Harbour; (b) that a bid for support from the Coastal Communities Fund be prepared and submitted on behalf of the group; (c) to approve the provision of financial support from North Ayrshire Council, subject to a commitment from Caledonian Maritime Assets Limited that the project will be delivered in a single phase; and (d) to recommend to the Council that the Council's financial contribution be met from the uncommitted balance on the Council's Capital Fund.

### **3. Proposals**

- 3.1 The Council is invited to consider the recommendation of the Cabinet that the Council's financial contribution of £1.2m to the Brodick Harbour Redevelopment project be met from the uncommitted balance on the Council's Capital Fund.

### **4. Implications**

#### Financial Implications

- 4.1 The financial implications are as set out in the attached report. The proposed contribution of £1.2m can be met from the Capital Fund, which has a current uncommitted balance of £3.8m.

#### Human Resource Implications

- 4.2 There are no human resource implications arising from this report.

#### Legal Implications

- 4.3 There are no legal implications arising from this report.

#### Equality Implications

- 4.4 There are no equality implications arising from this report.

#### Environmental Implications

- 4.5 There are no environmental implications arising from this report.

#### Implications for Key Priorities

- 4.6 The implications for key priorities are as set out in the attached report.

## **5. Consultations**

- 5.1 Brodick Harbour Redevelopment Group includes representation from Caledonian Maritime Assets Limited, Visit Arran, Transport Scotland, Highlands and Islands Enterprise and the Council. Extensive public consultation has been carried out by CMAL on its proposals.

## **6. Conclusion**

- 6.1 Proposals to redevelop Brodick Harbour would mean a major capital investment in infrastructure, bringing a significant economic benefit to Arran. The Council is invited to consider a financial contribution of £1.2m towards the project.



ELMA MURRAY  
Chief Executive

Reference :

For further information please contact Melanie Anderson, Committee Services Officer on telephone number 01294 324131.

## **Background Papers**

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**NORTH AYRSHIRE COUNCIL**

**Agenda Item 16**

**25 March 2014**

**Cabinet**

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**Subject: Brodick Harbour Redevelopment**

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**Purpose:** To update Cabinet on proposals by Caledonian Maritime Assets Ltd to implement a comprehensive redevelopment of Brodick Harbour, to agree the case for financial support to be provided by the Council and the source of Council funding.

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**Recommendation:** That Cabinet:

- a. Notes the progress made with proposals for the redevelopment of Brodick Harbour;
  - b. Agrees to prepare and submit a bid for support from the Coastal Communities Fund on behalf of the group;
  - c. Recommends the provision of financial support from North Ayrshire Council subject to a commitment from CMAL that the project will be delivered in a single phase;
  - d. Identify the source of funding of the Council's financial contribution and remits to Council for approval.
- 

**1. Introduction**

- 1.1 Brodick Harbour is reaching the end of its serviceable life, and the existing facilities do not offer adequate provision in terms of passenger facilities, vehicle marshalling and the ability to accommodate concurrent vessel activities. The Ferries Plan (2013-22) confirmed Scottish Government support for proposals to implement an upgrade of Brodick Harbour by 2016, as well as the provision of a second vessel on the Arran to Brodick Route during an extended period in the summer months.
- 1.2 The Cabinet of 25th June 2013 agreed to the formation of a Brodick Pier Redevelopment Group chaired by Councillor John Bruce, although this was later renamed to reflect the redevelopment of the wider harbour area. The report seeks to provide an update on the progress made by the Brodick Harbour Redevelopment Group (BHRG) and to confirm the nature of the Council's support for the proposals.

## **2. Current Position**

- 2.1 Brodick Harbour is owned and operated by Caledonian Maritime Assets Ltd (CMAL). The Ardrossan to Brodick ferry service operated by CalMac Ferries Ltd (CFL) serves approximately 730,000 passengers, 134,000 non-commercial vehicles and 13,000 commercial vehicle trips on an annual basis and is a vital lifeline for residents and businesses on Arran.
- 2.2 The Scottish Government Ferries Plan 2013-22 identified weaknesses in service provision for Ardrossan to Brodick in terms of the frequency and the length of the operating day in the summer. The Scottish Government Ferries Plan (2013-22) confirmed that proposals to upgrade Brodick Harbour would be implemented by 2016 but that 'given the severe pressure on capital budgets, only essential harbour projects are being taken forward, and in each case on a 'do minimum' basis with future phases kept in reserve'.
- 2.3 The CMAL proposals involve up to £18m of investment and the provision of a new two-berth pier to the east of the existing pier and linkspan, a new terminal building with covered walkway, increased marshalling areas, reconfigured and expanded parking and drop off facilities, and a new bus stance (plan attached at Appendix 1). While the Ferries Plan confirmed Scottish Government support for the new Pier, funding is not in place for the projected cost of £18m. It is understood that £14m has been made available by CMAL and Transport Scotland (TS) as the 'do minimum' option.
- 2.4 The implementation of the proposals would be a significant boost to the economy of Arran. The proposals would encourage local employment by supporting jobs within the tourism and service sector and minimising operational costs for businesses dependent on the ferry service for the movement of goods and services.
- 2.5 However, if the full amount is not forthcoming the project runs the risk of being delivered on a phased basis or with the new pier only, with no other facilities. Work commissioned through the BHRG has suggested that the development of new pier facilities and associated infrastructure in a single phase offers the most economically and operationally advantageous delivery option.

- 2.6 The single phase option is anticipated to deliver GVA of £39.6m within the Arran economy over a 25 year period whereas the do minimum option is projected deliver GVA of £19.7m. The implementation of a single phase option would also provide additional benefits including:
- The most operationally efficient solution, minimising abortive works and providing value for money; and,
  - Reducing disruption for visitors which would have a positive impact on visitor perceptions, with tourism being a key sector for the Arran economy.
- 2.7 An additional benefit of the delivery of the entire project in a single phase would be the potential for re-use of the existing terminal building for commercial operations. Discussions with Highlands and Islands Enterprise (HIE) have identified the lack of commercial property suitable for inward investment on the Island and the need to broaden the Island's economic base. The existing terminal building could provide such an opportunity in a high profile location, and capitalise on the proposed major financial investment in broadband provision on the Island. CMAL have indicated a willingness to consider proposals for the reuse of the existing terminal building, and a suitable economic development project could benefit from funds from HIE.
- 2.8 A copy of the work commissioned by the Group, which further articulates the benefits of the proposals is attached at Appendix 2.
- 2.9 To date the main funding bodies (CMAL and TS) have provisionally outlined funding contributions totalling c. £14m for the capital works. There is therefore a funding gap of around £4m. Strathclyde Partnership for Transport (SPT) have confirmed support through a funding contribution towards the public transport elements of the proposal, which could provide £500,000 of the project costs (as well as an additional £500,000 towards additional works not part of the £18m project). An application could also be submitted to the Coastal Communities Fund (CCF) given that the project is considered to meet criteria set out by the fund. However, even accounting for a positive response from these bodies, there remains a significant funding gap which would result in a lesser scale of proposal being procured.

- 2.10 The benefits of the proposal and the case for their implementation through a single phase are clear. Support from North Ayrshire Council could help to bridge the gap between:
- the delivery of a project which would require to omit a significant element such as the Ferry Terminal Building or the covered pedestrian walkway which would require a major additional development phase; and
  - the delivery of a project which could deliver the majority of the benefits envisaged by way of: savings through the procurement process; the exclusion of some minor elements of the proposal; and, the provision of some additional capital funds by CMAL/TS.
- 2.11 It is considered that agreement to provide capital funds of £1.2m would allow the Council to seek a commitment from CMAL and TS that the project would be delivered in a single phase.
- 2.12 CMAL are due to commence the procurement process in April 2014. The decision to proceed on the basis of a do minimum, multi phase or single phase basis will be informed by the level of funds available. Without a commitment to funding support from the Council there is a likelihood that the project would revert to a do minimum or multi phase approach.

### **3. Proposals**

- 3.1 It is proposed that Cabinet:
- a. Notes the progress made with proposals for the redevelopment of Brodick Harbour;
  - b. Agrees to prepare and submit a bid for support from the Coastal Communities Fund on behalf of the group;
  - c. Recommends the provision of financial support from North Ayrshire Council subject to a commitment from CMAL that the project will be delivered in a single phase;
  - d. Identify the source of funding of the Council's financial contribution and remits to Council for approval.



## **4. Implications**

### Financial Implications

- 4.1 An £18m project is proposed, of which £14m has been made available by CMAL and Transport Scotland as the 'do minimum' option. Assuming that SPT and the Coastal Communities Fund are forthcoming with funds of £0.8m, it is considered that funds of £1.2m from North Ayrshire Council would allow the Council to seek a commitment from CMAL and TS that the project would be delivered in a single phase.
- 4.2 The Council approved its ten year General Services Capital Plan 2013 - 2023 in January 2013, with further revisions agreed at the Council's annual budget meeting in December 2013. The plan reflects total planned expenditure across all projects/ services of £242.6m. Funding for the Brodick Harbour redevelopment has not been included in the ten year plan to date as the exact nature of the CMAL proposals, their cost and the resultant funding gap have only become apparent in recent months.
- 4.3 The proposed £1.2m further capital expenditure to support the Brodick Harbour redevelopment would require recurring savings in the revenue budget of approximately £0.093m per year for twenty years to meet the annual debt costs resulting from additional prudential borrowing or a draw down of £1.2m from the uncommitted balance on the Council's Capital Fund. Council approval of the funding source if required.

### Human Resource Implications

- 4.4 There are no human resource implications arising from this report.

### Legal Implications

- 4.5 There are no legal implications arising from this report.

### Equality Implications

- 4.6 There are no equality implications arising from this report.

## Environmental Implications

- 4.7 There are no environmental implications arising from this report.

## Implications for Key Priorities

- 4.8 The Council's key objective of regenerating our communities and increasing employment is supported.

## 5. Consultations

- 5.1 Represented on the Brodick Harbour Redevelopment Group are Caledonian Maritime Assets Ltd (CMAL), Visit Arran, Transport Scotland and Highlands and Islands Enterprise. Extensive public consultation has been carried out by CMAL on their proposals.

## 6. Conclusion

- 6.1 Proposals to redevelop Brodick Harbour represent a major capital investment in infrastructure, which would bring significant economic benefit to Arran. The Brodick Harbour Redevelopment Group has articulated the case for investment in a single phase, without which there is considerable risk of operation disruption, cost increases and the non delivery of elements of the project resulting in a less than ideal solution for Arran. A funding source for the proposed Council contributions of £1.2m requires to be identified.

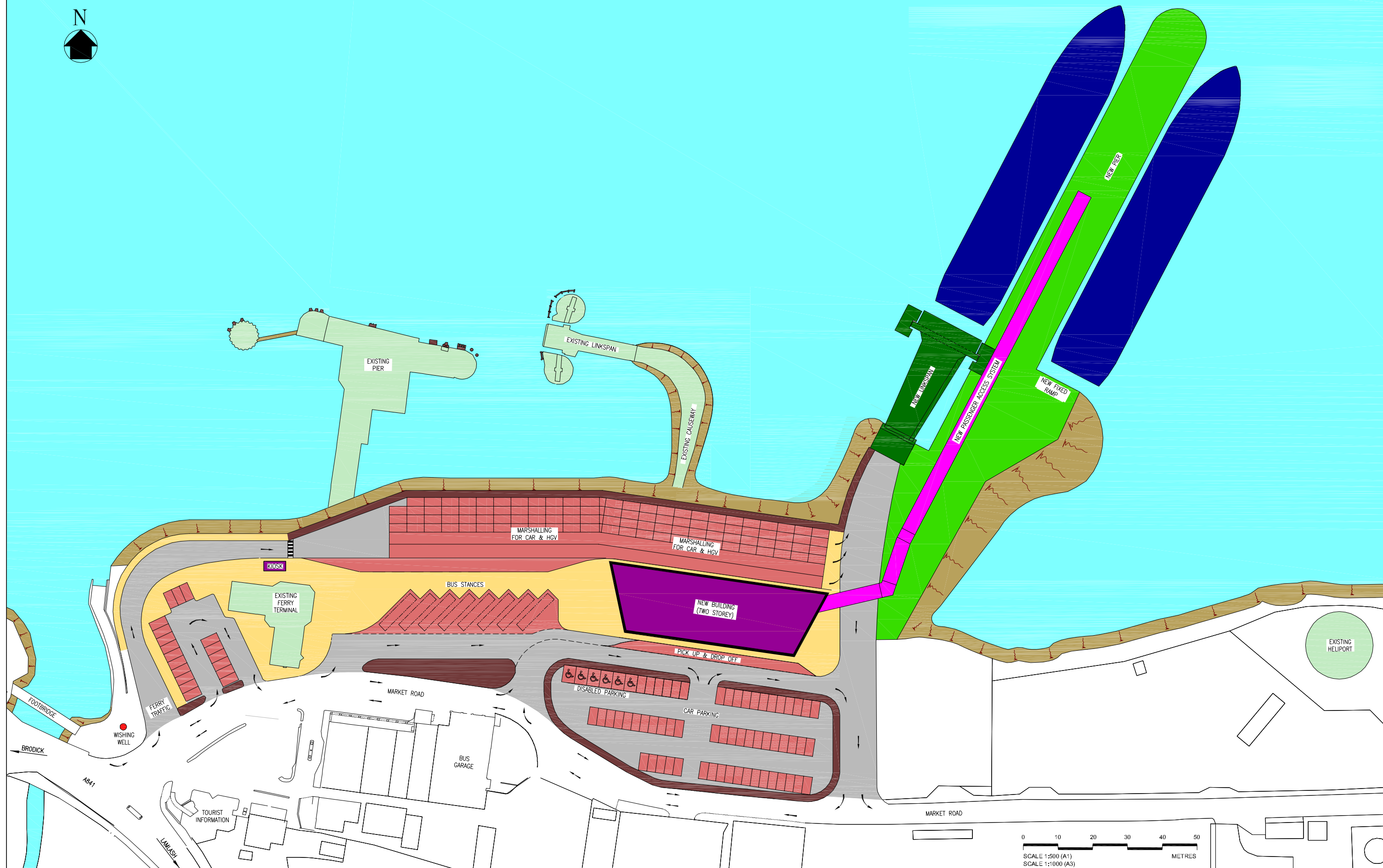


CRAIG HATTON  
Corporate Director (Development and Environment)

Reference : CH/AL/LB

For further information please contact Alasdair Laurenson, Team Manager (Regeneration), Development Planning Services on 01294 324758

## Background Papers



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Client  
  
 Caledonian Maritime Assets Ltd.

PROJECT  
 BRODICK MASTERPLAN

Notes

Rev	By	Chkd	Apprvd	Date	Description

Drawing  
**PIER  
 OPTION EAST LOCATION**

Drawn by: I. J. McQueen Date: Oct. 2013  
 Checked by: T. L. Akman Date: Oct. 2013  
 Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Drawing No. **Option 5D** Revision **A**  
 Drawing Scale: AS NOTED **35**

Drawing file path & name: I:\Operations\Projects\Line Projects\5D16 Brodick Ferry Terminal Redevelopment\Drawings\Option 5D Option 5D Color Rev A Oct 2013.dwg  
 User and Plot Date: 1:10/2013 11:58 am





# Impact Assessment of Brodick Harbour Redevelopment

Final Report for Brodick Harbour Redevelopment  
Group

February 2014

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## Executive Summary

The development of new pier facilities and associated onshore infrastructure at Brodick in a single phase offers the most economically and operationally advantageous delivery option.

The single phase option is anticipated to deliver **GVA returns of £40m - £49m** within the Arran and North Ayrshire economies over a 25 year period respectively, which generates a **Return on Investment of £2.42:1 to £3.00:1**.

Support for the implementation of the single phase option is also based upon avoiding the relatively longer period of disruption that could result from a multi-phase approach. This could impact adversely on both the general attractiveness of Arran as a tourism destination, but also impose operational costs on other businesses dependent on ferry services for the movement of goods and services.

The proposals will also support the delivery of a number of additional social and catalytic impacts and benefits:

- **Local employment boost** - creating local jobs within the wider tourism and service sector;
- **Cruise ships and marine leisure** – developing good quality facilities that will help attract cruise ships to Arran and the west coast;
- **Operational impacts** – the single phase will deliver the most operationally efficient solution and minimise abortive works;
- **Visitor and user perception** – the single phase approach (and reduced disruption) will have a positive impact on visitor perceptions, with tourism being a key sector for the Arran economy;
- **Catalytic Impacts:**
  - **Impact on housing** – help to attract new residents to the island and encourage house builders to invest
  - **Attracting investment in business** – potential to support the development of pier side land and encourage businesses to invest
  - **Promoting business growth** - support key sectors such as the Creative Industries, tourism/retail and destination tourism on the island.



## Funding Opportunities

To date the main funding bodies CMAL and Transport Scotland have provisionally outlined funding contributions of c. £14m for the capital works. There is therefore a funding gap of around £4m and we have identified a number of other key funding sources that should be considered to support the capital development costs and meet the funding gap.

- North Ayrshire Council
- Strathclyde Passenger Transport
- Highlands and Islands Enterprise
- Scottish Rural Development Programme
- European Regional Development Fund
- Coastal Community Fund
- Special EU Programmes Body

# 1. Introduction

This study presents a review and socio-economic impact assessment of proposals for the redevelopment of Brodick Harbour on the island of Arran, North Ayrshire, including the associated onshore infrastructure, and the potential commercial re-use of the existing pier facilities.

The study has been undertaken by EKOS Ltd with technical support provided by Ironside Farrar Ltd.

## 1.1 Project Background

### Brodick Pier Redevelopment

Brodick Harbour is the main port infrastructure on Arran and provides a lifeline ferry service to the mainland via Ardrossan Harbour. It is owned by Caledonian Maritime Assets Ltd (CMAL), and operated by CalMac Ferries Ltd.

Existing facilities are reaching the end of their serviceable life and are reaching a stage where they are no longer “fit for purpose”. This is placing an increasing burden (financial, maintenance, resources, health and safety) on the harbour owners and operators. In particular, many operational aspects of the existing facilities are considered inadequate, including:

- its poor physical condition;
- a lack of passenger waiting space;
- limitations to parking and vehicle marshalling areas;
- inadequate depth of berth; and
- as a single berth pier, it cannot accommodate additional vessel activities.

The Scottish Government’s Ferries Plan Review (2013 – 22)<sup>1</sup> provides strategic guidance for the provision of ferry services in Scotland. The Plan identifies investment priorities for the continued delivery of lifeline services between the islands and mainland Scotland and recognises Scottish Government/Transport Scotland support for the proposals regarding the redevelopment of Brodick harbour.

<sup>1</sup> <http://www.transportscotland.gov.uk/strategy-and-research/publications-and-consultations/j254579-00.htm>

In addition, the Plan highlights the potential need for an increased number of daily sailings (increased from five to seven) and the commissioning of a second vessel during the peak months (May to September) – the 3 year pilot started in May 2013.

The proposed development has the potential to deliver a number of benefits to Arran, including, increased passenger and commercial journeys, potential to attract cruise line operators, improved business competitiveness and improved ferry service reliability.

A masterplan was completed in November 2013 and identifies the timescales for development as 2015 – 2017, and a total capital construction cost of c. £18m (not including design and site surveys, etc). The costs are broken down as c. £12m for development of the double berth pier and c. £6m for the supporting infrastructure.

Given the current restricted funding environment and limited availability of capital expenditure for infrastructure projects, there are a number of uncertainties with regards to the level of funding for the scheme, and whether there is a need to adopt a two phase approach. In such an approach, Phase 1 would include the essential pier development and infrastructure works and Phase 2 would include the additional supporting infrastructure including the covered walkway, new terminal building, etc.

Transport Scotland has identified Brodick as one of its 'medium scale' priority projects, and as such there is a commitment in place to provide funding for up to 75% of the essential engineering and infrastructure costs (i.e. the double berth pier), this equates to c. £8m. In addition, as the pier owners, CMAL would provide additional funding c. £6m. However, this leaves an immediate funding shortfall of around £4m for the supporting infrastructure works.

In addition to the development of a new pier, our review has given consideration to options for developing the existing pier for leisure tourism/sailing facilities.

## 1.2 Study Objectives

The overall objective of the study was to undertake a review of the proposed redevelopment at Brodick pier. Within this there were six key required outputs (as per the study brief):

1. Analyse the CMAL proposals for Brodick Pier and provide suggestions on how, or if any value to the Arran economic may be generated through these. An example includes the costs and benefits associated with the potential reuse of the existing breakwater or terminal building for tourism or commercial leisure purposes. This should include initial technical analysis based on information provided by CMAL and NAC;
2. Value test the proposals for value for money and impact, considering potential limitations on funding;
3. Define the extent of economic benefit which the Pier proposals will bring to Arran in terms of annual impact of additional tourism visits, benefits to commercial operations on the island, and the benefits of construction activity, etc;
4. Outline how these benefits to the Arran economy may be maximised through, for example the nature of the proposals and their procurement;
5. Articulate why the proposals require to be delivered within a single phase of construction; and
6. Examine additional sources of funding which may be targeted to deliver the proposals. This relates especially to the proposals in addition to the pier, i.e. supporting facilities including the terminal building or identified tourism/leisure uses.

The key output of the study is to demonstrate the additional economic returns and wider benefits/impacts for Arran that can be generated by undertaking the delivery of the new pier development through a one phase approach.

## 1.3 Structure of Report

The remainder of the report is structured as follows:

- Chapter 2: Technical Summary;
- Chapter 3: Economic Impact Assessment – New Pier Proposals;
- Chapter 4: Economic Impact Assessment – Re-use of Existing Pier;
- Chapter 5: Wider impacts;
- Chapter 6: Funding Sources;
- Chapter 7: Conclusions;
- Appendix A: Socio-Economic and Strategic Review;
- Appendix B: Consultation with Cruise Ship Operators; and
- Appendix C: Review of Funding Sources.

## 2. Technical Summary

Ironside Farrar undertook an independent review of CMAL proposals for the new pier development, including drawings, phasing concepts, Masterplan, and technical assessment. This review included consideration of the proposals through consultation with CMAL, SWOT analysis, and a desk based review of the phasing strategy and capital costings.

Further, in order to inform the review of the potential development options for re-use of the existing pier for a marina/berthing development, a high level review was undertaken to assess the likely costs and technical feasibility.

The key findings/recommendations are summarised below and the full technical reports are available through contacting North Ayrshire Council directly.

### 2.1 New Pier Redevelopment – Key Findings

The main recommendations are as follows:

- 1 The development of Brodick Harbour would be best delivered in a single phase with single phase delivery offering benefits associated with:
  - delivering the optimal solution in terms of design, operational management and place-making;
  - effective construction management and securing best value; and
  - creating legacy for future economic/social enterprise by minimising disruption to existing businesses and securing new opportunities/space, creating modern 'fit for purpose' facilities and capacity for growth and supporting wider tourism strategy for Arran.
- 2 If development is constrained by available funds then a detailed review of phasing should be undertaken to re-balance the scheme around clear phasing and operational objectives that define 'core deliverables' within each phase. Phasing necessitates a scale of abortive works, compromised operational management, and user disruption that far outweighs in terms of 'best value' the benefits of reduced spend and phased delivery.

Should funds be limited and the full project not deliverable, the assessment recommends that further investigation is given to value engineering of the core elements and that these should include the new pier and linkspan, and new terminal building.

A Hybrid Scheme may be possible. The current full scheme is cost estimated at circa £18m with a Phase 1 scheme circa £12m - £14m. A Hybrid Scheme including core elements above may be deliverable between these two cost points.

- 3 A critical element in setting scheme objectives must recognise the imperative of meeting service standards for the operators and users within any single phase acknowledging the risk that future phases carry a delivery programme risk.

## 2.2 Re-use of Existing Pier – Key Findings

The key findings from the review are as follows:

### Marine Leisure

- a significant opportunity exists to develop step-ashore pontoon facilities;
- market demand at comparable locations suggest high levels of use; and
- the optimal location for facilities is to the west of the linkspan causeway.

### Integration with CMAL Proposals

- limited opportunity exists to integrate marine leisure activity with the new piers associated with the CMAL proposals and direct opportunities associated with the new pier are limited to cruise boat activity;
- contract and contractor deployment opportunities may exist to coordinate dredging and rock armour work if programmes allow. Facilities for marine tourism would need to be very rapidly advanced to create compatible contract programming;
- no benefits are likely to accrue from retention of the existing pier which represents a liability in terms of condition and future restoration costs; and
- retention of the linkspan causeway offers a short breakwater creating an area of protection for limited yacht/pontoon.

### Step-Ashore Facilities

- important link and coordination with Brodick Bay moorings and wider Arran facilities;
- modest scale of facility achievable with modest cost – subject to further technical study confirmation;
- important opportunity with new pier area Masterplan to develop a facility in scale with site;
- scale of facility to be determined by market, cost and Business Case; and
- potential to consider attenuator to offer greater capacity and protection.



## 3. Economic Impacts - New Pier Proposals

This section presents the economic impact assessment of the three development options for the redevelopment of Brodick Pier.

We have assumed that the new pier development, through either of the three development options (described below) will at the very least safeguard current tourism activity on Arran. This is estimated at 228,000 visitors and c. £32.1m in GVA per annum (based on VisitArran data).

Therefore, the economic impact assessment measures the change/uplift that will be supported and facilitated by the new pier development.

### 3.1 New Pier Development Options

The pier is a vital piece of infrastructure that supports lifeline ferry services between Arran and the mainland, and is a key enabling development for a number of sectors including food and drink and tourism. Given the age and condition of the physical structure (the current pier is nearing the end of its commercial use and is no longer fit for purpose) we have discounted the 'do nothing' option i.e. redevelopment of the pier infrastructure (of some form) will take place.

Therefore, based on discussions with key stakeholders and a review of CMAL development proposals we have identified three options for redevelopment of the pier, these include:

1. **Full Development Option** – completion of the new double berth pier development in a single phase based on the proposals outlined in the CMAL masterplan:
  - facilities – double berth pier and supporting onshore infrastructure
  - timescales – 2015 to 2017
  - cost - £18m;
2. **Intermediate Development Option** – completion of the new double berth during Phase 1 then subsequent development of onshore infrastructure during Phase 2:
  - facilities – double berth pier and supporting onshore infrastructure
  - timescales:

- Phase 1 - 2015 to 2017<sup>2</sup>
  - Phase 2 – 2021 to 2022
  - cost - £18.5m; and
- 3. **Do Minimum Option**<sup>3</sup> – completion of the new double berth pier only:
  - facilities – double berth pier to meet the requirements for providing lifeline ferry services to Arran. There is no upgrade to, or development of onshore infrastructure associated with this option
  - timescales – 2015 to 2017
  - cost - £12m.

Please note that the capital development costs quoted above are unadjusted and based on information provided by CMAL in their Harbour redevelopment Materplan. The estimated intermediate development option costs are based on the full development option costs plus an additional £0.5m increase due to an increase in abortive works (estimate provided by Ironside Farrar).

## 3.2 Issues Influencing the Economic Impact Assessment

The following issues have influenced our approach to the economic impact assessment and informed our assumptions with regards to attributing gross impacts across the three development options.

### Cruise Ship Operators

The new pier development (and the double berth) will enable two vessels to dock simultaneously. There is therefore potential to develop further commercial markets, including attracting cruise ships to the island.

The cruise ship market in Scotland has seen sustained growth over a number of years and the most recent data (2013) show that passenger numbers are up by 10% from the previous year. Total passenger numbers in 2013 were c. 385,000 which was estimated to generate c. £50m for the Scottish economy.

<sup>2</sup> Timescales for the intermediate development option have not been defined by CMAL, and are therefore in order based on EKOS assumptions.

<sup>3</sup> There is a danger that if the new pier is undertaken via a phased approach, the additional on-shore infrastructure may never be able to source sufficient funding resources.

This increase has been driven, in part by the trend towards larger vessels (the total number of vessels docking in Scotland experienced a marginal decrease over the last year whilst passenger numbers grew)<sup>4</sup>.

Cruise Scotland, the industry body representing the sector reports that over the period 2009 – 2013, vessels calling into Scottish ports is up 26%, passenger numbers have increased by 43% and the value/expenditure generated by the cruise ships has more than doubled – 53%. Strong growth within the sector is forecast to continue and as a potential growth sector for island communities (within the wider priority sector of tourism) there is clearly a role for public sector economic development partners, for example HIE to help identify opportunities and support growth of the sector.

In addition, changes to environmental legislation due to come into force in 2015 will mean that cruise operators operating in the Baltic/North Sea/English Channel Emissions Control Area (ECA) will be required to use marine fuel with a lower sulphur content – currently the majority of cruise ships use Heavy Fuel Oil which is the cheapest but does not comply with the impending legislative changes. This new legislation therefore has the potential to impact upon the running costs.

This new legislation, however, will not apply to the west of Scotland and therefore, cruise ship operators can continue to use the cheaper Heavy Fuel Oil to operate vessels, making the west of Scotland potentially a more attractive destination.

The changes to legislation alongside the forecast continued growth of the cruise ship market represents an opportunity for Brodick.

Attracting cruise ships is of course partly dependent on their being a suitable on-island offering to attract the cruise ships and passenger visits. Over a number of years, businesses and other bodies, most notably VisitArran and Taste of Arran have worked hard at establishing the 'Arran brand' and successfully marketing the island's tourism offering. In addition to the natural beauty of the island, there would appear to be enough attractions and facilities to service the cruise ship market, including distillery tours, shopping - Arran Aromatics, and hotels/resorts such as the Auchrannie.

We have undertaken a brief review of cruise line operators ([Appendix B](#)) and the potential for attracting activity to Arran through the new pier development.

<sup>4</sup> See Cruise Scotland, <http://www.cruisescotland.com/scottish-cruise-ports-on-course-for-another-record>

There is clearly growth potential in the cruise ship market and an opportunity for Arran to take advantage of its strengths as a popular tourism destination on the west coast of Scotland.

Feedback suggests that Brodick is considered to be an attractive destination for cruise operators as the gateway to Arran, and as a stopping point on trips to the Northern Isles or Tobermory. However, there is currently perceived to be a lack of capacity and berthing facilities which constrain cruise operators' frequency of use. The proposals for the new pier development will directly alleviate these constraints. It is considered likely, that increased use by cruise operators could be a major outcome from the proposed pier redevelopment and associated onshore infrastructure.

### Impact of Road Equivalent Tariff

The key quantifiable additional economic impact that the new pier development will support will be generated through an increase in visitor/tourist numbers and associated expenditure.

The Road Equivalent Tariff (RET) scheme is sponsored by the Scottish Government and offers subsidies to ferry passengers by setting fares on the basis of the cost of travelling an equivalent distance by road. The scheme was set up in 2008 to encourage economic growth and employment within the fragile island communities.

The Scottish Government announced (November 2011) that the RET scheme was to be rolled out to Arran by October 2014. Discussions with key stakeholders identifies that the introduction of the RET scheme will be a "*game changer*" for the tourism industry on the island, and will help grow tourism into a year-round industry sector.

A report on the impact of the RET scheme was published in July 2011<sup>5</sup> and identifies that the scheme has contributed to increased passengers/visitor trips across a number of the destinations where the scheme has been piloted – the average uplift in passenger is reported as 20% (ranging from 15% - 30%).

<sup>5</sup>[http://www.transportscotland.gov.uk/files/documents/water/ferries/Assessment\\_of\\_the\\_Impacts\\_of\\_the\\_RET\\_Pilot\\_-\\_Final\\_Report.pdf](http://www.transportscotland.gov.uk/files/documents/water/ferries/Assessment_of_the_Impacts_of_the_RET_Pilot_-_Final_Report.pdf)

Any uplift in visitor numbers for Arran supported by the RET can be expected to be at the high end of this scale, given:

- Arran's relative proximity to the mainland and a concentration of population that the northern isles do not have;
- the relatively short ferry trip to reach the island; and
- Arran's relatively good tourism offering.

In addition to these quantifiable impacts, the RET scheme is also considered to deliver a number of qualitative benefits, these include supporting:

- business and employment opportunities;
- sustainability of communities, including tourism;
- access to schools and healthcare for remote and island communities; and
- the movement of freight to and from these communities.

### Impact of Pier and Onshore Infrastructure

The RET scheme will undoubtedly play a role in supporting the development and growth of the tourism (and other) sectors in Arran. That being said, the scheme on its own will not drive visitor numbers and consultation with potential users/cruise ship operators has identified a need for a number of other key requirements over and above having a solid visitor offering for day trips. This includes; suitable and safe facilities for disembarking to/from the ship, and accessible tour operators pick up/drop off points for coaches, etc.

Both CMAL engineers/masterplanners and Ironside Farrar have identified that the single phase approach (delivered through the *Full Development Option*) offers the greatest operational efficiencies, and that there are a number of risks and negative impacts associated with adopting a two phased delivery strategy or not delivering the onshore infrastructure at all, these include:

- health and safety issues from embarking/disembarking from the ferry;
- the passenger access system is at the limits of acceptable passenger access needs, a 330 metre ramped walkway, this is a particular concern given the changing demographics of both residents and visitors (moving towards an ageing population);

- delays to ferry turnaround times and the impact on mainland public transport connections;
- negative impacts on place quality and the environment i.e. the ongoing abortive and construction works;
- significant disruption to foot passenger's, private and commercial vehicles; and
- opportunity costs to shore-side businesses from disruption.

In addition, consultation with key stakeholders, including VisitArran and Taste of Arran (leading industry groups supporting tourism on Arran) has identified that, as the pier effectively acts as a gateway to the island any negative issues associated with the physical infrastructure and operation (as the first thing visitors to the island see) is likely to have an impact on their perception of Arran as a destinations.

While it is hard to quantify the impact that the on-shore facilities and services have on the 'visitor experience', there may be a longer term impact on repeat visits if visitors have a negative experience e.g. delayed disembarking due to abortive works, health and safety considerations (embarking and alighting from the ferry) or issues accessing the terminal building/ticket office during bad weather.

Further, the importance of infrastructure and the role it plays in supporting the growth of the tourism sector<sup>6</sup> is documented in the Government Economic Strategy:

*“Marine planning can support economic growth by ensuring that access to coastal and intertidal areas is protected and/or improved via coordination with terrestrial planning to facilitate the development of appropriate sea and landward infrastructure.*

*An integrated approach between terrestrial and marine planning is also necessary to facilitate the provision of appropriate coastal infrastructure required by a range of activities e.g. car parking, toilets, jetties, piers, slipways, and marinas.”*

Based on the above, it is therefore apparent that good quality and functional pier infrastructure is important to support the growth of the tourism sector, which is effectively the life blood of the Arran economy.

<sup>6</sup> <http://www.scotland.gov.uk/Publications/2013/07/9185/13>

### 3.3 Uplift in Visitor Trips and Expenditure

For the purposes of the Economic Impact Assessment we have assumed that the RET scheme will support growth in visitor numbers and expenditure within Arran. This approach recognises that the pier infrastructure plays an important role in securing the benefits from RET, but does not attribute impacts solely to the new pier development.

In recognition that all three development options will likely impact upon visitor's journeys, experience, and perceptions we have applied a sensitivity analysis to differentiate between the anticipated uplift in visitor numbers/expenditure across the three development options.

The average uplift in passenger numbers is unlikely to be uniform across the different types of passenger journeys. For example, given its close proximity to the mainland, Arran will likely attract a greater number of day trips – this has been considered within our assumptions. Please note that the uplift in visitors is based on the Scottish Government's report on the impact of RET and EKOS assumptions.

[Table 3.1](#) identifies the estimated uplift in visitor numbers and expenditure based on the single phase (*Full Development Option*) and multi-phase delivery options (*Intermediate* and *Do Minimum Development Option*).

**Table 3.1: Uplift in Visitor Trips and Expenditure Assumptions**

Type of visitor	No of Visitor trips	Annual Expenditure	Average expenditure per trip	Estimated uplift	Uplift in visitor trips	Uplift in spend per annum
<b>Estimated Uplift Through Single Delivery Phase – Full Development Option</b>						
Serviced Accommodation	58,690	£9,150,000	£156	10%	5,869	£915,000,
Non-Serviced Accommodation	75,570	£15,520,000	£205	20%	15,114	£3,104,000,
SFR	5,150	£540,000	£105	10%	515	£54,000,
Day Visitors	88,680	£2,900,000	£33	25%	22,170	£725,000,
<b>Total</b>	<b>228,090</b>	<b>£28,110,000</b>	<b>£123</b>	<b>21%</b>	<b>43,668</b>	<b>£5,381,680,</b>
<b>Estimated Uplift Through Multi Phase Delivery – Intermediate and Do Minimum Development Option</b>						
Serviced Accommodation	58,690	£9,150,000	£156	5%	2,935	£457,500
Non-Serviced Accommodation	75,570	£15,520,000	£205	10%	7,557	£1,552,000
SFR	5,150	£540,000	£105	10%	515	£54,000
Day Visitors	88,680	£2,900,000	£33	15%	13,302	£435,000
<b>Total</b>	<b>228,090</b>	<b>£28,110,000</b>	<b>£123</b>	<b>11%</b>	<b>24,309</b>	<b>£2,995,800</b>

Source: STEAM Data, 2012

### 3.3.1 Full Development Option

The *Full Development Option* includes delivery of the double berth pier and supporting onshore infrastructure through a single delivery phase. This option is detailed within the CMAL masterplan and an independent technical review undertaken by Ironside Farrar confirms that, from an operational perspective, a single delivery phase is the most efficient through minimising disruption and abortive works.

#### Uplift in Visitors Impact

Based on the calculations and assumptions presented in [Table 3.1](#), the *Full Development Option* is therefore estimated to support an uplift of c. 43,700 visitor trips and £5.4m in expenditure per annum.

#### Cruise Ship Impacts

In addition, the new pier (double berth) and improved onshore infrastructure also have the potential to attract cruise ships to Arran for day trips.



At this early stage, the stakeholders were unable to identify the potential size of the cruise ship market, however, we identified Portree harbour in Skye as a useful broad comparator to assess the potential number of vessels and passengers Brodick/Arran could attract.

In 2012 Portree attracted 29 cruise ships and c. 13,000 passengers (representing a nearly 70% increase in passenger numbers from the previous year). If we apply these assumptions to Brodick, and based on an average spend of £10 per person, 13,000 cruise ship passengers could generate an additional £130,000 per annum within the Arran economy.

### 3.3.2 Intermediate Development Option

The *Intermediate Development Option* will deliver the new pier and onshore infrastructure over two phases.

#### Uplift in Visitors Impact

Due to the anticipated operational issues and impact on passengers experience prior to the delivery of a second phase and during additional construction works, we expect the uplift to be lower over the period that the pier development is not complete, and thereafter the island will enjoy a total uplift similar to the *Full Development Option*.

The *Intermediate Development Option* is therefore estimated to support an uplift of c. 24,300 visitor trips and £3.0m in expenditure per annum, rising to c. 43,700 visitor trips and £5.4m on completion of the onshore infrastructure works.

#### Cruise Ship Impacts

Given the disruption, operational issues (particularly the walk from the ferry to the ticket office) and abortive works that will impact upon the road infrastructure and accessibility of the pier, we have assumed that for the duration up to 2023<sup>7</sup> when the second phase works remain uncompleted, that Arran would likely not attract any new cruise ship operators.

<sup>7</sup> Please note, as identified above the timescales for the Intermediate Development Option are based on EKOS assumptions.

Thereafter, after completion of the second phase there is potential to attract cruise ships to Arran, the impact of which is estimated at 13,000 visitors and £130,000 in additional expenditure per annum.

### 3.3.3 Do Minimum Option

The *Do Minimum Option* assumes that the new pier infrastructure is delivered in line with the Masterplan, however, CMAL are unable to leverage additional funding support for delivery of the onshore infrastructure.

#### Uplift in Visitors Impact

The *Do Minimum Option* is therefore estimated to support an uplift of c. 24,300 visitor trips and £3.0m in expenditure per annum. Please note that this uplift does not change for the duration of the appraisal period as this scenario assumes that the second phase is not implemented.

#### Cruise Ship Impacts

Due to the lack of onshore infrastructure and supporting facilities we have assumed that it is unlikely that Arran would be able to attract a significant number of cruise ship operators. The potential impact arising from the cruise ship market has therefore been discounted from our assessment.

## 3.4 Gross Economic Impacts and Benefits

Tables 3.2 reports the gross impacts associated with the new pier development option proposals<sup>8</sup>.

**Table 3.2: Gross Impacts – New Pier Development Proposals**

	FTE Jobs	Salaries per annum	GVA per annum
Full Development Option	100	£1.5m	£2.8m
Intermediate Development Option	50	£0.8m	£1.4m
Do Minimum Option	50	£0.8m	£1.4m

Note: Jobs rounded to the nearest 10 and salaries and GVA to the nearest £0.1m

<sup>8</sup> Please note that a) gross impacts are the maximum impacts that can be achieved by the developments and b) gross impacts are the same at both the Arran and North Ayrshire levels.

### 3.5 Net Economic Impacts and Benefits

Net impacts are reported in [Table 3.3](#), where gross impacts have been adjusted to reflect deadweight, displacement, leakage and multiplier effects. It should be noted that that gross and net impacts are not cumulative, but that net impacts are the outturn of the gross impacts after accounting for additionality factors.

**Table 3.3: Net Impacts - New Pier Development Proposals**

	FTE Jobs	Salaries per annum	GVA per annum
<b>Arran</b>			
Full Development Option	110	£1.7m	£3.0m
Intermediate Development Option	60	£0.8m	£1.5m
Do Minimum Option	60	£0.8m	£1.5m
<b>North Ayrshire</b>			
Full Development Option	130	£1.9m	£3.5m
Intermediate Development Option	60	£0.9m	£1.7m
Do Minimum Option	60	£0.9m	£1.7m

Note: Jobs rounded to the nearest 10 and salaries and GVA to the nearest £0.1m

Here is should be noted that impacts are higher at the North Ayrshire level, reflecting mainly the anticipation of higher levels of supplier linkage benefits across this wider geographic area.

### 3.6 Construction Impacts and Benefits

In addition to the gross/net impacts that will be generated through an uplift in visitor numbers and expenditure in the local economy, there will also be one-off short term construction impacts associated with project-related construction activity, see [Table 3.4](#). Here, the construction costs and spend profile, which are the main drivers of construction employment impacts, are based on data provided by CMAL.

**Table 3.4: Gross and Net Construction Impacts - New Pier Development Proposals**

	Gross Impacts			Net Impacts		
	PYE Jobs	Salaries	GVA	PYE Jobs	Salaries	GVA
<b>Arran</b>						
Full Development Option	170	£4.3m	£8.3m	20	£0.5m	£1.0m
Intermediate Development Option	180	£4.4m	£8.5m	20	£0.5m	£1.0m
Do Minimum Option	120	£2.9m	£5.5m	10	£0.3m	£0.6m
<b>North Ayrshire</b>						
Full Development Option	170	£4.3m	£8.3m	120	£2.8m	£5.5m
Intermediate Development Option	180	£4.4m	£8.5m	120	£3.0m	£5.7m
Do Minimum Option	120	£2.9m	£5.5m	80	£1.9m	£3.7m

Note: Jobs rounded to the nearest 10 and salaries and GVA to the nearest £0.1m

Here it should be noted that the impacts associated with the *Intermediate Development Option* are higher, reflecting the increased construction costs associated with this option.

### 3.7 Cumulative Impacts and Benefits

In order to highlight the true extent of the economic impacts and benefits that each approach offers, we have considered the longer term (25 years) impact of the proposed developments.

Here, cumulative impacts have been discounted at the HM Treasury recommended rate of 3.5% and have also considered the Return on Investment based on the total (adjusted) costs of the proposed developments set against the discounted GVA returns, see [Table 3.5](#).

**Table 3.5: Cumulative Impact – New Pier Development**

	Cumulative Impacts (NPV)	ROI
<b>Arran</b>		
Full Development Option	£39.6m	£2.42:1
Intermediate Development Option	£33.5m	£2.14:1
Do Minimum Option	£19.7m	£1.81:1
<b>North Ayrshire</b>		
Full Development Option	£49.0m	£3.00:1
Intermediate Development Option	£41.9m	£2.68:1
Do Minimum Option	£24.9m	£2.28:1

The additional economic value (GVA) generated through an uplift in visitors and expenditure through the single phase approach is estimated at c. £40m within the Arran economy and £49m at the North Ayrshire level over the appraisal period.

This generates a return on investment of between £2.40:1 and £3.00:1 at the Arran and North Ayrshire levels respectively.

At the North Ayrshire level, over the long term the *Full Development Option* delivers a GVA return of

- £7.1m greater than the *Intermediate Development Option*; and
- £24.1m greater than the *Do Minimum Option*.

The implementation of a single phase approach generates significantly higher GVA and return on investment than the *Do Minimum Option*. This provides a strong justification for the level of additional capital expenditure associated with the *Full Development Option*.

As highlighted above, our assessment has only considered the economic impacts associated with the wider tourism sector – through an uplift in visitors and cruise ship passengers.

However, the new pier development will allow other commercial vessels to berth and this has the potential to positively impact on other sectors including, haulage/logistics, forestry, mining operations, etc. At this stage we are unable to quantify the scale of any additional activity within other industry sectors, however, the potential qualitative benefits are discussed in [Section 5](#).

## 4. Economic Impacts - Re-Use of Existing Pier

This section presents the economic impact assessment of the three development options for the re-use of Brodick Pier.

### 4.1 Re-use of Existing Pier Development options

Consultation with key stakeholders identified that there is potential to take advantage of the growing sailing market within the West of Scotland to develop some leisure/sailing and marine tourism facilities through re-use of the existing pier. At present Arran has only limited facilities at Brodick and Lochranza.

Some outline technical feasibility work has been undertaken (by both Wallace and Stone and Ironside Farrar) as to the potential of redeveloping the existing pier and causeway to act as a breakwater and support the development of berths/moorings, etc. This work has confirmed that the redevelopment of the existing pier to support new activity related to leisure/sailing and marine tourism is feasible.

However, it should be borne in mind that we have not considered the market feasibility or operating models for any such development, but assumed (based on the NAC report into Maritime Improvements in Arran and Cumbrae, 2013 and wider market trends) that Arran could attract and sustain additional leisure/sailing and maritime recreation facilities.

Within the re-use of the existing pier, three options have been examined:

- 1 **Small Scheme** (6 moorings):
  - capital costs - £350,000
  - attract 4,700 additional visitor nights per annum
  - generate additional off-site spend of £0.1m per annum;
- 2 **Medium Scheme** (20 berths):
  - capital costs - £3m;
  - attract 9,900 additional visitor nights per annum
  - generate additional off-site spend of £0.2m per annum; and

### 3 Large scheme (40 berths):

- capital costs - £5m
- attract 20,000 additional visitor nights per annum
- generate additional off-site spend of £0.4m per annum.

Please note that the outline capital costs have been estimated by both Wallace Stine and Ironside Farrar. However, these capital costs represent a broad brush assessment to feed into the impact assessment and should therefore be treated with caution. Further detailed costing will be required in order to progress the scheme and test the feasibility and commercial viability.

The significant cost increase from the Small scheme to the Medium scheme is primarily due to the Small scheme being able to operate using the existing pier acting as a breakwater, whilst the other options will require construction works for development of a breakwater.

## 4.2 Uplift in Visitors and Expenditure

Table 4.1 provides a breakdown of potential visitor numbers, expenditure and the assumptions behind these.

**Table 4.1: Visitor and Expenditure Assumptions for Marine Leisure Proposals**

	No. berths	Total nights	4 months *80% occupancy	8 months* 40% occupancy	Total nights in berths	Total visitor nights	Total spend	Offsite spend
Small scheme	6	2,190	583	583	1,167	4,667	£140,020	£98,014
Medium scheme	20	7,300	1,945	518	2,463	9,851	£295,535	£206,875
Large scheme	40	14,600	3,889	1,036	4,926	19,702	£591,070	£413,749

Assumptions – based on VisitScotland data and EKOS review:

- Total nights based on the number of berths \* 365 days
- Occupancy profile based on expected higher uptake during peak months
- Total visitor nights based on an average of 4 people per boat
- Total spend based on an average spend of £30 per night per person
- Off-site spend i.e. spend in Arran economy based on 70% of total spend



## 4.3 Gross Impacts and Benefits

The gross impacts (FTE jobs) are derived from dividing the total uplift in expenditure (off-site spend) by an appropriate tourism job co-efficient i.e. the amount of additional expenditure required to support one tourism job for a period of one year. The tourism co-efficient has been sourced from Scottish Government data and adjusted to reflect 2013 prices.

Table 4.2 presents the gross impacts.

**Table 4.2: Gross Impacts – Reuse of Existing Pier**

	FTE Jobs	Salaries per annum	GVA per annum
Small scheme	2	£35,000	£60,000
Medium scheme	5	£70,000	£130,000
Large scheme	9	£140,000	£255,000

Note: Salaries and GVA rounded to nearest £5,000

At the gross level, the project impacts are fairly modest ranging from two to nine FTE jobs across the different schemes.

## 4.4 Net Impacts and Benefits

Table 4.3 presents the net impacts which takes account of the displacement, leakage and multiplier effects.

**Table 4.3: Net Impacts - Reuse of Existing Pier**

	FTE Jobs	Salaries per annum	GVA per annum
<b>Arran</b>			
Small scheme	2	£30,000	£60,000
Medium scheme	5	£70,000	£125,000
Large scheme	9	£135,000	£250,000
<b>North Ayrshire</b>			
Small scheme	2	£25,000	£45,000
Medium scheme	3	£50,000	£90,000
Large scheme	7	£100,000	£185,000

Note: Salaries and GVA rounded to nearest £5,000

There is little change in moving from gross to net impacts, and net employment impacts are again estimated to be modest.

## 4.5 Construction Impacts and Benefits

Table 4.4 presents the one-off construction impacts associated with the re-use of the existing pier development options. As highlighted above, there is a significant increase in the capital costs when moving from the Small scheme to the Medium/Large scheme – this will have a direct effect on the construction related impacts.

**Table 4.4: Gross and Net Construction Impacts – Reuse of Existing Pier**

	Gross Impacts			Net Impacts		
	PYE Jobs	Salaries	GVA	PYE Jobs	Salaries	GVA
<b>Arran</b>						
Small scheme	5	£85,000	£160,000	0	£25,000	£45,000
Medium scheme	30	£0.7m	£1.4m	10	£0.2m	£0.4m
Large scheme	50	£1.2m	£2.3m	15	£0.3m	£0.7m
<b>North Ayrshire</b>						
Small scheme	5	£85,000	£160,000	5	£85,000	£160,000
Medium scheme	30	£0.7m	£1.4m	30	£0.7m	£1.4m
Large scheme	50	£1.2m	£2.3m	50	£1.2m	£2.3m

Note: Jobs rounded to the nearest 5 and salaries and GVA to the nearest £0.1m

At the gross level construction jobs range from five to 50 PYE jobs. The difference in the net impacts across Arran and North Ayrshire is down to the majority of the construction jobs being based off the island.

## 4.6 Cumulative Impacts and Benefits

Table 4.5 presents the longer term (25 years) discounted cumulative net impacts of the three options.

**Table 4.5: Cumulative Impact – Reuse of Existing Development**

	Cumulative Impacts (NPV)	ROI
<b>Arran</b>		
Small scheme	£1.2m	£4.17:1
Medium scheme	£2.5m	£1.02:1
Large scheme	£4.9m	£1.19:1
<b>North Ayrshire</b>		
Small scheme	£1.0m	£3.53:1
Medium scheme	£3.0m	£1.19:1
Large scheme	£5.5m	£1.32:1

The additional economic value (GVA) generated through the development of marina/berthing facilities is estimated at c. £1.0m for the Small scheme to £5.5m for the Large scheme at the North Ayrshire level over the long term.

Whilst the Small scheme generates a lower level of absolute economic activity, conversely it generates the greatest ROI due to the comparatively small capital investment required. Overall the development options are estimated to generate a return on investment of between £1.32:1 and £3.53:1 at the North Ayrshire level.

At this stage we would recommended further research into the development of marina/berthing facilities to scope out any commercial opportunities including potential operators.

## 5. Wider Impacts

In addition to the economic impact and benefits that are considered above, there are a number of wider, and sometimes more qualitative, impacts and benefits that the *Full Development Option* can be expected to deliver, these are considered below.

This section does not try to quantify the extent of these social and catalytic benefits but simply outlines the potential benefits that the proposed development is likely to generate.

### Local Employment Boost

#### Key Points

The delivery of the new pier within a single phase, alongside the RET scheme will significantly increase the number of visitors (and expenditure) to Arran - estimated at c. 20%, with a particular boost for the day trip market. There will also potentially be an uplift in visitors through the cruise ship market (estimated at 13,000 visitors). This will help generate an additional **100 gross FTE jobs** in the wider tourism and service sector.

The Arran economy has performed comparatively well over the last few years, despite even the influence of the recession. However, it still remains a seasonal economy and open to influence from changes in the socio-economic landscape. The new pier development will allow the island to take full advantage of the introduction of the RET scheme in 2015 and help start to build a year-round season. The development will help support the creation for 100 new FTE jobs within Arran, a significant amount for an Island with a population of 5,300.

These new jobs, on the whole, are likely to be seasonal in nature. However, the RET (through reducing travel costs) will also encourage visitors to travel during the out-of-season months. For example, the Auchrannie Resort is one of the islands biggest and most successful businesses, in part because it operates as a year-round destination/attraction. The Resort offers various packages aimed at couples, children, adventure tourism, pampering holidays, etc. and as a result is able to attract visitors during the traditionally out of season months.

There is an opportunity for other accommodation providers and tourism operators to follow a similar model and diversify their visitor offering, which, alongside a reduction in travel costs could be a catalyst to attract more tourists. Bodies such as VisitArran and HIE would have a key role in supporting business development through offering training and other support.

In addition to creating new employment opportunities for local people, there is potential for a number of other benefits to be realised. This includes attracting new people/residents to the island or retaining residents (particularly those within the younger age groups) in response to the increase in employment opportunities. It is hard to know what are the key drivers for the increased out-migration of younger people, however, access to year-round and employment opportunities is undoubtedly a factor.

### Cruise Ships and Marine Leisure

Further to above, an improved visitor offering and more sustainable year-round economy could prove attractive to cruise ship operators. Many of the destinations that Arran will be competing with for the cruise ship market may have a more established year round offering. Development and diversification of this key sector would enable the island to compete more effectively and become an established destination on the cruise ship circuit.

The development of leisure/sailing facilities will help attract additional visitors to Arran. Although the direct impacts generated through the development of leisure/sailing facilities are estimated to be modest, it nonetheless adds another 'feather in the cap' for Arran's tourism offering and will create new employment opportunities for local people.

### Operational impacts

#### Key Points

A single phase delivery will help minimise the elapsed time for disruptions and ensure the pier operates efficiently with regards movement of people, traffic and public transport.

As highlighted within the Ironside Farrar technical feasibility report, aside from the pier infrastructure coming to the end of its serviceable life, one of the key issues affecting Brodick is the current layout, accessibility and functionality of the pier, particularly during peak times. Key issues include passenger/user and vehicle conflicts, the need to rationalise and segregate traffic and public transport, and issues with embarking and disembarking with the ferry (turnaround times). The single phase approach is expected to address these constraints and ensure improved operations.

However, in the event the pier is not delivered in a single phase, the abortive works and ongoing construction activity, etc. are likely to cause significant disruption and enhance existing conflicts – this has the potential to impact on the turnaround times and to delay services.

In particular, the conflicts between foot passengers and traffic/public transport, and the walking distance from the ferry to the terminal building is considered to present significant challenges. For example, there are issues with health and safety to consider - those that are older or with restricted mobility, or young children are particularly vulnerable. These issue will be enhanced during peak times.

## Visitor and User Perception

### Key Points

The new pier will act as a gateway to Arran for visitors, residents and other commercial users and will help enhance the visitor experience

Brodick Pier is the main transport hub to access Arran and, for most, presents the first sight of the island to visitors. It is important, therefore, that the Island's gateway is fit for purpose, effective, and reflects the high quality nature of its tourism offering.

If a new pier is delivered over two phases, or as considered in one of the EIA's scenarios, the second phase does not progress, this (through the disruptions/operational issues, etc) will have a negative impact on the perception and image of the pier and of Arran more generally.

There are other issues with regards getting to and from Arran that can negatively impact upon visitor's perceptions and experience of the island. These include: reliability of the ferry services, the time taken to embark/disembark, the accessibility of the ferry and terminal building, the length of queues for purchasing tickets, the availability of seats or services in the terminal building, etc.

The single phase approach addresses many of these and will help:

- ensure that the pier, from an operational perspective will run smoothly; and
- avoid some of the negative impacts on visual and user amenity associated with a phased approach.

Feedback from VisitArran indicates that first impressions are very important for destinations such as Arran and any negative perceptions will detract from the brand that the island has successfully established over a number of years. Failure to implement a second phase would discourage a percentage of return trips, albeit this would be difficult to quantify.

The aesthetics of the pier will also impact upon those using the leisure/sailing and maritime recreation facilities developed within the existing pier site, by creating a 'better quality' environment.

In addition to creating a 'better quality' environment for those sailing to the island, the single phase approach will deliver a new terminal building. This means there will be potential to develop the current building into an attraction/facility that will complement the new pier and proposed sailing/leisure and marine recreation facilities. Among other options, there is potential to use the terminal building:

- for step-ashore facilities (changing rooms, shower block, washing machine, etc) to support the leisure/sailing facilities for visitors sailing to the island; and
- provide, for example gallery space for local artists etc.

There are a number of possible options to re-develop the building (at a relatively modest cost as it is in good condition) in a manner which enhances the pier areas. In particular, the Brodick Harbour Redevelopment Group (BHRG) should consider the potential for establishing a Community Trust to take on the day-to-day management and operation of the building.

There would of course be some requirement for NAC support around community empowerment and capacity building. In addition, the Trust would have access to a range of funding opportunities outside the scope of what is available to the public sector.

However, it should be borne in mind that, as the owners of the building, CMAL will need to be directly involved and consulted moving forward.

### Catalytic Impacts

The development of the new pier is anticipated to have a number of wider economic impacts through acting as a catalytic driver for the wider development market and for attracting new investment to Arran. Below we have considered three areas where it is expected to have an impact.

#### Impact on Housing

As highlighted above one of the key issues within Arran is the availability of suitable and affordable housing.

The most recent land and housing audit identifies that there is capacity for 300 housing completions. A closer review identifies that a number of sites have planning consent, however, the developers have been sitting on the sites for a number of years, in effect 'land banking'. There could be a number of reasons for this, including the impact of the recession and subsequent downturn in the residential market and the limited capacity of the industry, with one developer understood to dominate the local market. In the absence of a significant shift in the market, it is unlikely that a large proportion of these housing units will be built out by 2019.

The new pier and increased sailings will make Arran more accessible for visitors and residents, and could even act as a commuter destination. More regular sailings and lower cost of the ferry could help to lower construction costs, and increase competition. This, along with the new employment generated by the new pier will support the retention and possibly attract new residents to the island.

For example, the Auchrannie Hotel built out-worker accommodation due to the lack of suitable residential units – the new pier could have a similar impact in stimulating investment in housing or worker accommodation.



There is therefore the potential for the development to increase demand for new housing on the island and this could increase the number of housing completions, although the increase is likely to be fairly small.

### **Attracting Investment in Business**

The investment in the pier and on-shore infrastructure will demonstrate the public sector's and CMALs commitment to supporting Arran and the economic development of the island.

The new pier (delivered in a single phase alongside the RET) is estimated to increase visitor numbers by c. 20% overall. This could encourage businesses on the island (particularly within the tourism/service sector) to invest more in developing their offering to visitors. For example, there will potentially be capacity issues within existing businesses due to the increase in visitor activity, and it could help attract new operators to the island or encourage businesses to operate outside of the peak seasonal months.

### **Promoting Business Growth**

In addition to tourism we have considered the potential knock on benefits and impacts for other sectors, using the creative industries and golfing as examples.

### **Creative Industries**

VisitArran, in partnership with NAC, and HIE are looking to prepare a Harbour Development Plan which:

- highlights the key opportunities in and around Brodick associated with the new pier development; and
- examines the impact it will have on 'releasing land' for commercial development activity.

With the recent announcement (March 2013) regarding the Scottish Government's and Highland & Islands Enterprise planned investment of £146m to bring fibre optic superfast broad to the Highlands and Islands of Scotland, this offers an opportunity for rural communities to become better connected with their customer base.

Discussions with stakeholders have identified some interest in supporting and growing the creative industries sector within Arran, which could include the development of business infrastructure.

Whilst this Harbour Development Plan and sector development strategy is still at an embryonic stage, it is worth noting that, the delivery of the pier alongside supporting infrastructure such as highspeed broadband could potentially act as a catalyst to support growth in the creative industries.

### Golf

The delivery of the double berth pier will allow concurrent vessels to berth, including the Ardrossan to Campbeltown service (via Brodick) which is being piloted as of May 2013 during the peak seasonal months, and will run three times a week.

Golf is a key tourism sub-sector for the Ayrshire coast and brings in significant expenditure and visitors to the area and supports around 500 jobs in Ayrshire. There are a number of highly regarded golf courses, including two Open Championship courses: within Arran there are seven courses and there are three in and around Campbeltown, including Machrihanish Dunes.

There is the potential to further link up Ayrshire, Arran and Campbeltown to develop the golfing sector, a 'golfing corridor' that will be linked by the new ferry service from Ardrossan to Campbeltown via Arran and enabled through the new pier development. This could generate further benefits and support the growth in a key part of Scotland's tourism offering.

### Other Sectors

While the forecast uplift in tourism activity will be the main source of economic impact from the proposed development, other sectors might benefit to the extent that improvements to the ferry service also impact on the competitiveness of indigenous businesses.

For example, Arran Aromatics has a number of wholesale and retail partners on the mainland and further afield, as well as an online retail market. The development of the new pier, more reliable and increased sailing capacity could allow further expansion of an already successful Arran based business.

Transport and logistics (particularly cost and reliability) are key issues for the business and the development proposals for the new pier will help to alleviate some of the costs and risks.

This could come about via increased frequency of sailings and, for some movements, reductions in costs of transporting goods to and from the island. To a large extent, such benefits will be realised through any of the implementation options, although a single phased approach could mean much lower disruption to transport movements over time, and improve operating efficiency.

More generally, improved access and easier movements of goods and people to and from the island might also make it a more attractive location for businesses from outside of the tourism and leisure sectors. However, a multi-phased approach might be off-putting to some what might otherwise consider the island as a location, given the anticipation of an extended period of disruption.

## 6. Funding Sources

We have undertaken desk research to identify some of the main funding options/sources available for both the new pier development and the reuse of the existing pier. Within our review we have considered; the objectives of the fund, timescales, amount of funding available, criteria for funding, and the two projects' strategic fit. The key sources considered include:

- Highlands and Islands Enterprise;
- North Ayrshire Council;
- Strathclyde Passenger Transport;
- Scottish Rural Development Programme (SRDP);
- European Regional Development Fund (ERDF);
- Coastal Community Fund; and
- Special EU Programmes Body (SEUPB).

CMAL and Transport Scotland have already been identified and committed (in principal) funds for the development of the new pier. Nonetheless, as highlighted in the introduction there is likely to be a funding shortfall of c. £4m for implementation of the *Full Development Option*.

[Appendix C](#) sets out potential funders, their criteria, examples of funding they have provided and in light of this fit with the project.

### 6.1 Funding Strategy

It is clear that there is a range of funding sources that, at least in principle, should give serious consideration to applications for funding support for the new pier development. There is, however, a need to develop a strategy for optimising the level of resources attracted from other funding bodies. This could be based on the following steps:

1. Clarify the preferred development option, be it a single or multi-phased approach;

2. Identify the costs associated with each project component, including separate identification of those associated with the re-use of existing facilities;
3. Clarify the level of contributions that can be anticipated from existing partners to the BHRG;
4. Calculate the funding gap that remains once BHRG-partner contributions are allowed for, across project components. Here, care is needed to identify “clean” money that is available as co-financing, especially in a European funding context;
5. Secure funding from key partners. Although at an early stage, initial discussions have identified potential funding opportunities from the following sources to meet capital development costs of a new pier:
  - Transport Scotland – c. £8m; and
  - CMAL – c. £6m.

Securing a funding commitment from the key partners will allow for further match funding opportunities to be investigated and will provide stakeholders with confidence that the tender process can proceed as originally envisaged.

6. At this time, the best prospects for funding support beyond the immediate partners is likely to be:
  - a. North Ayrshire Council;
  - b. Strathclyde Passenger Transport towards public transport; and
  - c. Coastal Communities Fund.

LEADER may also contribute towards research/feasibility studies and to support innovative, community led/business growth project components. The Highlands and Islands ERDF Programme, which in principle could provide funding across project components, although it is possible that capital budgets will be relatively limited for the new Programme period.

7. Make applications for support during 2014/early 2015, for implementation in 2015.

## 7. Conclusions

The main preliminary conclusions to emerge from this study are that there is merit in pursuing:

- a single-phase approach to the redevelopment of Brodick Harbour; and
- the complementary re-development of existing facilities which would then be redundant. This applies to both the potential for a marina development targeted at visiting leisure craft and re-development of the old buildings as an economic or community asset.

The additional economic value (GVA) generated through the uplift in visitors and expenditure that is likely to be generated through the single phase approach is c. £48m within the Arran economy and £59m at the North Ayrshire level. Also, in comparing costs and benefits, a single-phase development would generate a return on investment of between £2.95:1 and £3.60:1 at the Arran and North Ayrshire levels, respectively.

The implementation of a single phase approach generates significantly higher GVA and return on investment than the 'do minimum' scenario. This provides a strong justification for the level of capital expenditure associated with the *Full Development Option*.

Support for the implementation of the single phase option is also based upon avoiding the relatively longer period of disruption that could result from a multi-phase approach. This could impact adversely on both the general attractiveness of Arran as a tourism destination, but also impose operational costs on other businesses dependent on ferry services for the movement of goods and services;

However, it is clear that the single-phase option has an associated funding gap of around £4 million, and funding sources beyond those within the direct control of the BHRG partners will need to be approached in order to fully fund this, and the complementary developments. A funding strategy should be put in place which makes best use of the opportunities to raise further support, based on making best use possible of BHRG contributions as eligible co-financing.

# Appendix A: Socio-Economic and Strategic Review

## Baseline Review

The socio-economic baseline provides a summary review of the recent social and economic performance of Arran, and where appropriate draws comparison with the wider North Ayrshire and Scottish levels.

Arran, in many ways, is different to that of a rural community of similar size situated on the mainland of Scotland. As such, Arran's somewhat fragile economy is owing to several factors: the ageing population, the isolated location and its reliance on ferry transport, as well seasonal visitor patterns in which impacts upon employment.

### Population and Demographics

In 2011 Arran had a total resident population of 4,660, see [Table A.1](#) which details the population change between 2001 and 2011.

Over the ten year period both North Ayrshire and Scotland have experienced population growth of between 2.0% and 4.5%, this is in contrast to Arran which has experienced a decline of -7.6% over the same period.

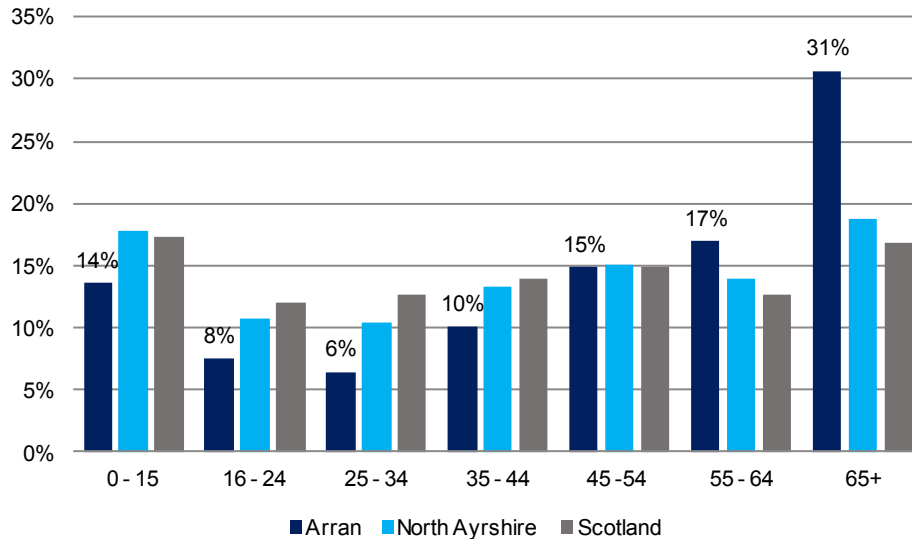
**Table A.1: Census Population Trend (2001-11)**

	2001	2011	Change	% Change
Arran	5,041	4,660	-381	-7.6%
North Ayrshire	135,800	138,146	2,346	2.0%
Scotland	5,064,200	5,295,403	231,203	4.5%

Source: 2011 Census/SNS

In terms of the demographic breakdown, see [Figure A.1](#) over, Arran's population is skewed more towards an ageing population, with a notably higher proportion of those aged 65+ (representing 31% of total population) when compared to North Ayrshire and Scotland – 19% and 17% of the total population respectively. This high proportion of older residents will have wider effects on the economy, including impacting upon economic activity rates and the demand for and provision of services.

**Figure A.1: Population by Age Distribution (2011)**



Source: Census 2011

Comparing against North Ayrshire and Scotland there are some stark differences in the residential base, with Arran retaining a lower proportion of residents aged under 45 years old.

Most noticeably, over the ten year period (2001 – 11), there has been a decrease in the number of children aged 15 and under – 4% points, perhaps indicating a decrease in the number of young families on the island, see [Figure A.2](#).

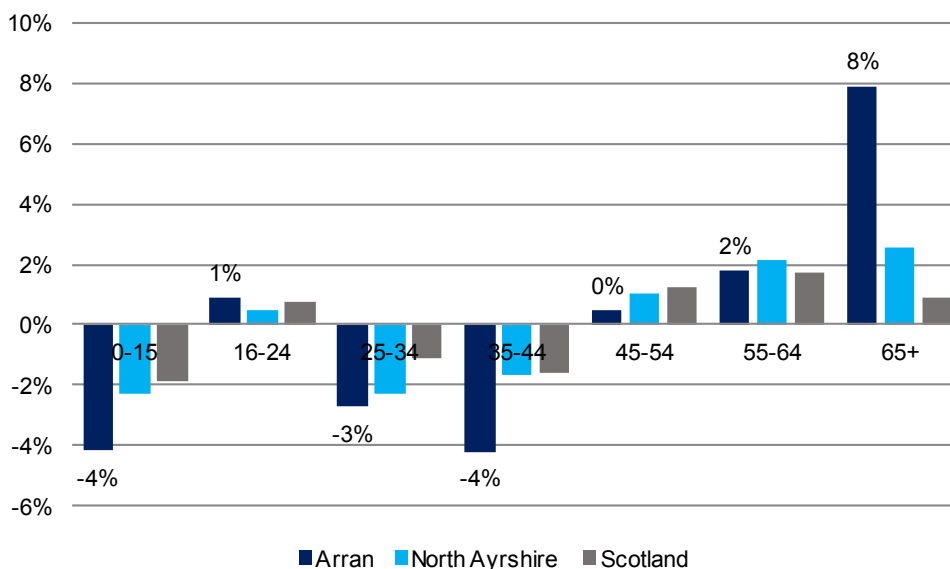
There could be a number of reasons for this, however, employment opportunities and availability of housing are often key factors in retaining young families within island communities. There is a similar decrease in those aged (35 – 44), showing a 4% point decrease.

Although generally across Scotland there is a shift towards an ageing population, the number of residents aged 65+ on Arran has increased by 8% points, which is more than three times greater the increase at the North Ayrshire level.

This pronounced demographic shift is worrying for a small island such as Arran where even minor shifts in the population base can have a significant impact upon a number of social and economic receptors.



**Figure A.2: Age by Percentage Point Change (2001-2011)**



Source: Census 2011/SNS

## Working Age Population

The working age population, defined as individuals aged between 16-64 years old, is detailed below.

**Table A.2: Working Age Population (2011)**

	Number	% of total population
Arran	2,599	56%
North Ayrshire	87,765	64%
Scotland	3,488,738	66%

Source: Census 2011

The proportion of working age people in Arran at 56%, is notably lower than both the North Ayrshire (64%) and Scotland (66%) levels. Again, availability of employment opportunities or housing choice may be important in explaining Arran's position.

Arran is a fairly insular economy and therefore the availability of labour i.e. working age residents on the island will play a significant role in shaping the islands economy.

## Migration

Recent statistics (2010/11) show that across North Ayrshire the level of net migration has been negligible, effectively static. In contrast, Scotland continues to experience greater levels of net in-migration, see [Table A.3](#).

**Table A.3: Migration within Scotland by Local Authority and National Level**

	2006/07	2010/11	Change	% Change
<b>In-Migration</b>				
North Ayrshire	4,358	3,579	-779	-18%
<b>Scotland</b>	<b>91,768</b>	<b>87,879</b>	<b>-3,889</b>	<b>-4%</b>
<b>Out-Migration</b>				
North Ayrshire	3,993	3,577	-416	-10%
<b>Scotland</b>	<b>64,957</b>	<b>60,921</b>	<b>-4,036</b>	<b>-6%</b>
<b>Net Migration</b>				
North Ayrshire	365	2	-363	-99%
<b>Scotland</b>	<b>26,811</b>	<b>26,958</b>	<b>147</b>	<b>1%</b>

Source: Local Area Migration (2011)

## Housing

Over the period 1995 - 2012, the average annual number of housing completions is around 20.

A review of the NAC housing and land supply audit (2012), which is based on the Local Development Plan and existing planning consents, identifies that across a number of sites there is potential to develop c. 300 residential housing units of mixed tenure.

However, within this it should be noted that a number of the sites with planning consent have either not gone forward or have been delivering one or two units at a time. Over the last two years there has been a dearth in new development activity, affordable housing on the island has been a particular issue, however c. 60 units are planned for completion by 2014 in Benlister South.

Another key issue for Arran is the high proportion of second home ownership and the wider residential market structure which may be 'pricing' young families and young people off the island.

There are seven datazones that make up the island of Arran<sup>9</sup> and in six of these, at least 15% of all residential units are second homes (i.e. within 86% of the datazones, second home ownership is greater than 15%).

In total, across the whole of North Ayrshire there are only eight datazones with second home ownership above 15% and six of these are in Arran - therefore it is clear that Arran has a disproportionately high level of second home ownership, see [Table A.4](#).

**Table A.4: Datazones with 15% or more residents owning a second/holiday home (2007-2011)**

	2007		2011	
	Number	%	Number	%
Arran (n=7)	6	86%	6	86%
North Ayrshire (n=179)	9	5%	8	4%

Source: SNS

## Employment

[Table A.5](#) provides data on the number of workplace based jobs within the comparator areas.

**Table A.5: Employment (2008-2011)**

	2008	2011	% Change
Arran	1,824	1,694	-7%
North Ayrshire	40,972	37,190	-9%
Scotland	2,462,816	2,332,738	-5%

Source: BRES

Unsurprisingly, all areas have seen a decline in their employment base over the post-recession period since 2008, although this has been most pronounced at the North Ayrshire level which experienced an overall decline of 9%. Within this period, all comparator areas experienced an increase in employment between 2010 and 2011, perhaps indicating early signs of recovery, although total employment remains some way short of pre-recession levels.

<sup>9</sup> Data zones are groups of 2001 Census output areas and have populations of between 500 and 1,000 household residents. Where possible, they have been made to respect physical boundaries and natural communities.

In terms of the sectoral breakdown, tourism is a key industry for Arran with accommodation and food services accounting for almost one fifth of all employment, followed by health and retail which account for 14% and 13% of total employment, respectively, see [Table A.6](#).

**Table A.6: Arran Employment Base by Sector (2011)**

	<b>% of total employment</b>
Accommodation & food services	19%
Health	14%
Retail	13%
Manufacturing	10%
Arts, entertainment, recreation & other services	10%
Construction	8%
Transport & storage (inc postal)	7%
Education	7%
Business administration & support services	3%
Motor trades	2%
Mining, quarrying & utilities	2%
Property	2%
Public administration & defence	2%
Professional, scientific & technical	1%
Wholesale	1%
Agriculture, forestry & fishing	1%
Financial & insurance	1%
Information & communication	1%
<b>Total</b>	<b>100%</b>

Source: BRES

There are issues around data confidentiality and suppression which restrict the level of detail available at the sectoral level, however, as an indicative overview, ten industry sectors have experienced a minor increase in employment since 2009, see [Table A.7](#). This is in comparison to three sectors across North Ayrshire and four in Scotland experiencing growth over the same period.

Changes within the employment base at the sectoral level should be viewed with caution as although large percentage increases are detailed for Arran, the absolute increase may be relatively small. The percentage changes should be viewed in the context of a total employment increase of 87 employees representing an increase of 8% within Arran's employment base.

**Table A.7: Employment by Sector (2009-11)<sup>10</sup>**

	Arran		North Ayrshire		Scotland	
	Change	% Change	Change	% Change	Change	% Change
Agriculture, forestry & fishing	*	-11%	0	0%	2,538	3%
Mining, quarrying & utilities	*	-7%	-87	-7%	2,349	4%
Manufacturing	*	8%	-398	-9%	-16,041	-8%
Construction	21	17%	-283	-10%	-11,186	-8%
Motor trades	*	-16%	-36	-5%	1,628	4%
Wholesale	*	117%	-62	-5%	-6,174	-8%
Retail	*	13%	-193	-3%	-4,818	-2%
Transport & storage	*	28%	-49	-3%	-9,508	-9%
Accommodation & food services	10	5%	-286	-7%	-9,035	-5%
Information & communication	*	200%	58	11%	-192	0%
Financial & insurance	0	0%	-146	-29%	-7,957	-8%
Property	0	0%	-193	-44%	-4,370	-14%
Professional, scientific & technical	*	133%	72	6%	-14,255	-9%
Business administration & support services	*	-8%	-155	-7%	-6,771	-4%
Public administration & defence	*	0%	1,014	48%	3,543	2%
Education	*	-5%	-73	-2%	-3,362	-2%
Health	*	3%	117	2%	-1,843	0%
Arts, entertainment, recreation & other services	*	11%	-50	-2%	-2,289	-2%
<b>Total</b>	<b>87</b>	<b>8%</b>	<b>-749</b>	<b>-2%</b>	<b>-87,740</b>	<b>-3%</b>

Source: BRES 2009-2011

<sup>10</sup> \* indicates figures that are suppressed.

## Unemployment

Unemployment rate data, reported in [Table A.8](#) is only available for geographic areas above local authority level. North Ayrshire's unemployment rate increased by 7.5% points between 2007 and 2011, and currently stands at 13.8%. This increase is more than twice that of the Scottish level, which helps to demonstrate the extent of the employment issues across North Ayrshire.

**Table A.8: Unemployment Rate – 16-64 years old (%)**

	2007	2011	% Point Change
North Ayrshire	6.3	13.8	7.5
<b>Scotland</b>	<b>4.8</b>	<b>8.2</b>	<b>3.4</b>

Source: Nomis - ABI

The Claimant Count, [Table A.9](#) provides analysis of those claiming Job Seekers Allowance i.e. those that are claiming unemployment related benefit and actively seeking employment. All comparator areas have experienced an increase in claimants of c. 30% - 32% between January 2009 and January 2013, however it should be noted that the absolute numbers in Arran are low – an increase of 16 claimants.

**Table A.9: Claimant Count (Jan 09-Jan 13)**

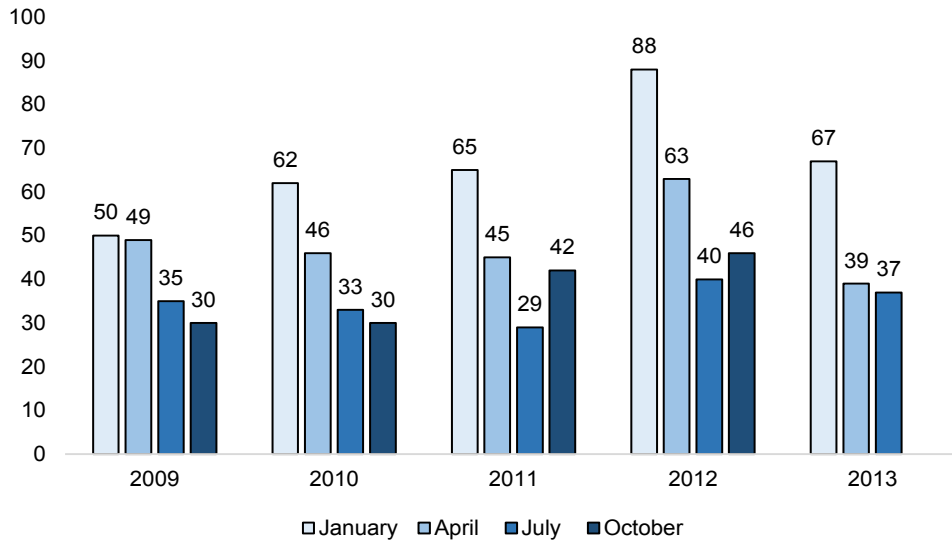
	2009	2013	Change	% Change
Arran	51	67	16	31%
North Ayrshire	4,438	5,849	1,411	32%
Scotland	108,906	141,972	33,066	30%

Source: Claimant Count

Further detail is provided in [Figure A.3](#) showing the quarterly trend within Arran.

Most noticeably, the number of claimants in Arran peaks in the first quarter, i.e. January to March during the out-of-season months. This is unsurprising given the islands reliance on tourism and the highly seasonal nature of the sector.

**Figure A.3: Quarterly Claimant Count (2009-13)**



Claimant Count  
 Data for Quarter 4 of 2013 is not yet available.

### Key Messages

There are a number of areas where the new pier development can positively impact upon the local economy.

**Employment** – tourism and the wider leisure/service sector are very important sources of employment on Arran. Together, these sectors account for around 30% of all employment, and indirectly the sector supports a wider range of activity. That being said, the highly seasonal nature of the tourism sector means that Arran is vulnerable to fluctuations in the market and other external influences. For example, many businesses will likely operate at a reduced level during the out-of-season months and rely on the activity during the peak months to support them. A summer season summer with lots of bad weather could have a number of widespread negative impacts for the business base.

The new pier will be able to accommodate concurrent vessels, both daily sailings and cruise ship operators – allowing for faster turnaround times, increased daily sailings during peak times and months.

The new facilities (along with the RET scheme) will help to:

- safeguard the existing visitor numbers and tourism activity; and
- increase tourism numbers to the island and expenditure within the island.

This increase in footfall and spend will support new employment opportunities in the local economy.

**Housing** – Arran (in comparison with the wider North Ayrshire and Scotland average) has had a low rate of housing completions over a number of years and a significantly high proportion of second home ownership. This often means that younger people (and families) are unable to stay on the island due to a lack of suitable housing or being 'priced out' the market – a key driver for the shift in demographics.

The new pier development will make the island more accessible (to and from the mainland) for both visitors and residents. This, and the potential for job creation, will make the island a relatively more attractive place to live, and has the potential to encourage new residential development that is targeted at a mixed range of occupiers.

**Population** – Arran, like many island communities has seen a significant shift in demographics towards an ageing population. This will have a number of knock-on effects including; reducing the available on-island labour pool/workforce, impacting upon the demand for housing, and services/facilities (e.g. healthcare facilities).

The new pier development in association with RET will help create new employment opportunities through increasing the number of visitors and spend on the island, and has the potential to encourage new investment in residential and commercial activity. The knock-on effect is that this will make Arran a relatively more attractive place to live and could help to retain existing and attract new residents.

## Strategic Review

The strategic case for the new pier development has already been made and accepted by the Scottish Government, largely predicated on providing a lifeline service for Arran.



The reuse of the existing pier/causeway to develop leisure/sailing and maritime recreation facilities will support the growth of the tourism sector in Arran and the wider region – Argyll and Bute, and wider Highlands and Islands area.

The proposed development will contribute to a number of wider strategic goals and objectives, as considered in the summary below.

### Highlands and Islands Enterprise

Highlands and Islands Enterprise is the lead body for delivering economic development across the Highlands and Islands of Scotland, and its most recent Operating Plan (2012 – 15) outlines its key strategic priorities as:

- supporting businesses and social enterprises to shape and realise their growth aspirations;
- strengthening communities and fragile areas;
- developing growth sectors, particularly distinctive regional opportunities; and
- creating the conditions for a competitive and low carbon region.

Tourism, is a key priority sector and crucial to the economy of the Highlands and Islands - proportionally more so than in the rest of Scotland. Key targets include, increasing tourism expenditure by £200m per annum, and developing tourism in more remote regions. Arran, like many island communities is heavily reliant on tourism and there has been a focus on supporting the islands to diversify both their economic base and strengthen the tourism offering to create a year round tourism season.

The development of new facilities through reuse of the existing pier to attract sailing, leisure and maritime recreation would add to Arran's strong tourism offering and help bring additional visitors and expenditure to the region.

### Ayrshire and Arran Tourism Strategy

The Ayrshire and Arran Tourism Strategy (2012-17) identifies four key targets for growing the tourism sector across the region:

- increase annual number of visitors coming to Ayrshire and Arran by 10%, from 3.5m to 3.85m;

- increase annual spend by visitors by 20% from £348m to £418m;
- increase employment supported by the sector by 10% from 8,915 jobs to 9,807 jobs; and
- enhance and conserve the region's natural, heritage and cultural assets.

It also identifies water sports and maritime recreation, including sailing as currently providing a strong, core offering with potential for expansion.

Whilst there are limited leisure sailing facilities at Brodick and Lochranza, the reuse of the pier/causeway would allow for the development of new berths/moorings for leisure/sailing crafts. The development of new facilities would attract (primarily) visitor boats to the area (estimates of visitor nights and expenditure are provided in [Section 5](#)) and further enhance Arran's tourism offering.

## North Ayrshire Economic Development and Regeneration Strategy 2010 - 2020

The Economic Development and Regeneration Strategy (EDRS) sets out a 10 year strategy for addressing regeneration and economic development within North Ayrshire. It highlights five key areas of intervention:

- increasing North Ayrshire's business base;
- tackling North Ayrshire's high worklessness rates;
- improving North Ayrshire's skills levels;
- reducing North Ayrshire's deprived areas; and
- improving North Ayrshire's infrastructure and tourism.

The proposed redevelopment will contribute towards three of these priorities in that it will:

- help to support and diversify the business base;
- contribute towards tackling worklessness; and
- impact directly on the quality of local infrastructure and on the tourism sector.

## Local Development Plan

The Local Development Plan sets out the land use Plan for North Ayrshire following the SOA. The current draft plan (2013) outlines priority areas for development over the next ten years, one of which is the development of tourism within the area. It also highlights Arran as the primary destination within North Ayrshire for longer visits.

The LDP supports the provision of:

- accommodation and facilities within settlement boundaries;
- accommodation and facilities within the countryside where a site-specific locational need can be demonstrated;
- facilities which relate to sailing, walking and cycling;
- developments which capitalise on the potential of golf-related tourism; and
- new conference and business tourism facilities.

An overarching aim is to protect, enhance and promote the natural and historic heritage of North Ayrshire.

## Key Strategic Messages

A review of relevant policy and guidance identifies a strong strategic fit with the development of marina facilities targeted at the leisure sailing market. In particular, the development will add to the range of good quality tourism and visitor focused facilities that exist on the island and will support the continued growth of a key sector – tourism.

## Appendix B: Consultation with Cruise Ship Operators

### Fred Olsen Cruises

Fred Olsen Cruises operates two cruises annually around the islands of Scotland on board the 804 person capacity Black Watch Cruise Liner. The first cruise sets out from Dover and stops in a number of English and Irish ports as well as Kirkwall, Stornoway and Tobermory in Scotland. The other cruise takes in Rosyth, Kirkwall, Stornoway, Portree, Belfast, Douglas, Tobermory and Lerwick. Arran is listed as a port of call on the website but there are currently no cruises scheduled which will stop there.

### Silver Seas Cruises

Silver Seas Cruises offer two cruises annually in Scotland aboard the 132 person capacity silver explorer. The first is from Portsmouth to Greenock which stops in the Scottish ports of Iona, Tobermory and Inverary.

The other cruise sails from Greenock to Bergen, Norway and calls at Iona, Tobermory, Stornoway, St Kilda, Lerwick and the isle of Noss (Shetland). Silver sea cruises have previously docked at Brodick, but there are currently no plans to stop there in future.

<http://www.cruisescotland.com/>

### Hebridean Princess

The 50 person capacity Hebridean Princess makes extensive and varied cruises around the west coast and the Hebrides. Although it does dock in Brodick, it is only occasionally and is not a regular stop like, for example, Tobermory.

Issues such as capacity limits and the need for flit boats to transfer passengers to the shore are thought to be current barriers to more regular use.

A representative of the Hebridean Princess gave some indications as to what it would be looking for in the pier redevelopment. This included adequate fendering due to changeable weather conditions and the ability to resupply with fresh water as such a facility is not common in the area. Furthermore, having an up to date port security plan has become necessary for cruise operators.

### The Majestic Line

The Majestic Line offers cruises for up to eleven people at a time and currently operates out of Oban. However it previously operated out of Sandbank Marina and may move back there in future. The company broadly welcomes the redevelopment of Brodick pier as it has faced some difficulties berthing there as the existing pier is unsuitable for its ship.

The company was particularly interested in the development of the marina as that might best accommodate its vessel. If, in future, it decides to resume cruises in the Clyde area, the redevelopment would make it much more likely to dock in Brodick.

### Clyde Cruises

Clyde Cruises provide short day cruises around the Clyde area and does not currently dock at Brodick.

### Waverley Paddle Steamer

The Waverley Paddle Steamer offers day cruises from a number of locations on the West coast of Scotland including Brodick pier throughout the summer.

### Northern Lights Charter

Northern Lights Charter provides wildlife cruises around the Western Isles and rarely venture south, near Arran. However, the company did provide some information as to what it looks for in a destination. The major factor is the attractions available at the site, in this case wildlife but for other cruises castles and local cuisine are important. The most important requirement of harbour facilities is to have sufficient depth and pier facilities for docking, as well as facilities for the easy provision of water, and for rubbish disposal and recycling.

## Noble Caledonia

Noble Caledonia offers cruises in Scotland on four different boats ranging in capacity from 84 to 114 passengers, on seven different routes. Most of these cruises take place around the Outer Hebrides, although one does pass the firth of Clyde without making any stops.

<http://www.noble-caledonia.co.uk>

## Appendix C: Review of Funding Sources

A number of these funding streams are currently coming towards the end of the programme/project life (for European Programmes usually a seven year period i.e. 2007-2013) and are closed to new applications. While some new programmes are being developed for the forthcoming period (which in the case of the Structural Funds programmes, 2014-2020) there is little detail available regarding new funding priorities. It should also be noted, however, that Structural Funds Programmes will be required to demonstrate close fit with Europe 2020, the European Union's new strategy in which five key priority areas are identified for intervention: employment, innovation, education, poverty reduction and climate/energy.

### Highlands and Islands Enterprise

Highlands and Islands Enterprise (HIE) provides strategic support for the six key sectors identified within the Scottish Government's Economic Strategy: Creative Industries; Energy; Business Services; Food and Drink; Life Sciences; and Tourism.

HIE looks to fund projects that will:

***“accelerate private sector-led business investment, which target wealth creation through increased employment and enhanced quality of jobs, and which improve productivity and efficient use of resources”<sup>11</sup>.***

There is therefore scope to attract HIE support for the [leisure/sailing development](#) within the reuse of the existing pier as this will help support the tourism sector, but in addition, consider the potential to develop other key sectors that would help diversify and remove the islands heavy reliance on tourism.

### Funded Projects

Examples of recently funded projects include:

- Harbour Development for Barra - £125,000 HIE funding was provided to aid the construction of a £1.5m harbour at Ardveenish.

<sup>11</sup> <http://www.hie.co.uk/business-support/funding/>

The project received funding from HIE which also acted as the project sponsor to access Coastal Communities Fund and support from Comhairle nan Eilean Siar; and

- Mallaig New Yachting Facility - £900,000 funded a new berthing facility for up to 48 yachts. The project received funding from HIE, Sail West (INTERREG IVA); the Highlands Council, and Mallaig Harbour Authority.

## Fit

There is the potential for HIE support for the infrastructure elements based on supporting and driving tourism impacts. HIE could also provide funding for reuse of the pier for [leisure/sailing facilities](#) as it fits well with its focus on supporting the growth of tourism across the region, and in particular diversifying the tourism base.

Although at an early stage, there is also a need to identify other business growth and development opportunities that could be facilitated by the new pier development. It is recommended that further discussion is undertaken with HIE to identify further opportunities for support and collaboration.

## North Ayrshire Council

North Ayrshire Council has several strategic plans that fit with the redevelopment of Brodick Pier. Two are particularly relevant, the:

- North Ayrshire Economic Development Strategy; and
- Local Transport Strategy.

## Fit

The proposed redevelopment of Brodick Pier fits well with a number of the Council's objectives and would make a contribution to their achievement. This is especially the case for Objectives the Economic Development Strategy for which the project would make a direct contribution. North Ayrshire Council have set out their capital plan for a ten year period from 2013 which currently makes no account for the proposals. While the benefits of the proposals are clear, investment by the Council would require to be considered in light of other competing priorities.



The Brodick pier development fits well with all three priorities of the transport strategy as the new development will increase local residents' and visitors' access to and from the island; will provide a more frequent and reliable service benefiting commuters, traders, residents and visitors; and enable greater partnership working with other transport providers.

In relation to the reuse of the pier, North Ayrshire Council has recently committed to investing £100,000, as of July 2013, for the development and promotion of marine leisure and recreation. This investment would strongly fit with the proposed leisure/sailing development.

## Strathclyde Passenger Transport

Strathclyde Passenger Transport (SPT) is one of seven regional transport partnerships across Scotland and has strategic responsibility for the implementation, maintenance and operation of the public transport network in the west of Scotland.

'*A catalyst for change*' is SPT's regional transport strategy for the West of Scotland (2008-21) and identifies the strategic objectives and goals for the transport network as:

- improved connectivity;
- access for all;
- reduced emissions; and
- attractive, seamless and reliable, travel.

SPT are a key partner in supporting the development of a reliable and good quality public transport service within Brodick and Arran more generally.

### Fit

The project proposals (via the *Full Development Option*) will look to deliver an improved integrated public transport hub for buses and tour coaches to serve both residents, but in particular visitors to the island. The project has a strong fit with and will contribute to the strategic goals of SPT.

In addition, an improved hub for public transport at the main ferry terminal could also have a positive effect on attracting cruise ship operators.

## Scottish Rural Development Programme (SRDP)

The Scottish Rural Development Programme is the umbrella under which numerous projects are co-financed by the European Agricultural Fund for Rural Development (EAFRD). It has the objective of improving economic, social and environmental aspects of rural communities and while the current programme is nearing its end, preparations for 2014-2020 are underway. More information has been provided regarding LEADER – one of the main axis of SRDP activity.

### LEADER

LEADER is a bottom up programme which helps support the delivery of the Local Development Strategies of local authority areas within Scotland. There are 20 Local Action Groups (LAGs) across the country, which are responsible for selecting projects and administering funding. Arran and the Brodick Pier development would be eligible to apply for support from the Argyll and the Islands LEADER LAG.

Applications for Argyll and Bute LEADER for 2007-2013 are now closed, however consultation work is underway for the following programme period (2014-2020) to determine the priorities that will inform the Argyll and the Islands LEADER 2014-2020 Programme's Local Development Strategy.

For the programme period 2007-13 in total LEADER delivered support amounting to £52m (accounting for 5% of SRDP funding). It should be noted that an additional £19.2m Convergence Funding was awarded to seven LAGs in the Highlands and Islands to account for the remote location and previous status of being a disadvantaged area.

In particular LEADER funds projects which demonstrate a strong fit with the Local Development Strategy, and has historically prioritised innovative actions, especially those involving community empowerment and capacity building. It also has supported business networks to build knowledge and skills, and encourage innovation and co-operation.

## Funded Projects – Argyll and Islands LEADER

Recent examples of funded projects under the Argyll and Islands LEADER programme are:

- Fionnphort/Iona Masterplan - £11,250: masterplan commissioned to understand issues and develop a clear plan for regeneration;
- Arran & Cumbrae Maritime Recreation Access Improvement Study - £10,000: to carry out seabed survey and consultations;
- Argyll Coastal Waters – £150,000: to improve access to marine leisure activities for both local residents and tourists; and
- Arran: The Island – Destination Development: £60,000: VisitArran sought funding to further market the island as a tourist destination.

## Fit

While the detail of the future LEADER Programme is not expected to emerge much before the end of 2014, there is likely to be some scope to attract support for the appropriate re-use of existing facilities at Brodick Pier. The prospects for success will be enhanced if the new uses were linked in some way to:

- community-based initiatives;
- encouraging diversification of the rural economy, particularly in favour of new and/or growing sectors such creative industries; and/or
- the development of the social economy.

While LEADER does not normally have large pots of funding available to support capital investment, it could make a contribution to the refurbishment costs. Beyond this LEADER funding could be applied for to support the costs of market demand or feasibility studies for the development of leisure/sailing facilities or, for example, to support the development of a Community Trust/Social Economy Business to operate any leisure/sailing development.

## European Regional Development Fund (ERDF)

The ERDF Regional Operational Programme for the Highlands and Islands of Scotland 2007-2013 is structured around four key priority axis<sup>12</sup>:

1. Enhancing business competitiveness, commercialisation and innovation (approx. 41% of total funding);
2. Enhancing key drivers of sustainable growth (approx. 32% of total funding);
3. Enhancing the sustainable growth of peripheral and fragile communities (approx. 25.% of total funding); and
4. Technical assistance (approx. 2.5% of total funding).

Priority Axis 3 focuses on those communities based on islands or remote mainland areas where access to services is limited. Transport is identified within this priority.

Details of funding priorities and key thematic areas of intervention for the next programme period (2014-2020) are yet to be announced; over 2007-2013 a total of £73m funding was made available for Axis 3 projects.

### Funded Projects

Cromarty Firth Port Authority is a recent example of an ERDF funded project within Scotland. A £2.6m contribution was awarded for capital works costing a total of £20 million (an intervention rate of around 13%), including the reclamation of land, in a project focused primarily on developing the harbour to support growth in the energy sector.

12

[http://ec.europa.eu/regional\\_policy/country/prordn/details\\_new.cfm?gv\\_PER=2&gv\\_PAY=UK&gv\\_req=ALL&gv\\_PG M=1015&gv\\_defL=7&LAN=7](http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PER=2&gv_PAY=UK&gv_req=ALL&gv_PG M=1015&gv_defL=7&LAN=7)

## Fit

One issue with accessing ERDF support for the new pier development is State Aid – in effect, ERDF support might be interpreted as a direct subsidy to a private company (CMAL), and there may be limits on the intervention rate that is permissible. Also, a number of ERDF projects are focused on sector or industry development, whilst the new pier is a lifeline service for the island.

Without further information regarding the 2014-2020 Programme<sup>13</sup> it is difficult to identify the key opportunities for the new pier development – there may be opportunities with regards developing commercial business space on land that is released indirectly through the development of the pier or for the transport hub i.e. bus stances, parking, etc.

## Coastal Community Fund (CCF)

The main objective of CCF is to encourage economic development within UK coastal communities through funding to support sustained economic growth and job creation. The funding is provided by the Crown Estate and the Big Lottery Fund.

The funding timescale was originally 2013-15, however, the Government has extended it to 2016. Applications for 2013/14 are now closed with Scottish allocations being announced in December 2013. Further detail regarding applications for 2014/15 has recently been announced.

A total of £2.85m will be available for projects based within the Highlands of Scotland in 2014/15 with a further £1.95m available for the rest of Scotland. In the first year of funds, eighteen projects received a total of £3.55m funding ranging from a low of c. £50,000 to a high of c.£370,000 with an average funding amount received being c.£190,000.

<sup>13</sup> It is our understanding that the process of completing the Draft Operational Programme is underway and that this will be submitted to the European Commission for negotiation early in 2014. This means that the first round of funding is unlikely before late 2014

The funding stream has proved popular and therefore competition between projects is high. In year one a higher the number of applications submitted significantly outstripped the available funding which meant a need for prioritisation. This was based on the following criteria<sup>14</sup>:

- clear, evidential outputs;
- job creation (particularly direct and indirect jobs within the project timescale);
- ability to deliver outcomes within the project timescale; and
- sustainability of activity and longer term impact.

## Funded Projects

As mentioned, eighteen projects were funded in the first year; eight within the Highlands and Islands and ten elsewhere in Scotland. Examples include:

- Isle of Gigha Hertiage Trust - £270,925: to re-position and improve the existing visitor moorings and expand the number and type of moorings offered as well as refurbishing the jetty and pontoon. The improvements were made to increase the marine tourism to the island as well as creating and sustaining jobs;
- Eyemouth Harbour Trust - £115,487: delivery of pontoon facilities including berthing for a range of leisure vessels; and
- Angus Council - £220,000: increasing and enhancing the leisure and commercial facilities to expand the fishing villages remit to a tourist destination.

## Fit

The proposed project fits well with the objectives of this Fund, especially in terms of its ultimate aim of generating economic development for coastal communities. In addition, the:

- new pier development would provide stronger links to the mainland, delivering a more frequent and reliable service for residents and visitors; and

<sup>14</sup> <http://www.biglotteryfund.org.uk/global-content/programmes/uk-wide/coastal-communities>

- redevelopment of the existing pier for leisure/sailing facilities fits well as it helps develop coastal offerings for supporting the tourism sector.

The Coastal Communities Fund is a potentially valuable source of funding, especially for the complementary investment in refurbishing existing facilities for alternative uses in the future. Also, it does not have a standard intervention rate, and in the past projects have received up to 100% funding.

## INTERREG IVA Programme

The INTERREG IVA Programme seeks to address socio-economic opportunities that can be generated through cross border cooperation and partnership working. It has supported projects in Ireland, Northern Ireland, and Western Scotland. Sail West is a current project funded under INTERREG IVA.

### Sail West

Sail West (Malin Waters) Project has created a marine leisure development strategy for the North West including Ireland, Northern Ireland, and the West Coast of Scotland, and provides provide financial assistance to development projects, including ports and harbours, in a bid to increase tourism.

The project received €7,025,046 under the INTERRED IVA Programme, however future funding details are not yet in the public domain.

### Funded Projects

Girvan Harbour is a recent example of a Sail West funded project. South Ayrshire Council secured £500,000 (funding from South Ayrshire Council, Scottish Enterprise and INTERREG IVA) to replace 35 pontoons within the harbour. The redevelopment was to benefit both the local residents and visitors to the area.

### Fit

Both the pier and marina developments on Brodick fit well with this funding source, at least in terms of its current priorities: a number of other pier and harbour developments have been supported. Future potential to access funding from this source will again depend on the details for 2013 to 2020.

## INTERREG IVB Programme

### North West Europe Programme

The North West Europe Programme is part of INTERREG IVB Transnational. The aim of the NWE programme is to make the region “more competitive, environmentally friendly and cohesive”<sup>15</sup>. The programme has four priority areas:

1. Developing the NWE knowledge-based economy by capitalising on capacity for innovation;
2. Sustainable management of natural resources and of natural areas and technological risks;
3. Improving connectivity in NWE by promoting intelligent and sustainable transport and ICT solutions; and
4. Promoting strong and prosperous communities at transnational level.

Priority 3 encompasses the management of transport growth; multimodal interoperability on land, water & air and the use of ICT.

Applications have closed for the current INTERREG IVB Programme however a new Programme is currently being prepared. A total of €355 million is available for the North West Europe Programme with ERDF providing a 50% grant rate.

### Fit

Funding is primarily reliant in transnational cooperative projects, and therefore there are little linkages with the proposals at Brodick.

<sup>15</sup> <http://www.seupb.eu/programmes2007-2013/interreg-overview/transnational/northwesteuropeprogramme.aspx>



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## NORTH AYRSHIRE COUNCIL

### Agenda Item 8

2 April 2014

North Ayrshire Council

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**Subject:** Treasury Management Strategy Report 2014/15

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**Purpose:** To seek approval for the proposed Strategy for Treasury Management activities within the Council for the financial year 2014/15.

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**Recommendation:** That the Council agrees to approve the Treasury Management Strategy Statement for 2014/15 as attached at Appendix 1.

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#### 1. Introduction

- 1.1 The Local Government in Scotland Act 2003 and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice Prudential and to set Prudential and Treasury Indicators for the next three years.
- 1.2 The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment programmes are affordable, prudent and sustainable. These requirements need to be recognised in preparing the capital programme in any year i.e. the capital programme should be set at a level that both delivers the Council's strategic priorities and is affordable in terms of the impact of the resultant debt repayments on revenue budgets. The Council has an approved programme for the period to 2022/23 for General Services and a 1 year programme for the Housing Revenue Account, with investment requirements for future years outlined within the HRA 30 year Business Plan.
- 1.3 The Act requires the Council to establish its treasury strategy for borrowing and to prepare an Annual Investment Strategy to set out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.4 The CIPFA Code of Practice on Treasury Management (as revised November 2009) was adopted by North Ayrshire Council on 10 August 2010.

1.5 CIPFA defines treasury management as:

*'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

## **2. Current Position**

2.1 The Council approves its Treasury Management Strategy at the start of each financial year with a mid year report provided to Cabinet and a Treasury Outturn report to Council after the end of the financial year.

2.2 The treasury strategy for 2014/15 will reflect decisions to be taken in the light of interest rate forecasts and the Council's borrowing requirements and investment opportunities. The two key elements are cash flow and financing of the capital investment plans.

2.3 The overall objectives for the strategy are as follows:-

### *Borrowing*

- to minimise the revenue cost of borrowings;
- to manage the Council's cash flow;
- to manage the borrowing repayment profile;
- to assess interest rates' movements and borrow/invest accordingly;
- to monitor and review the level of variable rate loans held in order to take advantage of interest rate movements; and
- to identify and evaluate opportunities for debt rescheduling.

### *Investments*

- to protect capital security of the invested funds;
- to obtain the best market return whilst recognising that security and liquidity as key priorities;
- to specify criteria used for identifying creditworthy counterparties; and
- to specify the types of investments permitted and appropriate limits for each

- 2.4 The strategy also includes prudential indicators which are critical in assessing the affordability of the capital investment plans and their impact on the Council's overall finances. The two indicators which are used to demonstrate this are:-
- The ratio of financing costs to the net revenue stream (for both General Fund and Housing Revenue Account)
  - The incremental impact of capital investment decisions on council tax and rent levels
- 2.5 There are a number of other key indicators which also ensure that the Council operates within well-defined limits. The strategy, therefore, specifies a) limits we do not expect external debt to exceed; b) appropriate levels of fixed rate borrowing versus variable rate borrowing; and c) lower and upper limits on the maturity structure which reduces the Council's exposure to large sums falling due for refinancing at one time.
- 2.6 Section 3.3 of the strategy gives information on prospects for interest rates over the short to medium term which are aligned to the economic situation both in the United Kingdom and globally. The current economic outlook and structure of market interest rates have several key treasury management implications.
- 2.7 The Council is currently maintaining an 'under-borrowed' position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt due to the level of the Council's earmarked reserves. This under-borrowed position will decline through time as earmarked reserves reduce; borrowing will require to be undertaken to replace the internal funds.

### **3. Proposals**

- 3.1 It is proposed that the Council agrees to approve the appended Treasury Management Strategy Statement for 2014/15.

## **4. Implications**

### Financial Implications

- 4.1 The financial implications are as contained in the Appendix to the report.

### Human Resource Implications

- 4.2 There are no human resource implications.

### Legal Implications

- 4.3 The Local Government in Scotland Act 2003 and supporting regulations require the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy.

### Equality Implications

- 4.4 There are no equality implications.

### Environmental Implications

- 4.5 There are no environmental issues.

### Implications for Key Priorities

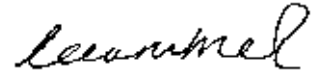
- 4.6 Approval and implementation of the treasury management strategy will support outcome 15b "Public services are more efficient and effective".

## **5. Consultations**

- 5.1 No consultation has taken place.

## **6. Conclusion**

- 6.1 The Council will continue to carry out its treasury management activities in accordance with best practice, policy and procedures. This strategy sets out the parameters within which these activities will be managed.



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Corporate Director (Finance and Corporate Support)

Reference :

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**Background Papers**

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**NORTH AYRSHIRE**  
COUNCIL

**Treasury Management  
Strategy Statement**

**Annual Investment  
Statement**

**2014/15**

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# 1 Introduction

## 1.1 Background

North Ayrshire Council is required to operate a balanced revenue budget, which broadly means that income received during the year will meet expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning that ensures the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

## 1.2 Reporting requirements

Three main reports on Treasury Management activity are presented to committee each year, incorporating a variety of policies, estimates and actual outturns. The Council has adopted the following reporting arrangements:-

**Prudential and Treasury Indicators and Treasury Strategy** (this report) - the first, and most important report covers:

- the capital plans (including prudential indicators);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments will be managed).

The report is submitted to the full Council as close as possible to the start of the financial year.

**A Mid Year Treasury Management Report** – this report updates members with the progress of the capital position, amending prudential indicators as necessary, and outlines whether the treasury strategy is being met or whether any policies require revision. It is submitted to the Cabinet as soon as possible following 30 September.

**An Annual Treasury Report** – this provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. It is submitted to the full Council annually by the 30 September after the end of the financial year.

### **1.3 Policy on the use of external service providers**

The Council currently uses Capita Asset Services as its external treasury management advisors. The contract was for an initial 3 year period ending on 2 January 2014. The option to extend has been exercised resulting in a contract end of 2 January 2016.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to access specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

### **1.4 Scheme of Delegation**

The following Scheme of Delegation has been adopted by the Council;

#### **Full Council**

- to receive and review reports on treasury management policies, practices and activities
- to approve annual strategy

#### **Cabinet**

- to approve amendments to the treasury management policy statement and treasury management practices
- to approve the division of responsibilities
- to receive and review regular monitoring reports and act on recommendations
- to approve the selection of external service providers and agree terms of appointment

### **1.5 Role of the Section 95 officer**

The Corporate Director (Finance & Corporate Support) is the Council's S95 officer.

- to recommend clauses and treasury management policies/practices for approval, and review the same regularly and monitor compliance
- to submit regular treasury management policy reports
- to receive and review management information reports
- to review the performance of the treasury management function
- to ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- to recommend the appointment of external service providers

### **1.6 Treasury Management Strategy**

The strategy for 2014/15 covers two main areas:

## **Capital**

The capital plans and the prudential indicators

### **Treasury management**

- the current portfolio position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- investment strategy

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the Scottish Government Investment Regulations.

## 2 Capital Plans and Prudential Indicators 2014/15 – 2016/17

The Council's capital expenditure plans are the key drivers of treasury management activity. The impact of capital expenditure plans is reflected in prudential indicators which are designed to assist Members' overview of the overall financial position.

### 2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of the 2014/15 budget cycle. At its meeting on 30 January 2013 North Ayrshire Council approved a firm Capital Investment Programme for the 5 year period 2013/14 to 2017/18 with indicative plans for 2018/19 to 2022/23. Apart from re-profiling of some projects between years, no amendments or additions to this programme were proposed during the 2014/15 budget cycle. Although the capital programme for General Services is set up to 2017/18, there are no corresponding revenue budget figures for all of those years and therefore indicators have only been calculated for the period to 2016/17.

The information below summarises the capital expenditure plans and how they are being financed by capital or revenue resources. Any shortfall in resources results in the need to borrow.

	2013/14 Probable Outturn	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£000	£000	£000	£000
<b>General Services Gross Expenditure</b>	<b>37,654</b>	<b>54,944</b>	<b>22,224</b>	<b>100,974</b>
Funded By:				
Borrowing	16,290	25,584	6,137	48,119
Receipts/Grants	15,613	14,646	15,087	50,855
Funded from Revenue	2,192	2,968	-	-
Reserve Funds	3,559	11,746	1,000	2,000
<b>TOTAL</b>	<b>37,654</b>	<b>54,944</b>	<b>22,224</b>	<b>100,974</b>
<b>HRA - Gross Expenditure</b>	<b>28,675</b>	<b>33,482</b>	<b>18,279</b>	<b>16,982</b>
Funded By:				
Borrowing	15,968	15,348	6,670	3,497
Receipts/Grants	1,945	7,278	883	886
Funded from Revenue	8,708	8,252	10,726	12,599
Reserve Funds	2,054	2,604	-	-
<b>TOTAL</b>	<b>28,675</b>	<b>33,482</b>	<b>18,279</b>	<b>16,982</b>

### 2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a

measure of the Council's underlying borrowing need. Any capital expenditure above that which has not been met by receipts, grants or balances will increase the CFR.

The CFR includes other long term liabilities (e.g. PPP schemes, finance leases) which are included on the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for this purpose. At 31 March 2013 the Council had £71.548m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

	<b>2013/14 Probable Outturn</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
<b>Capital Financing Requirement (CFR)</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Services	238,227	252,982	248,441	285,342
HRA	111,824	124,269	128,108	129,116
<b>TOTAL</b>	<b>350,051</b>	<b>377,251</b>	<b>376,549</b>	<b>414,458</b>
Less: PPP Long Term Liability	70,170	68,601	66,986	65,343
	<b>279,881</b>	<b>308,650</b>	<b>309,563</b>	<b>349,115</b>
<b>Movement in CFR</b>				
General Services	4,347	16,324	(2,926)	38,544
HRA	13,350	12,445	3,839	1,008
<b>Total Movement in CFR</b>	<b>17,697</b>	<b>28,769</b>	<b>913</b>	<b>39,552</b>

## 2.3 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing indicators but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

### 2.3.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator would identify the trend in the cost of capital (borrowing and other long term liabilities net of investment income) against the net revenue stream.

The estimates of financing costs include current commitments and those arising from the approved capital programme. The HRA costs are aligned with the 30 year business plan.

	<b>2013/14 Probable Outturn</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
General Services	6.2%	6.0%	6.1%	6.4%
HRA	18.9%	21.9%	22.0%	20.5%

**2.3.2 Incremental impact of capital investment decisions on the band D council tax**

This indicator would identify the trend in the cost of changes in the General Services capital programme compared to the Council’s existing commitments, expressed as a discrete impact on Council Tax. Any such costs are indicative as they do not reflect actual increases in the Council Tax due to the continuing Council Tax freeze and for this reason are not shown.

**2.3.3 Incremental impact of capital investment decisions on housing rent levels**

Similar to the council tax calculation, this indicator identifies the trend in the cost of changes in the housing capital programme compared to the Council’s existing commitments, expressed as a discrete impact on weekly rent levels. The costs are, however, only indicative and do not reflect actual decreases in the housing rents which are set in accordance with the 30 year Business Plan.

	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
Increase in average housing rent per week	£0.99	£3.67	£6.04

### 3 Treasury Management Strategy

The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. It also shows the Council's current and projected investments. Both the external debt and Capital Financing Requirement are inclusive of the Council's liabilities in respect of the PPP scheme.

	2012/13 Actual	2013/14 Probable Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£000	£000	£000	£000	£000
External Debt at 31March	293,032	309,351	346,552	355,850	403,759
The Capital Financing Requirement	333,732	350,051	377,251	376,549	414,458
Under / (over) borrowing	40,700	40,700	30,699	20,699	10,699
Investments at 31 March	41,489	30,000	20,000	15,000	5,000
<b>Net Debt</b>	<b>251,543</b>	<b>279,351</b>	<b>326,552</b>	<b>340,850</b>	<b>398,759</b>

Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Corporate Director (Finance & Corporate Support) reports that the Council has complied with this prudential indicator and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the approved capital programme.

### 3.2 Treasury Indicators: Limits to Borrowing Activity

#### The Operational Boundary

This is the limit which external debt is not normally expected to exceed. Normally, this figure is a similar figure to the CFR. The Operational Boundary is calculated by adding the net total of anticipated Gross Capital Expenditure less Government Grants and Capital funded from Current Revenue to the Gross External Borrowing figure.

<b>Operational boundary £000</b>	<b>Estimate 2013/14</b>	<b>Estimate 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>
Borrowing	290,850	348,192	365,318	461,398
PPP Long Term Liability	70,170	68,601	66,986	65,343
<b>Total</b>	<b>361,020</b>	<b>416,793</b>	<b>432,303</b>	<b>526,741</b>

#### The Authorised Limit for external borrowing

A further key prudential indicator represents a control on the maximum level of external debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, whilst not desirable, could be afforded in the short term, but is not sustainable in the longer term. It is calculated by adding 10% onto the Operational Boundary.

This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35(1) of the Local Government in Scotland Act 2003.

The Council is asked to approve the following authorised limit:

<b>Authorised limit £000</b>	<b>Estimate 2013/14</b>	<b>Estimate 2014/15</b>	<b>Estimate 2015/16</b>	<b>Estimate 2016/17</b>
Borrowing	319,935	383,011	401,849	507,538
PPP Long Term Liability	70,170	68,601	66,986	65,343
<b>Total</b>	<b>390,105</b>	<b>451,612</b>	<b>468,835</b>	<b>572,881</b>



### 3.3 Prospects for Interest Rates

The Council has appointed Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita central view although it should be recognised that views on interest rates can vary considerably between different financial commentators.

Annual Average %	Bank Rate	PWLB Borrowing Rates (incl certainty rate adjustment)		
		5 year	25 year	50 year
March 2014	0.50	2.60	4.40	4.40
June 2014	0.50	2.60	4.40	4.50
Sept 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.80	4.60	4.60
March 2015	0.50	2.90	4.70	4.70
June 2015	0.50	2.90	4.70	4.80
Sept 2015	0.50	3.00	4.80	4.90
Dec 2015	0.75	3.10	4.90	5.00
March 2016	0.75	3.20	5.00	5.10
June 2016	1.00	3.20	5.00	5.10
Sept 2016	1.25	3.30	5.10	5.10
Dec 2016	1.50	3.40	5.10	5.20
March 2017	1.75	3.50	5.10	5.20

Until 2013, economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are still under pressure, although income tax cuts have ameliorated this to some extent. The US, the main world economy, faces similar debt problems to the UK, but due to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

As for the Eurozone, concerns subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods:

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates rose significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well

over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns. Further analysis on the economic background can be found in Appendix 3.

### **3.4 Borrowing Strategy**

The overall objectives of the Council's borrowing strategy are to minimise the revenue consequences of borrowing and to effectively manage the repayment profile of the debt.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high. Where possible the Council will continue to use internal funds but will balance this strategy against movements in interest rates as outlined in 3.3 above.

Against this background, and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Corporate Director (Finance & Corporate Support) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it is felt that there is a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it is felt that there is a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

Any decisions will be reported to the Cabinet as part of the mid-year report.

#### **3.4.1 Treasury Management Limits on Activity**

The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

	As at 31/12/13	2014/15	2015/16	2016/17
	Actual	Upper	Upper	Upper
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	0%	40%	40%	40%

- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and the Council is required to set upper and lower limits.

<b>Maturity Structure of Fixed Interest Rate Borrowing 2014/15</b>	<b>At 31 March 2013</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	6%	0%	25%
12 months to 2 years	0%	0%	25%
2 years to 5 years	7%	0%	50%
5 years to 10 years	9%	0%	75%
10 years and above	78%	25%	90%

### 3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.6 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the related premiums incurred.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Cabinet/Council as part of the annual or mid-year report.

## **4 Annual Investment Strategy**

### **4.1 Investment Policy**

The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are security first, liquidity second, then return. Whilst the Council will aim to achieve the optimum return on its investments the risk appetite of the Council is low in order to give priority to security of its investments.

The aim of the strategy is to provide security of investment and minimisation of risk by generating a list of high creditworthy counterparties which will also enable diversification.

Investment instruments identified for use in the financial year along with their associated risks and controls can be found in Appendix 1. Counterparty limits are set through the Council's Treasury Management Practices. On 29 October 2013 Cabinet approved the increase in the limit for government backed institutions from £25m to £35m in order to enable attractive rates of return whilst recognising that security and liquidity are key priorities. The limit for non-government backed institutions remains at £10m.

### **4.2 Creditworthiness Policy**

In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on its lending list. The Council uses the Capita creditworthiness service which takes full account of the ratings, outlooks and watches published by all three ratings agencies. Using the Capita ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully intergrated into the credit methodology provided by Capita in producing its colour codings which show the varying degrees of creditworthiness.

The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands :

- Yellow 5 years \*
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)

- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

\*This category is for AAA rated Government debt or its equivalent.

A credit rating is a decision-making tool that allows a judgement to be made on the potential security of an investment. The long term ratings defined by agencies such as Fitch and Standard & Poors vary from 'AAA' - extremely strong capacity to meet financial commitments (the highest rating) to 'C' – exceptionally high levels of credit risk. Ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major categories. The equivalent short term ratings range from F1+ (the highest rating) to C.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalent) of Short Term rating F1 and a Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored on a weekly basis by the Head of Finance & Property who is alerted to changes in ratings of all three agencies through the use of the Capita creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information on other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### **4.3 Country Limits**

The Council has also determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide.)

Based on the criteria above, a full list of North Ayrshire Council's counterparties, as at 7 March 2014, can be found in Appendix 2. This list will be added to, or deducted from, by officers should ratings change in accordance with the policy.

### **4.4 Council Permitted Investments**

The Investment Regulations (Code on the Investment of Money by Local Authorities) require Council approval of all the types of investments to be used and set appropriate limits for the amount that can be held in each investment type.

The permitted investments, which may be used in the forthcoming year, are as follows:-

### Cash type instruments

- a. Deposits with the Debt Management Account Facility (UK Government);
- b. Deposits with other local authorities or public bodies;
- c. Money Market Funds;
- d. Call account deposit accounts with financial institutions (banks and building societies);
- e. Term deposits with financial institutions (banks and building societies);
- f. Structured deposit facilities with banks and building societies

Further details on these instruments can be found in Appendix 1 with the risks, mitigating controls and limits associated with each.

### 4.5 Investment Strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends are as follows:-

- 2013/ 2014 0.50%
- 2014/ 2015 0.50%
- 2015/ 2016 0.75%
- 2016/ 2017 1.75%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate starts sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back there could be downside risk, particularly if Bank of England forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next three years are as follows:

2014/15	0.50%
2015/16	0.60%
2016/17	1.50%
2017/18	2.25%

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
	2014/15	2015/16	2016/17
Principal sums invested > 364 days	25%	25%	25%

For cash flow management, the Council will seek to utilise its business reserve accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

#### **4.6 Icelandic Bank Investments**

During 2013, a market developed in the trading of creditor claims in Icelandic Banks. In January 2014, following receipt of independent advice, North Ayrshire Council sold its claim in the insolvent estate of Landsbanki through a competitive auction process. The proceeds of the sale mean that the Council has recovered 95.68% of the £5m that was originally deposited with Landsbanki in 2008 and is no longer a creditor.

As regards Glitnir, the Winding Up board made a payment to North Ayrshire Council which amounted to 100% of the principal and interest paid to the maturity date of 21 January 2009. An amount of £1.908m is being held in an Escrow account in Icelandic kroner.

Recovery of amounts held in Escrow is subject to the impact of exchange rate fluctuations. The Icelandic government is seeking to unwind the currency restrictions on a phased basis by the end of 2015 in an effort to normalise its capital markets.

#### **4.7 End of year investment report**

At the end of the financial year, a report will be submitted to the Council on its investment activity as part of its Annual Treasury Report.

# Appendix 1 – Permitted Investments

## 1 Treasury Investments

1.1 Treasury investments are defined as being where a local authority may invest money for any purpose relevant to its functions under any enactment, or for the purpose of prudent management of its financial affairs.

### 1.2 Types of Investments

Regulation 25 requires an explanation of the objectives of every type of instrument which an authority approves as being ‘permitted’.

#### (1) Deposits

The following forms of ‘investments’ are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. The longest term deposit that can be made with the DMADF is 6 months.
- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of the Council’s definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers more flexibility and a higher rate of return than the DMADF (dependent on term) and now that measures have been put in place to avoid over reliance on credit ratings, the Council feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. The Council will ensure diversification of its portfolio of deposits by ensuring that as far as possible no more than 75% of the total portfolio is placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases.
- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits, above, but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash to meet current commitments.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** In view of the fluidity of this area, this is a



generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that Members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner. The Council will consider each new product on a case by case basis as they emerge onto the market.

## **(2) Deposits with counterparties currently in receipt of government support/ownership**

These banks offer another dimension of creditworthiness in terms of Government backing through either direct (partial or full) ownership or the banking support package. The view of the Council is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain the view if the UK sovereign rating were to be downgraded in the coming year.

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for Deposits above, but Government ownership partial or full implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. The Council considers this indicates a low and acceptable level of residual risk.
- **Term deposits with high credit worthiness banks and building societies which are specified as being eligible for support by the UK Government.** As for Deposits above, but Government stated support implies that the Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. The Council feels this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** As for Deposits above, but Government stated support implies that the Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. The Council feels this indicates a low and acceptable level of residual risk.

## **(3) Collective investment schemes structured as open ended investment companies (OEICS)**

- **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which the Council does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate

environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio and, for authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure.

A summary of permitted investments alongside the associated risks, mitigating controls and the Council limits is shown in the following table:

#### (4) Unlimited investments

Regulation 24 states that an investment can be 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The Council has given the following types of investment an unlimited category: -

- **Debt Management Agency Deposit Facility (DMADF)** As previously stated, this is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.
- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of the Council's definition of high credit worthiness. Whilst an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will endeavour to ensure as far as possible that no more than 75% of the total portfolio can be placed with any one institution or group.
- **Other local authorities.** There is an increased willingness between authorities to participate in temporary borrowing and lending between each other. The Council considers these transactions to be of high creditworthiness, and will allow diversification in the investment portfolio.

### 1.3 Treasury Risks and Controls

In determining its permitted investments the Council must identify the treasury risks associated with each type of instrument and the controls put in place to limit risk on each investment type. These are summarised in Table 1 on the following page.

### 1.4 Permitted Investments Summary

A summary of permitted investments alongside the associated risks, mitigating controls and Council limits is shown in Table 2 on page 23.

**Table 1 Treasury Risk and Controls**

Type of Risk	Explanation of Risk	Mitigating Controls
Credit & counterparty risk	This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.	The Council has set minimum credit criteria to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely.
Liquidity Risk	This is the risk that cash will not be available when it is needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, whilst some forms of investment e.g. gilts, Certificates of Deposit, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a) cash may not be available until a settlement date up to three days after the sale; and b) there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.	The Council has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
Market risk	This is the risk that, through adverse market fluctuations in the value of the sums which the Council borrows and invests, there is a detrimental impact on the Council.	The Council does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.
Interest Rate Risk	This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. The Council has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report	The Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise

**Table 1 Treasury Risk and Controls**

Type of Risk	Explanation of Risk	Mitigating Controls
		expenditure on interest costs on borrowing
Legal & Regulatory Risk	This is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly	The Council will not undertake any form of investing until it has ensured that it has all necessary powers and has complied with all regulations.

**Table 2 Permitted Investments, Associated Controls and Limits**

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
Deposits with the Debt Management Account Facility (UK Government) ( <b>Very low risk</b> )	This is a deposit with the UK Government and as such, counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment, the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, Maximum 6 months.
Deposits with other local authorities or public bodies ( <b>Very low risk</b> )	These are considered quasi UK Government debt and as such, counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.  Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment.  Non- local authority deposits will follow the approved credit rating criteria.	£unlimited Maximum 1 year.
Money Market Funds (MMFs) ( <b>Very low risk</b> )	Pooled cash investment vehicle that provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a “AAA” rated status from either Fitch, Moody’s or Standard & Poors.	£10m per fund/20%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
<p>Call account deposit accounts with financial institutions (banks and building societies) <b>(Low risk depending on credit rating)</b></p>	<p>These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures.</p> <p>On day-to-day investment, dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>	<p>As per counterparty criteria in Section 4.2.</p> <p>£35m for government backed institutions</p> <p>£10m for non-government backed institutions</p>
<p>Term deposits with financial institutions (banks and building societies) <b>(Low to medium risk depending on period &amp; credit rating)</b></p>	<p>These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures.</p> <p>On day-to-day investment, dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>	<p>As per counterparty criteria in Section 4.2</p> <p>£35m for government backed institutions</p> <p>£10m for non-government backed institutions</p>

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
<p>Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.)  <b>(Low to medium risk depending on period &amp; credit rating)</b></p>	<p>These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. The selection defaults to the lowest available credit rating to provide additional risk control measures.</p> <p>On day-to-day investment, dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>	<p>As per counterparty criteria in Section 4.2</p> <p>£35m for government backed institutions</p> <p>£10m for non-government backed institutions</p>

**The Monitoring of Investment Counterparties** - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Capita Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately and, if required, new counterparties which meet the criteria will be added to the list.

**APPENDIX 2  
NORTH AYRSHIRE COUNCIL COUNTERPARTY LIST**

INSTITUTION	COUNTRY/CLASSIFICATION
Bank of New York Mellon (International) Ltd	UK
Barclays Bank plc	UK
Cater Allen	UK
Credit Suisse International	UK
Goldman Sachs International Bank	UK
HSBC Bank plc	UK
MBNA Europe Bank	UK
Santander UK plc	UK
Standard Chartered Bank	UK
Sumitomo Mitsui Banking Corporation Europe Ltd ~	UK
UBS Ltd	UK
Nationwide BS	UK Building Societies
Collateralised LA Deposit*	AA+ Rated
Debt Management Office	AA+ Rated
Supranationals	AAA Rated
UK Gilts	AA+ Rated
Lloyds Banking Group plc	Nationalised and Part Nationalised Banks
Bank of Scotland Plc	Nationalised and Part Nationalised Banks
Lloyds TSB Bank Plc	Nationalised and Part Nationalised Banks
Royal Bank of Scotland Group plc	Nationalised and Part Nationalised Banks
National Westminster Bank Plc	Nationalised and Part Nationalised Banks
The Royal Bank of Scotland Plc	Nationalised and Part Nationalised Banks
Ulster Bank Ltd	Nationalised and Part Nationalised Banks
Australia and New Zealand Banking Group Ltd	Australia
Commonwealth Bank of Australia	Australia
National Australia Bank Ltd	Australia
Westpac Banking Corporation	Australia
BNP Paribas Fortis	Belgium
Bank of Montreal	Canada
Bank of Nova Scotia	Canada
Canadian Imperial Bank of Commerce	Canada
National Bank of Canada	Canada
Royal Bank of Canada	Canada
Toronto Dominion Bank	Canada
Nordea Bank Finland plc ~	Finland
BNP Paribas	France
Credit Industriel et Commercial	France
Credit Agricole SA	France
Societe Generale	France
Deutsche Bank AG	Germany
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	Germany



<b>INSTITUTION</b>	<b>COUNTRY/CLASSIFICATION</b>
Landesbank Hessen-Thuringen Girozentrale (Helaba)	Germany
Landwirtschaftliche Rentenbank	Germany
The Hong Kong and Shanghai Banking Corporation Ltd	Hong Kong
Banque et Caisse d'Epargne de l'Etat	Luxembourg
Clearstream Banking	Luxembourg
Bank Nederlandse Gemeenten	Netherlands
Cooperatieve Centrale Raiffeisen Boerenleenbank BA	Netherlands
ING Bank NV	Netherlands
Qatar National Bank	Qatar
Arab National Bank	Saudi Arabia
Riyad Bank	Saudi Arabia
Samba Financial Group	Saudi Arabia
DBS Bank Ltd	Singapore
Oversea Chinese Banking Corporation Ltd	Singapore
United Overseas Bank Ltd	Singapore
Nordea Bank AB	Sweden
Skandinaviska Enskilda Banken AB	Sweden
Swedbank AB	Sweden
Svenska Handelsbanken AB	Sweden
Credit Suisse AG	Switzerland
UBS AG	Switzerland
National Bank of Abu Dhabi	United Arab Emirates
Bank of America, N.A.~	USA
Bank of New York Mellon, The	USA
Citibank, N.A. ~	USA
HSBC Bank USA, N.A.	USA
JP Morgan Chase Bank NA	USA
Northern Trust Company	USA
State Street Bank and Trust Company	USA
Wells Fargo Bank NA	USA

## APPENDIX 3 – Economic Background

### (1) THE UK ECONOMY

**Economic growth** Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the February quarterly Inflation Report for 2014 to 3.4%, 2015 to 2.7% and for 2016 to 2.8%.

**Forward guidance.** The Bank of England issued forward guidance in August 2013 which stated that the Bank would not start to consider raising interest rates until the jobless rate fell to 7% or below. However, unemployment has fallen much quicker than the Bank expected and currently (at 17 February), stands at 7.1%. Accordingly, in the February Report, the Bank has now broadened its approach as follows: -

1. The MPC reckons there is spare capacity in the economy of 1-1.5% of GDP, mainly in the labour market.
2. They will refrain from raising Bank Rate until a significant inroad has been made into reducing this spare capacity
3. They will provide additional forecasts based on eighteen economic indicators which they will take into account in considering the path of Bank Rate and QE
4. First increase in Bank Rate likely to be around Q2 2015
5. Rate rises will be slow and gradual (translation - probably 25bp per quarter)
6. Governor Carney expected that Bank Rate would be around 2% in three years' time i.e. Q1 2017
7. Bank Rate is unlikely to get back up to pre-crisis levels of 5% even when the economy has returned to normal
8. The Bank will not sell any of their portfolio of asset purchases before the first rise in the Bank Rate (but that does not mean they WILL start then!) and will also reinvest maturing gilts until then
9. They were more pessimistic on growth of productivity which has failed to keep pace with rises in output
10. They will make it a priority to protect growth in the economy provided inflation remains subdued (inflation forecast to be well behaved over the next two years: 1.9% in two years' time)

Forward surveys are currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This, therefore, means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates.

**Credit conditions.** Whilst Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy aimed at supporting the purchase of second hand properties, started in earnest in January 2014. These measures have been

so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. Whilst there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. The Bank does not feel that Bank Rate increases would be effective in reducing house price inflation in London as a large part of property purchase is being done as cash transactions and / or by foreign purchasers, and is aggravated by a major short fall in new housing supply compared to the level of demand. As for bank lending to small and medium enterprises, this continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements

**Inflation.** Inflation has fallen from a peak of 3.1% in June 2013 to 2.0% in December. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

**AAA rating.** The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

## (2) THE GLOBAL ECONOMY

**The Eurozone (EZ).** The sovereign debt crisis eased considerably during 2013 which was a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year EZ bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment

among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness,

**USA.** The economy has managed to return to robust growth in Q2 2013 of 2.5% and 3.6% in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve therefore decided in December to reduce its \$85bn per month asset purchases programme of quantitative easing by \$10bn and by another \$10bn in January. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until 'well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal'. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

**China.** There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

**Japan.** The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

### **(3) CAPITA ASSET SERVICES FORWARD VIEW**

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. However, the political deadlock and infighting between Democrats and Republicans over the US budget and raising of the debt limit, has finally been resolved. This removes two destabilising issues for bond yields but investor concerns over the impact of tapering on emerging market countries created a surge of volatility during January, and especially in reaction to adverse political and economic developments in Argentina and Turkey.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.



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## NORTH AYRSHIRE COUNCIL

### Agenda Item 9

2 April 2014

#### North Ayrshire Council

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**Subject:** Revenue Estimates 2014/15 - Common Good and Trusts

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**Purpose:** To advise the Council of the anticipated annual income and expenditure in respect of the Common Good Funds and Trusts administered by North Ayrshire Council and to seek approval for the level of grant funding to be made available for disbursement in 2014/15.

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**Recommendation:** That the Council a) approves the 2014/15 revenue estimates for (i) the Common Good Funds of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston and (ii) the Spier's Trust, the Margaret Archibald Trust and the newly formed Town Trusts; and b) agrees to delegate authority for approval of the individual disbursements from all Common Good and Trusts to the Area Committees, provided that the annual budgeted level of expenditure is not breached.

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### 1. Introduction

1.1 The Council is custodian of the Common Good Funds for the former burghs of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston. In addition, the Council administers a number of Trusts, largely composed of bequests made by individuals many years ago. Of these Trusts, there are only two that accrue significant levels of income, namely the Spier's Trust and the Margaret Archibald Trust. In January 2012, the Council approved a re-organisation scheme for the smaller trusts with a view to ensuring more effective use of the assets available for disbursement. This re-organisation is now complete with the result that most of the smaller trusts have been amalgamated and a trust established for each town for which the Council held funds, i.e. Ardrossan, Beith & Gateside, Dalry, Irvine, Kilbirnie & Glengarnock, Kilwinning, Largs and Saltcoats.

- 1.2 The purpose of the re-organised trusts is to provide assistance to persons in need within the defined area of each fund, as specified by the original bequest.
- 1.3 The purpose of the Margaret Archibald Trust is "to apply the capital and income from time to time at the discretion of the Council for the charitable purpose of persons in need who have attained sixty five years of age living in the Parish of Dalry, Ayrshire".
- 1.4 The Spier's Trust was founded by Mrs Margaret Spier in 1936 for the administration of Spier's School, Beith and for the provision of certain educational grants and bursaries within the local area of benefit comprising the parishes of Beith, Dalry, Dunlop, Kilbirnie, Lochwinnoch and Neilston. The Trust was administered by Ayr County Council until 1975 when, following re-organisation of Local Government in Scotland, Strathclyde Regional Council inherited responsibility for administering the Trust. At the 1996 local government re-organisation, under the Educational Endowments (Strathclyde Region) Transfer Scheme Order 1996, the Spier's Trust Scheme 1978 was amended to specify North Ayrshire Council as the governing body.
- 1.5 The remaining smaller trusts administered by the Council are listed in Appendix 1. They generate around £1,900 of income in total per year and during 2013/14 thus far only £400 has been disbursed.
- 1.6 The purpose of the Common Good Funds is to benefit the general population within the defined areas of each of the six towns listed at paragraph 1.1. For example, the Irvine Common Good fund is intended to benefit the people residing within the boundary of the old burgh of Irvine.
- 1.7 Both the Common Good Funds and the Trusts make annual disbursements to groups and individuals based on a previously agreed set of criteria. Elected Members are trustees of all the Common Good and Trusts.



## **2. Current Position**

- 2.1 The Revenue and Capital budgets for the General Fund and Housing Revenue Accounts for 2014/15 were approved by the Council on 11 December 2013.
- 2.2 In previous years, the estimates for the Common Good and Trusts have been approved by the Area Committees who also approved the various grant disbursements during the financial year.
- 2.3 It is now considered appropriate that the overall level of expenditure from the Common Good Funds and Trusts during the year should be approved by the full Council, whilst authority to approve the individual disbursements, provided that the spend is contained within the budget, be delegated to the Area Committees.
- 2.4 The levels of grant available for disbursement are determined by identifying all expenditure commitments and projected income from investments, rents etc. The remaining surplus is generally available for Elected Members to disburse. In some instances, the full amount of grant available is not disbursed and so the fund will make a surplus in that year which will be added to the general balance. This increased balance is likely to generate higher income in the following year.
- 2.5 In 2013/14, the approved level of disbursements from the Margaret Archibald Trust exceeded the recommended level at the request of the Garnock Valley Area Committee. For 2014/15, it is proposed that an additional £1,075 is made available from balances for disbursement.
- 2.6 The following table summarises the anticipated income and proposed expenditure for the major funds. Further details can be found in Appendix 2.

	Estimated Balance as at 1 April 2014	Estimated Income 2014/15	Estimated Other Expenditure 2014/15	Estimated Grants 2014/15	Estimated Balance as at 31 March 2015
<b>Common Good Funds</b>	£	£	£	£	£
Ardrossan	79,892	1,245	(140)	(1,105)	79,892
Irvine	965,443	84,515	(14,700)	(69,815)	965,443
Stevenston	183,630	16,965	(1,140)	(15,825)	183,630
Saltcoats	15,380	271	(140)	(131)	15,380
Millport	41,013	690	(140)	(550)	41,013
Largs	423,399	22,840	(4,925)	(17,915)	423,399
<b>Total</b>	<b>1,708,757</b>	<b>126,526</b>	<b>(21,185)</b>	<b>(105,341)</b>	<b>1,708,757</b>
<b>Trusts</b>					
Ardrossan	5,169	169	-	(169)	5,169
Beith & Gateside	7,023	202	-	(202)	7,023
Dalry	9,591	185	-	(185)	9,591
Irvine	20,875	420	-	(420)	20,875
Kilbirnie & Glengarnock	5,378	85	-	(85)	5,378
Kilwinning	130,177	2,039	-	(2,039)	130,177
Largs	13,499	329	-	(329)	13,499
Saltcoats	3,725	199	-	(199)	3,725
Spier's Trust	39,007	3,750	-	(3,750)	39,007
Margaret Archibald	173,041	8,925	-	(10,000)	171,966
<b>Total</b>	<b>407,485</b>	<b>16,303</b>	<b>-</b>	<b>(17,378)</b>	<b>406,410</b>
<b>Overall Total</b>	<b>2,116,242</b>	<b>142,829</b>	<b>(21,185)</b>	<b>(122,719)</b>	<b>2,115,167</b>

### 3. Proposals

- 3.1 That the Council (a) approves the 2014/15 revenue estimates for the 6 Common Good and the 10 Trusts; and (b) agrees to delegate authority for approval of the individual disbursements for all Common Good and Trusts to the Area Committees, provided that the annual budgeted level of expenditure is not breached.

#### **4. Implications**

##### Financial Implications

- 4.1 Approval of the budgets outlined in paragraph 2.6 and in Appendix 2 will then allow each Area Committee to disburse individual grants up to the value of the approved levels.

##### Human Resource Implications

- 4.2 There are no Human Resource issues arising from this report.

##### Legal Implications

- 4.3 There are no Legal implications arising from this report.

##### Equality Implications

- 4.4 There are no Equality issues arising from this report.

##### Environmental Implications

- 4.5 There are no Environmental issues arising from this report.

##### Implications for Key Priorities

- 4.6 The proposals contained in this report will impact on the strategic aims of the Council.

##### Community Benefit Implications

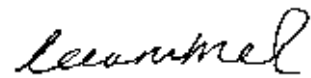
- 4.7 Grants will be disbursed only to people or groups within the community who meet the necessary criteria.

**5. Consultations**

5.1 Legal Services were consulted in the preparation of this report.

**6. Conclusion**

6.1 In order to allow the Area Committees to make grant disbursements from the Common Good and Trusts, the Council is requested to approve the budgets and subsequently delegate authority to each Area Committee to approve grant disbursement.



LAURA FRIEL  
Corporate Director (Finance and Corporate Support)

**Reference :**

For further information please contact Christine McCourt, Team Manager (Financial Management) on 01294 324546

**Background Papers**

None

## SUNDRY BEQUESTS

Name of Fund	Original Investment	Projected Income 2013/14	Projected Disbursement 2013/14	Purpose of Bequest
	£	£	£	
Anderson Park Trust	776	12		- Largs - Upkeep of Park
McGavin Park	2,020	52		- Kilwinning - Upkeep of Park
Isabella McPhee Memorial Fund	2,630	42		- Largs - Annual Putting Competition (Mackerston)
North Ayrshire Museum	16,949	1,616		- For Benefit of North Ayrshire Museum
War Memorial Fund	396	10		- Largs
War Memorial Fund	660	17		- Skelmorlie & Wemyss Bay
N Stewart	1,493	24		- Provision of Liberty at Rothesay & Arran
Douglas Sellars Trust	1,745	28		- Maintenance and improvement of recreational facilities and floral decoration in open spaces in Burgh of Irvine
Sturrock	3,098	49	400	Upkeep of Springside Community Centre
Clark Trophy	504	8		- Road Safety competition
Ayrshire Accident Relief	3,559	56		- Accident relief
Cast/Florist/N Child	257	4		- No information available
Miss Hanslip Bequest	1,061	17		- No information available
<b>Total</b>	<b>35,147</b>	<b>1,934</b>	<b>400</b>	



Budget 2013/2014 £	Projected Outturn 2013/2014 £	COMMON GOOD FUND - ARDROSSAN	Proposed Budget 2014/2015 £
-	78,757	Projected Common Good Balance Brought Forward at 1 April	79,892
1,310	1,245	<b>INCOME</b> Loans Fund Interest (on cash balances)	1,245
<b>1,310</b>	<b>1,245</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>1,245</b>
110	110	<b>EXPENDITURE</b> Administration - Charge from Finance	140
<b>110</b>	<b>110</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>140</b>
<b>1,200</b>	<b>1,135</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>1,105</b>
1,200	-	Available for Disbursement	1,105
<b>-</b>	<b>1,135</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	<b>-</b>
	<b>79,892</b>	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	<b>79,892</b>

Budget 2013/2014 £	Projected Outturn 2013/2014 £	COMMON GOOD FUND - IRVINE	Proposed Budget 2014/2015 £
-	942,611	Projected Common Good Balance Brought Forward at 1 April	965,443
		<b>INCOME</b>	
		<b>Property Rentals -</b>	
25,000	25,000	Woodlands Centre (Education & Skills)	25,000
-	-	36/38 Bank Street, Irvine (currently vacant)	-
10,000	11,875	Bank Street (Church of Latter Day Saints)	11,500
4,000	4,000	Redburn Community Centre (Education & Skills)	4,000
11,000	11,000	Fairground (Marymass)	11,000
13,000	13,000	Ground East Road (McConnachies)	13,000
1,250	7,795	Bartonholm Amenity site (owned by NAC)	-
-	25,430	East Road Car Park	1,750
-	3,000	Quarry Road Depot (Streetscene)	3,000
64,250	85,511		69,250
		<b>Other Income -</b>	
2,400	1,350	Food Franchise (Marymass)	1,500
13,200	13,765	Loans Fund Interest (on cash balances)	13,765
15,600	15,115		15,265
<b>79,850</b>	<b>100,626</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>84,515</b>
		<b>EXPENDITURE</b>	
		<b>Property Costs</b>	
7,000	1,500	General Repairs	1,500
450	450	Property Insurances	450
5,500	10,083	Rates on vacant property - 36 Bank Street (10% relief)	10,000
1,500	4,500	Electricity	1,500
200	200	Other Property Costs	200
14,650	16,733		13,650
		<b>Others</b>	
850	850	Administration - Charge from Finance	1,050
850	850		1,050
<b>15,500</b>	<b>17,583</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>14,700</b>
<b>64,350</b>	<b>83,042</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>69,815</b>
64,350	60,210	Available for Disbursement	69,815
-	<b>22,832</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	-
	<b>965,443</b>	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	<b>965,443</b>

## Notes

Ownership of the Townhouse was transferred to North Ayrshire Council on 1 August 2013

Electricity spend in 2013/14 includes backdated supplies



Budget 2013/2014 £	Projected Outturn 2013/2014 £	COMMON GOOD FUND - LARGS	Proposed Budget 2014/2015 £
-	417,199	Projected Common Good Balance Brought Forward at 1 April	423,399
		<b>INCOME</b>	
		<b>Property Rentals -</b>	
4,500	4,500	Routenburn Golf Club	4,500
6,000	6,000	Haylie House	6,000
1,250	1,250	Douglas Park Bowling Club	1,250
210	210	Douglas Park Grazings	210
3,200	3,100	Douglas Park Tennis Club & Children's Nursery	3,100
15,160	15,060		15,060
		<b>Other Income -</b>	
-	500	Refund of Grant (Largs Development Trust)	-
8,060	7,780	Loans Fund Interest (on cash balances)	7,780
<b>23,220</b>	<b>23,340</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>22,840</b>
		<b>EXPENDITURE</b>	
		<b>Property Costs -</b>	
2,000	500	Property Costs General	1,500
1,300	3,500	Electricity	2,500
3,300	4,000		4,000
		<b>Others -</b>	
740	740	Administration - Charge from Finance	925
<b>4,040</b>	<b>4,740</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>4,925</b>
<b>19,180</b>	<b>18,600</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>17,915</b>
19,180	12,400	Available for Disbursement	17,915
-	<b>6,200</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	-
	<b>423,399</b>	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	<b>423,399</b>

## Notes

Electricity spend in 2013/14 includes backdated supplies

Budget 2013/2014 £	Projected Outturn 2013/2014 £	COMMON GOOD FUND - MILLPORT	Proposed Budget 2014/2015 £
	40,913	Projected Common Good Balance Brought Forward at 1 April	41,013
		<b><u>INCOME</u></b>	
25	60	Sale of published materials	40
685	650	Loans Fund Interest (on cash balances)	650
<b>710</b>	<b>710</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>690</b>
		<b><u>EXPENDITURE</u></b>	
110	110	Administration - Charge from Finance	140
<b>110</b>	<b>110</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>140</b>
<b>600</b>	<b>600</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>550</b>
600	500	Available for Disbursement	550
<b>-</b>	<b>100</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	<b>-</b>
	<b>41,013</b>	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	<b>41,013</b>

Budget 2013/2014 £	Projected Outturn 2013/2014 £	COMMON GOOD FUND - SALTCOATS	Proposed Budget 2014/2015 £
	17,019	Projected Common Good Balance Brought Forward at 1 April	15,380
		<b><u>INCOME</u></b>	
11	11	3.5% Conversion Stock Interest	11
275	260	Loans Fund Interest (on cash balances)	260
<b>286</b>	<b>271</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>271</b>
		<b><u>EXPENDITURE</u></b>	
105	110	Administration - Charge from Finance	140
-	1,800	TV Relay Royalties (no longer applicable)	-
<b>105</b>	<b>1,910</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>140</b>
<b>181</b>	<b>- 1,639</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>131</b>
181	-	Available for Disbursement	131
<b>-</b>	<b>- 1,639</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	<b>-</b>
	<b>15,380</b>	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	<b>15,380</b>

Budget 2013/2014 £	Projected Outturn 2013/2014 £	<b>COMMON GOOD FUND - STEVENSTON</b>	Proposed Budget 2014/2015 £
	167,885	Projected Common Good Balance Brought Forward at 1 April	183,630
		<b><u>INCOME</u></b>	
		<b>Property Rentals -</b>	
14,250	14,250	New Street (Social Services & Health)	14,250
		<b>Other Income -</b>	
95	95	3.5% War Stock Interest	95
20	50	Sale of published materials	20
-	3,125	Refund of Grant (various)	-
2,600	2,600	Loans Fund Interest (on cash balances)	2,600
2,715	5,870		2,715
<b>16,965</b>	<b>20,120</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>16,965</b>
		<b><u>EXPENDITURE</u></b>	
		<b>Property Costs -</b>	
1,000	500	Property Repairs	1,000
		<b>Others -</b>	
210	110	Administration - Charge from Finance	140
<b>1,210</b>	<b>610</b>	<b>SUB TOTAL OF EXPENDITURE</b>	<b>1,140</b>
<b>15,755</b>	<b>19,510</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR BEFORE GRANTS</b>	<b>15,825</b>
15,755	3,765	Available for Disbursement	15,825
<b>-</b>	<b>15,745</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	<b>-</b>
	183,630	<b>COMMON GOOD BALANCE CARRIED FORWARD AT 31 March</b>	183,630

Budget 2013/14 £	Projected Outturn 2013/14 £	THE SPIER'S TRUST	Proposed Budget 2014/2015 £
	38,902	Projected Trust Balance Brought Forward at 1 April	39,007
		<b><u>INCOME</u></b>	
620	665	Share dividends	665
365	425	Loans Fund Interest (on cash balances)	425
2,660	2,660	Rent	2,660
<b>3,645</b>	<b>3,750</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>3,750</b>
		<b><u>EXPENDITURE</u></b>	
3,645	3,645	Available for Disbursement	3,750
<b>3,645</b>	<b>3,645</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>3,750</b>
-	105	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	-
	<b>39,007</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>39,007</b>

Budget 2013/2014 £	Projected Outturn 2013/2014 £	MARGARET ARCHIBALD BEQUEST	Proposed Budget 2014/2015 £
	173,344	Projected Trust Balance Brought Forward at 1 April	173,041
		<b><u>INCOME</u></b>	
7,500	8,400	Share dividends	8,400
450	525	Loans Fund Interest (on cash balances)	525
-	122	Grant returned	-
<b>7,950</b>	<b>9,047</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>8,925</b>
		<b><u>EXPENDITURE</u></b>	
10,000	9,350	Available for Disbursement	8,925
		Additional disbursement from balances	1,075
<b>10,000</b>	<b>9,350</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>10,000</b>
<b>- 2,050</b>	<b>- 303</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR INCLUDING GRANTS</b>	<b>- 1,075</b>
	<b>173,041</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>171,966</b>

Projected Outturn 2013/2014	Projected Outturn 2013/2014	Projected Outturn 2013/2014	NAC (ARDROSSAN) CHARITABLE TRUST	Proposed Budget 2014/2015	Proposed Budget 2014/2015	Proposed Budget 2014/2015
Poverty £	Age/III Health/Disability £	Total £		Poverty £	Age/III Health/Disability £	Total £
-	-	-	Projected Trust Balance Brought Forward at 1 April	2,872	2,297	5,169
			<b>INCOME</b>			
2,800	2,200	5,000	Donation	-	-	-
27	62	89	Dividends	27	62	89
45	35	80	Loans Fund Interest (on cash balances)	45	35	80
<b>2,872</b>	<b>2,297</b>	<b>5,169</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>72</b>	<b>97</b>	<b>169</b>
			<b>EXPENDITURE</b>			
-	-	-	Grants Available for Disbursement	72	97	169
<b>-</b>	<b>-</b>	<b>-</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>72</b>	<b>97</b>	<b>169</b>
<b>2,872</b>	<b>2,297</b>	<b>5,169</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2,872</b>	<b>2,297</b>	<b>5,169</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>2,872</b>	<b>2,297</b>	<b>5,169</b>

Projected Outturn 2013/2014	Projected Outturn 2013/2014	Projected Outturn 2013/2014	<b>NAC (BEITH &amp; GATESIDE) CHARITABLE TRUST</b>	Proposed Budget 2014/2015	Proposed Budget 2014/2015	Proposed Budget 2014/2015
Poverty	Education	Total		Poverty	Education	Total
£	£	£		£	£	£
-	-	-	<b>Projected Trust Balance Brought Forward at 1 April</b>	<b>4,740</b>	<b>2,283</b>	<b>7,023</b>
			<b>INCOME</b>			
4,915	2,260	7,175	Donation	-	-	-
75	15	90	Dividends	75	15	90
77	35	112	Loans Fund Interest (on cash balances)	77	35	112
<b>5,067</b>	<b>2,310</b>	<b>7,377</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>152</b>	<b>50</b>	<b>202</b>
			<b>EXPENDITURE</b>			
327	27	354	Grants Available for Disbursement	152	50	202
<b>327</b>	<b>27</b>	<b>354</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>152</b>	<b>50</b>	<b>202</b>
<b>4,740</b>	<b>2,283</b>	<b>7,023</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4,740</b>	<b>2,283</b>	<b>7,023</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>4,740</b>	<b>2,283</b>	<b>7,023</b>



Projected Outturn 2013/2014	Projected Outturn 2013/2014	Projected Outturn 2013/2014	<b>NAC (IRVINE) CHARITABLE TRUST</b>	Proposed Budget 2014/2015	Proposed Budget 2014/2015	Proposed Budget 2014/2015
Poverty	Age/III Health/Disability	Total		Poverty	Age/III Health/Disability	Total
£	£	£		£	£	£
-	-	-	<b>Projected Trust Balance Brought Forward at 1 April</b>	<b>9,803</b>	<b>11,072</b>	<b>20,875</b>
			<b><u>INCOME</u></b>			
10,640	12,315	22,955	Donation	-	-	-
30	30	60	Dividends	30	30	60
165	195	360	Loans Fund Interest (on cash balances)	165	195	360
<b>10,835</b>	<b>12,540</b>	<b>23,375</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>195</b>	<b>225</b>	<b>420</b>
			<b><u>EXPENDITURE</u></b>			
1,032	1,468	2,500	Grants Available for Disbursement	195	225	420
<b>1,032</b>	<b>1,468</b>	<b>2,500</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>195</b>	<b>225</b>	<b>420</b>
<b>9,803</b>	<b>11,072</b>	<b>20,875</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9,803</b>	<b>11,072</b>	<b>20,875</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>9,803</b>	<b>11,072</b>	<b>20,875</b>

Projected Outturn 2013/2014	Projected Outturn 2013/2014	Projected Outturn 2013/2014	<b>NAC (KILBIRNIE &amp; GLENGARNOCK) CHARITABLE TRUST</b>	Proposed Budget 2014/2015	Proposed Budget 2014/2015	Proposed Budget 2014/2015
Recreation £	Age/III Health/Disability £	Total £		Recreation £	Age/III Health/Disability £	Total £
-	-	-	<b>Projected Trust Balance Brought Forward at 1 April</b>	<b>4,102</b>	<b>1,276</b>	<b>5,378</b>
			<b><u>INCOME</u></b>			
4,037	1,256	5,293	Donation	-	-	-
65	20	85	Loans Fund Interest (on cash balances)	65	20	85
<b>4,102</b>	<b>1,276</b>	<b>5,378</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>65</b>	<b>20</b>	<b>85</b>
			<b><u>EXPENDITURE</u></b>			
-	-	-	Grants Available for Disbursement	65	20	85
<b>-</b>	<b>-</b>	<b>-</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>65</b>	<b>20</b>	<b>85</b>
<b>4,102</b>	<b>1,276</b>	<b>5,378</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4,102</b>	<b>1,276</b>	<b>5,378</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>4,102</b>	<b>1,276</b>	<b>5,378</b>

Projected Outturn 2013/2014	Projected Outturn 2013/2014	Projected Outturn 2013/2014	<b>NAC (KILWINNING) CHARITABLE TRUST</b>	Proposed Budget 2014/2015	Proposed Budget 2014/2015	Proposed Budget 2014/2015
Poverty £	Age/III Health/Disability £	Total £		Poverty £	Age/III Health/Disability £	Total £
-	-	-	<b>Projected Trust Balance Brought Forward at 1 April</b>	<b>129,950</b>	<b>227</b>	<b>130,177</b>
			<b>INCOME</b>			
127,930	213	128,143	Donation	-	-	-
-	16	16	Dividends	-	16	16
2,020	3	2,023	Loans Fund Interest (on cash balances)	2,020	3	2,023
<b>129,950</b>	<b>232</b>	<b>130,182</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>2,020</b>	<b>19</b>	<b>2,039</b>
			<b>EXPENDITURE</b>			
-	5	5	Grants Available for Disbursement	2,020	19	2,039
-	<b>5</b>	<b>5</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>2,020</b>	<b>19</b>	<b>2,039</b>
<b>129,950</b>	<b>227</b>	<b>130,177</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>129,950</b>	<b>227</b>	<b>130,177</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>129,950</b>	<b>227</b>	<b>130,177</b>

Projected Outturn 2013/2014  Poverty  £	<b>NAC (DALRY) CHARITABLE TRUST</b>	Proposed Budget 2014/2015  Poverty  £
	<p data-bbox="252 376 903 409">- <b>Projected Trust Balance Brought Forward at 1 April</b></p> <p data-bbox="252 443 360 477"><b><u>INCOME</u></b></p> <p data-bbox="252 477 360 510">10,157 Donation</p> <p data-bbox="252 510 360 544">25 Dividends</p> <p data-bbox="252 544 722 577">160 Loans Fund Interest (on cash balances)</p>	<p data-bbox="1278 376 1422 409" style="text-align: right;"><b>9,591</b></p> <p data-bbox="1278 477 1422 510" style="text-align: right;">-</p> <p data-bbox="1278 510 1422 544" style="text-align: right;">25</p> <p data-bbox="1278 544 1422 577" style="text-align: right;">160</p>
<b>10,342</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>185</b>
	<p data-bbox="252 707 443 741"><b><u>EXPENDITURE</u></b></p> <p data-bbox="252 741 663 775">725 Grants Available for Disbursement</p> <p data-bbox="252 775 855 808">26 Payment to HMRC (former Jessie K Holburn Trust)</p>	<p data-bbox="1278 741 1422 775" style="text-align: right;">185</p> <p data-bbox="1278 775 1422 808" style="text-align: right;">-</p>
<b>751</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>185</b>
<b>9,591</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>
<b>9,591</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>9,591</b>

Projected Outturn 2013/2014  Poverty  £	<b>NAC (LARGS) CHARITABLE TRUST</b>	Proposed Budget 2014/2015  Poverty  £
	- <b>Projected Trust Balance Brought Forward at 1 April</b>  <u><b>INCOME</b></u> 13,275 Donation 124 Dividends 205 Loans Fund Interest (on cash balances)	13,499  - 124 205
<b>13,604</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>329</b>
	<u><b>EXPENDITURE</b></u> 105 Grants Available for Disbursement	329
<b>105</b>	<b>TOTAL EXPENDITURE FOR THE YEAR</b>	<b>329</b>
<b>13,499</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>
<b>13,499</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>13,499</b>

Projected Outturn 2013/2014  Poverty  £	<b>NAC (SALTCOATS) CHARITABLE TRUST</b>	Proposed Budget 2014/2015  Poverty  £
	- <b>Projected Trust Balance Brought Forward at 1 April</b>  <u><b>INCOME</b></u> 3,526 Donation 144 Dividends 55 Loans Fund Interest (on cash balances)	3,725  - 144 55
<b>3,725</b>	<b>TOTAL INCOME FOR THE YEAR</b>	<b>199</b>
	<u><b>EXPENDITURE</b></u> - Grants Available for Disbursement	199
	<b>- TOTAL EXPENDITURE FOR THE YEAR</b>	<b>199</b>
<b>3,725</b>	<b>FINAL SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-</b>
<b>3,725</b>	<b>TRUST BALANCE CARRIED FORWARD AT 31 March</b>	<b>3,725</b>

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## NORTH AYRSHIRE COUNCIL

### Agenda Item 10

2 April 2014

North Ayrshire Council

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**Subject:** Election/Referendum Policies on Display of Campaign Posters on Council Property.

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**Purpose:** To agree the revised policy on display of campaign posters on Council property.

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**Recommendation:** It is recommended that Council agree a) to adopt the policy on display of campaign posters on Council property for the European Parliamentary Election at Appendix 1; and b) to adopt the policy on display of campaign posters on Council property for the Independence Referendum at Appendix 2.

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#### 1. Introduction

- 1.1 The poll for the European Parliamentary Election will take place on 22 May 2014 and the notice of election will be published on 14 April 2014. The Independence Referendum Poll will take place on 18 September 2014 and the notice of the referendum will be published on 21 August 2014.
- 1.2 In 2007 Council agreed a policy on the Display of Campaign Posters on Council Property. This set out the conditions on which the Council would allow election campaign posters to be affixed to street furniture such as lighting columns.

#### 2. Current Position

- 2.1 The period between the notice of election or referendum and the poll is known as the pre-election period, during which enhanced rules on Council publicity and assistance apply. While the Returning Officer and Counting Officer is responsible for the respective organisation of the European Election and Referendum, the decision on whether to allow posters on lamp posts, or other street furniture, is one for Council.
- 2.2 North Ayrshire Council has always permitted campaigners to put posters on lamp posts and other street furniture outwith trunk roads. This also supports the role of the Returning and Counting Officer in increasing electoral or referendum awareness.

2.3 The Council's present policy on the Display of Campaign Posters dates from 2007. It has proved fit for purpose and only the following changes are proposed: -

- Permission is granted on the understanding that those concerned agree to indemnify the Council against any third party claim arising in relation to their posters. Otherwise were the Council to provide such an indemnity this could be viewed as political assistance;
- No Election posters shall be affixed either within the boundaries of any polling place, on the railings of any polling place or within 50 metres of the entrance to any polling place - it is important that any polling place does not give the appearance of being linked to any party or campaign. The reference to the 50 metre limit provides absolute clarity as to where posters can be installed;
- No vehicle advertising a candidate, party or referendum choice shall be parked within the curtilage or at the entrance to a polling place except where temporarily dropping off and waiting to uplift a voter with mobility difficulties. In that case the vehicle has to be parked as inconspicuously as possible and remain for the shortest possible time;- again this ensures that the polling place and its entrance are kept clear of campaigning materials;
- Road traffic regulations should be complied with at all times.

2.4 The revised policy on Display of Campaign Posters on Council Property for the European Parliamentary Election is attached at Appendix 1. The revised policy on Display of Campaign Posters on Council Property for the Referendum is attached as Appendix 2. The terms of these are identical.

### **3. Proposals**

3.1 The policy on Display of Campaign Posters on Council Property has proved fit for purpose and supported the work of the Returning or Counting Officer in raising electoral awareness. Only relatively minor changes are proposed to it. Accordingly the Council is recommended to adopt the policy on Display of Campaign Posters on Council Property for the European Parliamentary Election attached as Appendix 1 and the Policy on Display of Campaign Posters on Council Property for the Referendum attached as Appendix 2.



#### **4. Implications**

##### Financial Implications

- 4.1 There are no financial implications arising from this report.

##### Human Resource Implications

- 4.2 There are no human resource implications arising from this report.

##### Legal Implications

- 4.3 It is important that the Council has clear policies on posters during the pre-election period to ensure that campaigners are treated equally and to avoid any accusation of political assistance.

##### Equality Implications

- 4.4 There are no equality issues arising from this report.

##### Environmental Implications

- 4.5 There are no environmental issues arising from this report.

##### Implications for Key Priorities

- 4.6 This supports the Council priority of Affective and Efficient Services.

##### Community Benefit Implications

- 4.7 There are no community benefit implications arising from this report.

#### **5. Consultations**

- 5.1 The Returning Officer and Counting Officer for North Ayrshire have been consulted and agree with the terms of the policies.

**6. Conclusion**

- 6.1 Existing policies on the Display of Campaign Posters on Council Property have been reviewed and are broadly fit for purpose, subject to the addition of terms relating to indemnity and campaigning materials near polling places.



ELMA MURRAY  
Chief Executive

Reference : AF/cf

For further information please contact Andrew Fraser, Head of Democratic and Administration Services on 01294 324125

**Background Papers**

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**Policy on Display of Campaign Posters on Council Property  
European Parliamentary Election May 2014**

## Introduction

Commencing the day after the **Notice of Election** is posted i.e. 14<sup>th</sup> April 2014, and for the duration of the campaign, North Ayrshire Council will not object to the fixing of election campaign posters to items of street furniture such as lighting columns, by candidates in the election, subject to the following conditions:-

- (a) No posters or election material must be placed within the boundaries of any trunk road. Transport Scotland's policy and a list of the trunk roads in North Ayrshire is detailed in the appendix.
- (b) Your Election Agent's name and address **must** be advised to the Returning Officer in writing (through the Election Office) **prior** to the display of election material.
- (c) All posters must be fixed to hard-backed card and tied with string and be no greater than 1m square in size. They must not be attached to street furniture using glue or any other form of adhesive. All posters must have an imprint showing the name of the printer, publisher and person on whose behalf it is published.
- (d) Ladders are **not** to be placed against column shafts for erection or removal of election posters. Any ladders used must be free standing and stable or a mobile hoist or mini platform is to be used.
- (e) Posters must **not** be fixed to areas where they could inconvenience or endanger the travelling public in terms of obscuring sightlines at junctions or obscuring signs which are essential for the direction of traffic and safety. The mounting height of posters must not be less than 2.1 metres above ground level.
- (f) Posters must not, in any circumstances, be attached to any traffic signal post or control box, pedestrian crossing pole, internal islands within roundabouts or to street furniture in central reservations and pedestrian refuge islands.
- (g) Only one poster per party/candidate is allowed on each item of street furniture, with a maximum of two posters back to back.
- (h) Permission is granted on the understanding that those concerned agree to indemnify North Ayrshire Council against any third party claim arising from the attachment of their posters to street furniture.
- (i) All posters must be **removed within 48 hours** of Polling Day to which they relate. Where cable ties have been used, these must also be removed within this timeline
- (j) North Ayrshire Council Roads Services will remove posters remaining after this time and the cost of removal will be rechargeable to the Election/Referendum Agent.
- (k) Permission is granted on the understanding that those concerned agree to indemnify the Council against any third party claim arising in relation to their posters.
- (l) No election posters shall be affixed either within the boundaries of any polling place, on the railings of any polling place or within 50 metres of the entrance to any polling place.

(m) No vehicle advertising a candidate or party shall be parked within the curtilage or at the entrance to a polling place except where temporarily dropping off and waiting to uplift a voter with mobility difficulties. In that case the vehicle should be parked as inconspicuously as possible and remain for the shortest possible time. Road traffic regulations should be complied with at all times.

Appendix  
**National Network Manager**  
**Trunk Roads: Network Management**

Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF  
Direct Line: 0141 272 7342, Fax: 0141 272 7373  
john.gooday@transportscotland.gsi.gov.uk

**Operating Company Representatives**

Your ref:  
Our ref:  
B1084014

Date:  
6 February 2007

**ELECTION POSTERS**

Transport Scotland has been asked to consider its policy with regard to the placing of advertising material by political parties to ensure consistency of approach. I am writing to advise you that, with immediate effect, **the placing of election material within the trunk road boundary is precluded.**

The decision to keep trunk roads free of election material has been taken for a number of reasons:

- There is general agreement that driver distraction has a negative impact on road safety. Consequently, Transport Scotland's general position is to reduce to a minimum all but essential signage.
- There is also a potential safety issue connected to the erection and removal of posters etc particularly those which are inappropriately sited.
- A proliferation of election material from a number of sources can and often does result in a detrimental impact on the general amenity along the routes affected by election posters. Although the majority of election agents' act responsibly in organising the early removal of posters once the election has passed, additional resources often have to be targeted on ensuring the posters are removed and in some cases the posters have to be removed at Transport Scotland's expense.

Of course, this policy only applies to the Scottish trunk road network, for which Traffic Scotland has operational responsibility. The placing of election posters within local roads boundaries is a matter for individual Councils.

Any representatives from political parties who approach you should be advised of this policy and should be provided with a copy of this letter.

Yours sincerely



**John Gooday**  
**National Network Manager**

## Trunk Roads in North Ayrshire

### Route Road Name

A737 Howwood – Beith Road  
(from NAC Boundary at Roebank Bridge to Bypass Road, Beith)  
A737 Bypass Road, Beith  
A737 Manrahead Roundabout, Beith  
A737 Beith – Dalry Road  
A737 Beith Road, Dalry  
A737 Tofts, Dalry  
A737 New Street, Dalry (between Bridgend and Townend Street)  
A737 Townend Street, Dalry  
A737 Kilwinning Road, Dalry  
A737 Dalry – Kilwinning Road  
A737 Dalry Road, Kilwinning

### Route Road Name

A738 Byres Road, Kilwinning  
A738 Townhead, Kilwinning  
A738 Stevenston Road, Kilwinning

### Route Road Name

A78 Shore Road, Skelmorlie  
A78 Skelmorlie – Largs Road  
A78 Greenock Road, Largs  
A78 Gallowgate Street, Largs  
A78 Main Street, Largs  
A78 Irvine Road, Largs including :-  
*Roundabout at Entrance to Morrison's Supermarket*  
A78 Largs – Fairlie Road  
A78 Main Road, Fairlie  
A78 Fairlie – West Kilbride Road including :-  
*Southannan Roundabout*  
*Hunterston Roundabout*  
A78 Snowdon Terrace, West Kilbride  
A78 Ardrossan Road, West Kilbride  
A78 West Kilbride – Ardrossan Road  
A78 Ardrossan – Saltcoats – Stevenston Bypass including :-  
*Montfode Roundabout, Ardrossan*  
*Chapelhill Roundabout, Ardrossan*  
*Sharphill Roundabout, Saltcoats*  
A78 Kilwinning Bypass including :-  
*Pennyburn Roundabout, Kilwinning*  
A78 Irvine Bypass including :-  
*Eglington Interchange, Irvine (Slip Roads)*  
*Warrix Interchange, Irvine (Slip Roads)*  
*Newhouse Interchange, Irvine (Slip Roads)*  
*Meadowhead Roundabout, Irvine*







**Policy on Display of Campaign Posters on Council Property  
Independence Referendum September 2014**

## Introduction

Commencing the day after the **Referendum** is posted i.e. 21<sup>st</sup> August 2014, and for the duration of the campaign, North Ayrshire Council will not object to the fixing of referendum campaign posters to items of street furniture such as lighting columns, by campaign bodies designated by the Electoral Commission (Designated Organisations) and persons authorised by them, subject to the following conditions:-

- (a) No posters or campaign material must be placed within the boundaries of any trunk road. Transport Scotland's policy and a list of the trunk roads in North Ayrshire is detailed in the appendix.
- (b) Your Referendum Agent's name and address **must** be advised to the Returning Officer in writing (through the Election Office) **prior** to the display of election material.
- (c) All posters must be fixed to hard-backed card and tied with string and be no greater than 1m square in size. They must not be attached to street furniture using glue or any other form of adhesive. All posters must have an imprint showing the name of the printer, publisher and person on whose behalf it is published.
- (d) Ladders are **not** to be placed against column shafts for erection or removal of election posters. Any ladders used must be free standing and stable or a mobile hoist or mini platform is to be used.
- (e) Posters must **not** be fixed to areas where they could inconvenience or endanger the travelling public in terms of obscuring sightlines at junctions or obscuring signs which are essential for the direction of traffic and safety. The mounting height of posters must not be less than 2.1 metres above ground level.
- (f) Posters must not, in any circumstances, be attached to any traffic signal post or control box, pedestrian crossing pole, internal islands within roundabouts or to street furniture in central reservations and pedestrian refuge islands.
- (g) Only one poster per Designated Organisation is allowed on each item of street furniture, with a maximum of two posters back to back.
- (h) Permission is granted on the understanding that those concerned agree to indemnify North Ayrshire Council against any third party claim arising from the attachment of their posters to street furniture.
- (i) All posters must be **removed within 48 hours** of Polling Day to which they relate. Where cable ties have been used, these must also be removed within this timeline
- (j) North Ayrshire Council Roads Services will remove posters remaining after this time and the cost of removal will be rechargeable to the Referendum Agent.
- (k) Permission is granted on the understanding that those concerned agree to indemnify the Council against any third party claim arising in relation to their posters.
- (l) No posters shall be affixed either within the boundaries of any polling place, on the railings of any polling place or within 50 metres of the entrance to any polling place.

(m) No vehicle advertising a referendum campaign or outcome shall be parked within the curtilage or at the entrance to a polling place except where temporarily dropping off and waiting to uplift a voter with mobility difficulties. In that case the vehicle should be parked as inconspicuously as possible and remain for the shortest possible time. Road traffic regulations should be complied with at all times.

Appendix  
**National Network Manager**  
**Trunk Roads: Network Management**

Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF  
Direct Line: 0141 272 7342, Fax: 0141 272 7373  
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**Operating Company Representatives**

Your ref:  
Our ref:  
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Date:  
6 February 2007

**ELECTION POSTERS**

Transport Scotland has been asked to consider its policy with regard to the placing of advertising material by political parties to ensure consistency of approach. I am writing to advise you that, with immediate effect, **the placing of election material within the trunk road boundary is precluded.**

The decision to keep trunk roads free of election material has been taken for a number of reasons:

- There is general agreement that driver distraction has a negative impact on road safety. Consequently, Transport Scotland's general position is to reduce to a minimum all but essential signage.
- There is also a potential safety issue connected to the erection and removal of posters etc particularly those which are inappropriately sited.
- A proliferation of election material from a number of sources can and often does result in a detrimental impact on the general amenity along the routes affected by election posters. Although the majority of election agents' act responsibly in organising the early removal of posters once the election has passed, additional resources often have to be targeted on ensuring the posters are removed and in some cases the posters have to be removed at Transport Scotland's expense.

Of course, this policy only applies to the Scottish trunk road network, for which Traffic Scotland has operational responsibility. The placing of election posters within local roads boundaries is a matter for individual Councils.

Any representatives from political parties who approach you should be advised of this policy and should be provided with a copy of this letter.

Yours sincerely



**John Gooday**  
**National Network Manager**

## **Trunk Roads in North Ayrshire**

### **Route Road Name**

A737 Howwood – Beith Road  
(from NAC Boundary at Roebank Bridge to Bypass Road, Beith)  
A737 Bypass Road, Beith  
A737 Manrahead Roundabout, Beith  
A737 Beith – Dalry Road  
A737 Beith Road, Dalry  
A737 Tofts, Dalry  
A737 New Street, Dalry (between Bridgend and Townend Street)  
A737 Townend Street, Dalry  
A737 Kilwinning Road, Dalry  
A737 Dalry – Kilwinning Road  
A737 Dalry Road, Kilwinning

### **Route Road Name**

A738 Byres Road, Kilwinning  
A738 Townhead, Kilwinning  
A738 Stevenston Road, Kilwinning

### **Route Road Name**

A78 Shore Road, Skelmorlie  
A78 Skelmorlie – Largs Road  
A78 Greenock Road, Largs  
A78 Gallowgate Street, Largs  
A78 Main Street, Largs  
A78 Irvine Road, Largs including :-  
*Roundabout at Entrance to Morrison's Supermarket*  
A78 Largs – Fairlie Road  
A78 Main Road, Fairlie  
A78 Fairlie – West Kilbride Road including :-  
*Southannan Roundabout*  
*Hunterston Roundabout*  
A78 Snowdon Terrace, West Kilbride  
A78 Ardrossan Road, West Kilbride  
A78 West Kilbride – Ardrossan Road  
A78 Ardrossan – Saltcoats – Stevenston Bypass including :-  
*Montfode Roundabout, Ardrossan*  
*Chapelhill Roundabout, Ardrossan*  
*Sharphill Roundabout, Saltcoats*  
A78 Kilwinning Bypass including :-  
*Pennyburn Roundabout, Kilwinning*  
A78 Irvine Bypass including :-  
*Eglington Interchange, Irvine (Slip Roads)*  
*Warrix Interchange, Irvine (Slip Roads)*  
*Newhouse Interchange, Irvine (Slip Roads)*  
*Meadowhead Roundabout, Irvine*