

Item: 25

Policy and Resources Committee: 27 November 2018.

Proposed Reconstruction of Hatston Pier Road.

Stage 2 Capital Project Appraisal.

Report by Executive Director of Development and Infrastructure.

1. Purpose of Report

To consider a Stage 2 Capital Project Appraisal in respect of the proposed reconstruction of Hatston Pier Road and upgrading street lighting.

2. Recommendations

The Committee is invited to note:

2.1.

That the Council, as Statutory Harbour Authority, is required to provide and maintain safe and reliable access to the Harbour Areas under its control.

2.2.

That parts of Hatston Pier Road are in need of substantial reconstruction and upgrading having been assessed as being beyond economic repair.

2.3.

That the street light columns on the section of Hatston Pier Road, from its junction with Grainshore Road, up to and including the car and lorry marshalling areas, are showing signs of failure and in need of replacement.

2.4.

That, on 13 March 2018, the Harbour Authority Sub-committee recommended that, as an exception to the Capital Project Appraisal process, due to the poor condition of the road surface and street lighting, the Executive Director of Development and Infrastructure should submit, to the Policy and Resources Committee, a Stage 2 Capital Project Appraisal in respect of the proposed reconstruction of Hatston Pier Road and upgrading of street lighting.

2.5.

That Phase 1 of the road reconstruction works were carried out in financial year 2017 to 2019 as a variation on the minor capital improvements programme at a cost of £155,000.

It is recommended:

2.5.

That the Stage 2 Capital Project Appraisal in respect of the proposed reconstruction of Hatston Pier Road, together with upgrading street lighting, attached as Appendix 1 to this report, be approved.

2.6.

That, as an exception to the Capital Project Appraisal process, due to the poor condition of the road surface and street lighting, the proposed reconstruction of Hatston Pier Road and upgrading of street lighting be added to the Non-General Fund capital programme, over the period 2018 to 2020, at a total estimated cost of £360,000, to be met from the Miscellaneous Piers Reserve Fund.

3. Background

3.1.

Hatston Pier Road is the access for all traffic using Hatston Pier, the harbour and economic areas surrounding the pier. The road, including pavements and street lighting, from its junction with Grainshore Road, is within the Harbour Area and therefore is the responsibility of the Harbour Authority to maintain. It was constructed as part of the Hatston pier development during the period 2000 to 2002.

3.2.

The first part of the road surface at Hatston Pier Road, from the junction with Grainshore Road up to the car check in facility for Serco NorthLink, just west of the car and lorry marshalling areas, was upgraded as part of other works in 2015. The street lights are the original installed between 2000 and 2002.

3.3.

On 13 March 2018, the Harbour Authority Sub-committee considered a Stage 1 Capital Project Appraisal in respect of the proposed reconstruction and upgrading of the road and street lighting at Hatston Pier Road. The Sub-committee noted:

- That parts of Hatston Pier Road were in need of substantial reconstruction and upgrading, having been assessed as being beyond economic repair.
- That the street light columns on the section of Hatston Pier Road, from its junction with Grainshore Road, up to and including the car and lorry marshalling areas, were showing signs of failure and in need of replacement.

3.4.

The Sub-committee subsequently recommended that, as an exception to the Capital Project Appraisal process, due to the poor condition of the road surface and street lighting, the Executive Director of Development and Infrastructure should submit, to the Policy and Resources Committee, a Stage 2 Capital Project Appraisal.

4. Options Appraisal

4.1.

The Stage 2 Capital Project Appraisal, attached as Appendix 1 to this report, outlines the following options:

- Option 1 – do nothing.
- Option 2 – upgrade the road and street lighting.

4.2.

The preferred option is Option 2 in that it would provide a reconstructed and upgraded road surface and upgraded street lighting for a further 10 to 15 years. This will provide best value for the Harbour Authority in operational, future business and financial terms – in that the existing road surface is beyond simple patch type repairs (a revenue cost) and a capital reconstruction and upgrade will provide the best value in the medium to long term. The same is applicable to the existing street lighting.

4.3.

Details regarding the proposed reconstruction and upgrading to the road and street lighting at Hatston Pier Road have been obtained from industry standards and specialist equipment providers. The length of road is in the order of 250 metres, dual width, namely a standard two-way traffic road, and capable of taking high load vehicles typical of port and harbour related traffic. This is the same standard as the previous reconstruction works mention in section 3.2 above. The street lighting will be to standard highway standard with marshalling areas to a minimum standard set industry standard documents for ports and harbours areas of this type.

5. Corporate Governance

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and Local Outcomes Improvement Plan.

6. Financial Implications

6.1.

The total cost of the project is estimated at £515,000 including professional fees. Phase 1 of the road reconstruction works were carried out in financial years 2017 to 2019 as a variation on the minor capital improvements programme at a cost of £155,000, and the Stage 2 Capital Project Appraisal outlines the case for the remaining road works together with the upgrade to the street lighting at an estimated cost of £360,000.

6.2.

The additional loan charges associated with the remainder of the proposed capital project works are estimated at £49,000 per annum and thereafter reducing over a 10-year period to £38,000 per annum.

6.3.

Although the Miscellaneous Pier and Harbours Account is currently operating at a deficit, in that planned expenditure currently exceeds planned income by £520,900 for financial year 2018 to 2019, this is largely due to an accelerated programme of works that is currently being delivered. Against the background that this trading account has been able to carry forward reserves of £5,912,845 as at 31 March 2018, it is considered that there is sufficient capacity to finance the additional costs associated with the proposed project works. The existing Hatston Pier Road surface is in poor condition and there have been problems with the street lighting. Therefore, this project is presented as an exception to the Capital Project Appraisal process.

7. Legal Aspects

7.1.

Section 95 of the Local Government (Scotland) Act 1973 requires the Council to make arrangements for the proper administration of its financial affairs. As part of this, the Council is expected to have regard to economy, efficiency and effectiveness in its use of resources.

7.2.

Section 35 of the Local Government in Scotland Act 2003 requires the Council to determine and keep under review the maximum amount which it can afford to allocate to capital expenditure. In so doing, the Council must comply with regulations made by Scottish Ministers.

8. Contact Officers

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9. Appendix

Appendix 1 – Stage 2 Capital Project Appraisal.

Appendix 1

Capital Project Appraisal – Stage 2

Capital Programme:	Non-General Fund
Client Service:	Marine Services
Project Name:	Hatston Pier Road – Proposed Upgrading

1. Background

Hatston Pier Road is the access for all traffic using Hatston Pier, the harbour and economic areas surrounding the pier. The road, including pavements and street lighting, from its junction with Grainshore Road, is within the Harbour Area and therefore is the responsibility of the Harbour Authority to maintain. It was constructed as part of the Hatston pier development during the period 2000 to 2002.

The first part of the road surface at Hatston Pier Road, from the junction with Grainshore Road up to the car check in facility and lorry marshalling for Serco NorthLink, was upgraded as part of other works in 2015 and 2017. The street lights are the original installed between 2000 and 2002.

This proposed project is to reconstruct and upgrade parts of Hatston Pier Road from the lorry marshalling area through to the change in surface from tarmacadam to concrete (where the actual suspended deck pier starts) and to upgrade the street light columns and lighting on the section of this road from its junction with Grainshore Road through to and including the car and lorry marshalling areas.

The specification for the road reconstruction and upgrade has been generated in conjunction with the Council's engineering team. The standard will be the same as the previous (first part) of Hatston Pier Road reconstruction carried out in 2015, as indicated above. This will allow continued use by all existing vehicles and increased use of vehicles in the future in particular heavy goods vehicles (HGVs).

The street lighting upgrade will provide new light columns throughout the area concerned, use LED Street/flood lights thus reducing electricity costs and light pollution and in general improve working conditions during the hours of darkness in the marshalling areas.

2. Options Available

The following options are available:

2.1.

Option 1 – do nothing.

2.1.1.

With the condition of the existing road surface this is not a realistic option. It has been assessed that large parts of Hatston Pier Road are beyond economic repair further adding to the case that the do-nothing option is not a viable or realistic option. Doing nothing would put income, amounting to £3,280,000, from Hatston Pier at severe risk, due to the inability of harbour users to gain access. The worst case is total closure of the road due to any health and safety concerns.

2.1.2.

Some might consider an alternative route to be Galt View – this is not a realistic, workable option for Serco NorthLink traffic in particular at this time. In respect of street lighting, there has already been one incident with a problem and a street light column.

2.1.3.

Due to the likelihood of a large loss in earnings and serious health and safety concerns this option is not considered plausible.

2.1.4.

The cost of maintaining the Miscellaneous Piers and Harbours estate and infrastructure is rising, both in capital and revenue terms. Medium and longer term plans are being developed that will indicate the entirety of the expected works and associated costs.

2.2.

Option 2 – upgrade the road and street lighting.

2.2.1.

This option would provide a reconstructed and upgraded road surface and upgraded street lights, therefore overcoming the present concerns regarding the serviceability of these two items for anything but the short term. In upgrading both of these their expected life will be extended and in particular to the road surface, the upgrade will mean an improved ability to cater for large HGVs well into the future.

2.2.2.

The proposal is to reconstruct Hatston Pier Road, from the lorry marshalling area through to the change in surface from tarmacadam to concrete a length of approximately 250m (where the actual suspended deck pier starts), and to upgrade the street light columns and lighting on the section of this road from its junction with Grainshore Road through to and including the car and lorry marshalling areas.

2.2.3.

This option is the preferred option in that it would provide a reconstructed and upgraded road surface and upgraded street lighting for a further 10 to 15 years. This will provide best value for the Harbour Authority in operational, future business and financial terms – in that the existing road surface is beyond simple patch type repairs (a revenue cost) and a capital reconstruction and upgrade will provide the best value in the medium to long term. The same is applicable to the existing street lighting.

3. Land Purchase Requirement

There are no land purchase requirements associated with this project.

4. Project Appraisal

	Criteria	Response
1.	Protects Existing Statutory Provision	The Council is the Statutory Harbour Authority by virtue of the Orkney County Council Act 1974, and therefore has a statutory responsibility to keep this road and services (eg street lighting) in good and usable condition for use by Harbour users.
2.	Meets Corporate Priority / Community Planning Goal	Not a corporate priority but works deemed necessary to keep roads and services in a good and usable condition for use by Harbour users.
3.	Protects Existing Assets	The existing parts of Hatston Pier Road referred to in section 1 above are in poor condition and beyond simple repair. The existing street lights in the area are showing signs of failure. The proposed reconstruction and upgrade works will protect these vital assets.
4.	Minimises Capital Cost	By using the reconstruction specification drawn up by Council Engineers and tendering for the same works using Contract Standing Orders, plus by using lighting designers to produce a Ports and Harbour compliant upgrade to the existing street lighting – will combined result in minimum capital cost and best end user results.
5.	Maximises Investment from External Sources	The proposed reconstruction and upgrade will ensure that the income from Hatston Pier can be maintained and grown without serious impact from possible road closure due to failure of the same.
6.	Beneficial Impact on Revenue Expenditure	There will be some minimal electricity savings by changing to LED street lighting. There will be a positive impact to the environment due to reduced night glare with the change to LED street lighting.

	Criteria	Response
7.	Linked to Other Council Provision	
(a)	Enhances Statutory Provision	Will protect the existing income generated by the Statutory Harbour Authority at Hatston Pier and area.
(b)	Protects or Enhances Discretionary Provision	The proposed reconstruction and upgrade is not discretionary as the Statutory Harbour Authority must maintain safe access, egress and working areas within its remit.
8.	Re-use of Derelict Land or Building	The proposed reconstruction and upgrade does not involve the re-use of derelict land and buildings.
9.	Promote or Enhance Orkney's Environment	With the proposed change of street lighting to LED the night light pollution will be reduced.
10.	Promote or Enhance Orkney's Heritage	The proposed reconstruction and upgrade does not promote or enhance Orkney's Heritage.
11.	Economic Prosperity or Sustainable Communities	The proposed reconstruction and upgrade will protect existing employment and local economy. It will also ensure that this is maintained for many years with the continued operation and possible growth of business through Hatston Pier and area.
12.	Enhances Council operations or Improves Health and Safety	The proposed reconstruction and upgrade will maintain existing operations and ensure that any growth in traffic / use at Hatston Pier and area can be catered for in the future. The upgrade of street lighting will improve general lighting levels and therefore the health and safety of employees and all Harbour users.

5. Financial Implications

The total cost of the planned works at £360,000, includes £173,000 of road reconstruction works and £187,000 to upgrade to the street lighting.

6. Risk Assessment

The ability to move all types of vehicles to and from Hatston Pier is vital to the operation of the same. Hatston Pier Road was constructed in the early 2000's and is now showing severe signs of wear and tear from regular car and commercial traffic using it. Without the proposed work being undertaken, there is a high and unacceptable risk that this road would be shut (either single or both lanes) for long periods with little or no notice.

The street light columns used on the road, car and lorry marshalling areas are showing signs of failure and therefore need to be replaced in the short term. This will mean that there is an opportunity to upgrade the lighting to LED type – leading to a small revenue saving – and for the lighting system in the car and lorry marshalling areas to be upgraded to 20 metre columns which are preferred for lighting such areas, again with LED light fittings. This should result in reduced light pollution and street lighting fit for purpose for many years.

7. Conclusion

From the details contained within this Stage 2 Capital Project Appraisal, it can be seen that the section of Hatston Pier Road from the lorry marshalling area to the change in surfacing from tarmacadam to concrete is beyond simple revenue repair. This leads to the only realistic option which is to reconstruct this section of road to a modern stand as agreed with Council engineers. This in turn will ensure that the economic viability of Hatston Pier and area is maintained well into the future.

The existing street lighting from the junction of Hatston Pier Road and Grainshore Road through to and including the car and lorry marshalling area is showing signs of failure. Therefore there is a need to replace this, with the opportunity to upgrade the lighting system to LED being proposed. This will provide a modern up to date and low light pollution lighting system.

Do nothing may result in the partial or partial closure of the pier access road, thus effectively putting a throttle on the business and use of this pier and area. The signs that the existing street lighting is failing is not acceptable.

8. Recommendations

After due consideration, it is recommended that the only option is for Hatston Pier Road to be reconstructed and the street lighting upgraded thus protecting existing and future business on Hatston Pier and area and improve the street lighting at the same time as reduce night light pollution. This is at a cost of £360,000 over the period 2018 – 2020.

9. Accountable Officers

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10. Financial Assessments

Annex 1 – Capital Assessment.

Annex 2 – Revenue Assessment.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED CAPITAL EXPENDITURE IMPLICATIONS

Capital Programme: **Development & Infrastructure - Harbour Authority**

Client Service: **Harbour Authority**

Project Name: **Hatston Pier Road - Upgrading**

		1	2	3	4	5		
CAPITAL COSTS	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Initial Costs (at inflated prices)								
Land or Property Purchase	-	-	-	-	-	-	-	
Other Site Costs (including Fees)	-	-	-	-	-	-	-	
Construction or Improvements	255.0	75.0	180.0	-	-	-	-	1
Information Technology Costs	-	-	-	-	-	-	-	
Plant, Vehicles & Equipment	91.0	91.0	-	-	-	-	-	2
Professional Fees - Consultancy - In-house	14.0	7.0	7.0	-	-	-	-	3
Gross Capital Expenditure	360.0	173.0	187.0	-	-	-	-	
2. Initial Funding (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Other Financial Assistance	-	-	-	-	-	-	-	
Total Grants Recievable, etc.	-	-	-	-	-	-	-	
Net Capital Cost of Project	173.0	173.0	187.0	-	-	-	-	
Net Council Capital Expenditure	360.0	173.0	187.0	-	-	-	-	2,3
Net Present Value	351.1	173.0	178.1	-	-	-	-	
Cost of Capital		5%	5%	5%	5%	5%	5%	
Year		0	1	2	3	4	5	

Notes - Additional narrative on main assumptions and support working papers

- 2018/19 cost is an estimate from internal Engineering Section for the refurbishment of Hatston Pier Road.
2019/20 cost is an estimate from internal Engineering Section for Civil Engineering work for new light columns, including overheads and 10% contingency.
- 2018/19 cost is the purchase of new light columns, LED floodlight fittings, erection and installation of same from standard industry costs for this equipment and installation
- 2018/19 and 2019/20 in house fees supplied as an estimate from internal Engineering Section.

STAGE 2 - CAPITAL PROJECT APPRAISAL
FINANCIAL ASSESSMENT OF ASSOCIATED REVENUE BUDGET IMPLICATIONS

Capital Programme: **Development & Infrastructure - Harbour Authority**

Client Service: **Harbour Authority**

Project Name: **Hatston Pier Road - Upgrading**

		1.00	2.00	3.00	4.00	5.00		
REVENUE COSTS / (SAVINGS)	Total £ 000	2018/19 £ 000	2019/20 £ 000	2020/21 £ 000	2021/22 £ 000	2022/23 £ 000	Onwards £ 000	Notes
1. Operating Costs (at inflated prices)								
Staff Costs	-	-	-	-	-	-	-	
Other Staff Costs (incl. recruitment, etc.)	-	-	-	-	-	-	-	
Property Costs	- 3.00	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	1
Supplies and Services	-	-	-	-	-	-	-	
Transport, Vessel and Plant Costs	-	-	-	-	-	-	-	
Administration Costs	-	-	-	-	-	-	-	
Apportioned Costs	-	-	-	-	-	-	-	
Third Party Payments	-	-	-	-	-	-	-	
Finance and Loan Charges	444.00	44.00	49.00	49.00	48.00	46.00	208.00	2
Miscellaneous Expenditure	-	-	-	-	-	-	-	
Gross Revenue Expenditure/(Saving)	441.00	43.50	48.50	48.50	47.50	45.50	207.50	
2. Operating Income (at inflated prices)								
Government Grants	-	-	-	-	-	-	-	
Other Grants	-	-	-	-	-	-	-	
Rents and Lettings	-	-	-	-	-	-	-	
Sales	-	-	-	-	-	-	-	
Fees and Charges	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	
Gross Revenue Income	-	-	-	-	-	-	-	
Net Expenditure/(Saving) of Project	441.00	43.50	48.50	48.50	47.50	45.50	207.50	
Increase/(Reduction) in Revenue Costs	441.00	43.50	48.50	48.50	47.50	45.50	207.50	3
Net Present Value	399.19	43.50	47.09	45.72	43.47	40.43	178.99	
Cost of Revenue		0.03	0.03	0.03	0.03	0.03	0.03	
Year		-	1.00	2.00	3.00	4.00	5.00	

Notes - Additional narrative on main assumptions and support working papers

1. Saving in utilities as a result of low energy street lighting lanterns
2. Loan charges associated with capital investment repayable over 10 years
3. Additional revenue costs to be funded from current revenue income streams