

**Harbour Board****5 October 2016****Emergency Linkspan Repairs at Vidlin Ferry Terminal****PH-15-16F****Team Leader – Port Engineering****Infrastructure Services Department****1.0 Summary**

- 1.1 This report is to inform the Harbour Board of emergency linkspan repairs at Vidlin Ferry Terminal carried out under exception to the Council's Contract Standing Orders.

2.0 Decision Required

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

3.0 Detail

- 3.1 The Council's Contract Standing Orders require competitive tendering where the estimated value of goods, works and services is in excess of £10,000. Where the estimated cost is equal to or greater than £50,000, appropriate advertising would apply in accordance with the Contract Standing Orders.
- 3.2 Standing Orders Part 1, Paragraph 2 (iii) provides an exception where: "The demand is for the execution of works or the supply of goods, materials or services, certified by the relevant Service Director as being required as an emergency measure so as not to permit the invitation of tenders. "Emergency" means only an event which could not reasonably have been foreseen."
- 3.3 During a condition survey of the Vidlin linkspan the Contractor, Ocean Kinetics, identified an issue with the linkspan hinge plates which required immediate attention.
- 3.4 The contractor identified that the hinge plate holding down bolts were worn, stretched, corroded and approximately 70% of the bolts were found to be broken.

- 3.5 It was also highlighted that the retaining chains for the linkspan were also attached to the hinge plate, rather than as designed, whereby the retaining chain should be bolted directly into the concrete structure so as to be independent from the hinge plate.
- 3.6 Excessive wear to the hinge point, and the hinge plate, was also observed.
- 3.8 The repair work was carried out between Tuesday 2nd February and Thursday 4th February 2016. This removed the Vidlin linkspan's availability as a diversionary port for the Whalsay ferry service. There was no impact on the Skerries ferry service.
- 3.7 The total cost for the repair work was £20,500.00 The circumstances narrated in this report could not reasonably have been foreseen and the real possibility of significant damage to vessels, with subsequent impacts on service demonstrate that emergency measures had to be carried out without going to tender.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Minimising damage to assets and transport infrastructure contribute to the outcomes in Our Plan 2016/2020:

Connections and Access –

The transport services we provide are the lifeblood of these islands.

- 4.2 Community / Stakeholder Issues – Community and stakeholders have a vested interest in ensuring that the transport services is managed and operated safely and in accordance with legislation and industry best practice.

- 4.3 Policy And/Or Delegated Authority – The Scheme of Administration and Delegations states that the role and authority of the Harbour Board is:

4.3.1 Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code; and

4.3.2 Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfill that function; and

4.3.3 To consider all development proposals and changes of service level within the harbour undertaking, including dues and charges, and make appropriate recommendations to the Council.

- 4.4 Risk Management – There are significant challenges in maintaining the safe and appropriate use of Council assets. Failure to effectively protect

and maintain these assets could increase risk to both the public and the Council.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – Any damage caused to Council vessels could result in pollution of the environment.

Resources

4.7 Financial – The cost of the emergency works described in section 3 of this report is £20,500.00 which has been met from within existing budgets.

4.8 Legal – There is a legal requirement for Port Operations to comply with EU Procurement Regulations and Council Contract Standing Orders.

4.9 Human Resources – None.

4.10 Assets and Property – None.

5.0 Conclusions

5.1 Immediate repair works were required to avoid further damage occurring to Council vessels, and ensure that scheduled services were unaffected. This was expedited by using the facility within the Council's Contract Standing Orders for emergency situations.

For further information please contact:

Andrew Inkster – Team Leader – Port Engineering

01806 244 264

andrew.inkster@shetland.gov.uk

14 September 2016

List of Appendices

None

Background documents:

None

**Harbour Board****5 October 2016****Ports & Harbours - Capital Maintenance and Replacement Programme****PH-16-16F****Director Infrastructure Services
Executive Manager Ports & Harbours****Infrastructure Services****1.0 Summary**

- 1.1 This report sets out for approval the projects which fall within the Harbour Board's remit and forms part of the Infrastructure Services Department's Capital Maintenance and Replacement programme. These maintenance and replacement programmes are developed annually based on condition surveys of the service assets and are funded by an approved budget within the Council's 5 Year Asset Investment Plan.

2.0 Decision Required

- 2.1 That the Board APPROVE the projects in the Infrastructure Services Department's Capital Maintenance and Replacement Programme for 2017/18.

3.0 Detail

- 3.1 On 29th June 2016 the Council approved a revised "gateway process" for managing the Asset Investment Plan (AIP) which incorporated the five cases Business Case model. The guidance document on the Gateway Process for the Management of Capital Projects states that "where projects fall within a programme of Capital Maintenance, an annual budget may be included in the Council's Asset Investment Plan, covering several of these relatively low value projects. A Business Justification Case is required to establish such a programme, and the annual budget required, but the individual projects within such a programme are not listed and reported on as part of the Asset Investment Plan. The promoting service must however review the content of such programmes and submit these to the relevant service committee for approval annually."
- 3.2 The table below sets out the individual projects forming the maintenance and replacement programmes in the AIP for Ports &

Harbours Operations for the financial year 2017/18. These programmes were previously established in line with the guidance in paragraph 3.1 above, and have now been reviewed for 2017/18.

<u>PCM 2101- Plant Vehicles and Equipment</u>	<u>£70k</u>	This budget in 2017/18 will be used to replace vehicles which have reached or exceeded the Council's standard replacement criteria. At present, five vehicles are over six years old.
<u>PCM 2014 – Navigation Aids</u>	<u>£70k</u>	This budget will be used to continue works to replace existing Navigation Aids with modern LED technology. These upgrades are having a very positive effect on Nav Aid availability, and a much reduced maintenance demand.
<u>PCM 2156 – Small Ports Cathodic Protection</u>	<u>£350k</u>	As previously reported to the Board, a rolling programme of cathodic protection installation at small ports was instigated in 2016, with the installation of a system on the original Cullivoe finger pier expected to be complete by mid December. A priority ranking over ten years has been drawn up, and works in 2017/18 will focus on the East finger pier in Scalloway Harbour. These works will entail the installation of a sacrificial anode cathodic protection system, with repairs to fendering and other quay furniture taking place at the same time.

4.1 Strategic

- 4.11 Delivery On Corporate Priorities – Our Plan 2016-2020 states “we will have prioritised spending on building and maintaining assets and be clear on the whole life costs of those activities to make sure funding is being targeted in the best way to help achieve the outcomes set out in the Corporate Plan”.
- 4.12 Community /Stakeholder Issues – There is a clear expectation from the Community and our stakeholders that the Council will plan to maintain and replace its infrastructure assets to ensure the delivery of frontline service and maintain transport connectivity.
- 4.13 Policy And/Or Delegated Authority

Harbour Board

Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.

Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.

Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council.

- 4.14 Risk Management – Failing to adequately resource the maintenance of the infrastructure that underpins the delivery of frontline services and

transport connectivity creates a risk of service disruption and associated reputational damage. The regular maintenance of assets and replacement of end of life assets ensures compliance with legal duties. Routine regular maintenance prevents the deterioration of assets and keeps them functional saving more significant replacement costs.

4.15 Equalities, Health And Human Rights –N/A

4.16 Environmental – The department is responsible for ensuring infrastructure and assets are managed in away to prevent pollution and reduce carbon emissions. Routine maintenance programmes are a significant control measure to prevent accidental spills, pollution and enables energy efficiency measures to be put in place.

4.2 Resources

4.21 Financial – The total budget required for the Ports & Harbours Operations' capital maintenance programmes in 2017/18 is £490k. These will be incorporated into the 5 Year Asset Investment Plan 2017-22 and will be funded by income from the Harbour Account in line with the Capital Funding Policy in the Medium Term Financial Plan.

4.22 Legal – The regular maintenance of assets and replacement of end of life assets ensures compliance with legal duties and compliance with relevant regulatory and inspection regimes.

4.23 Human Resources – N/A

4.24 Assets And Property – The routine maintenance and replacement projects within this programme are part of the Council's strategy to manage its existing assets in a functional condition and replace them at the end of their useful life.

5.0 Conclusions

5.1 The 5 year AIP contains a number of repair and replacement programmes for which a budget has already been approved through the gateway process, the detail of the individual projects are agreed each financial year by the Harbour Board.

For further information please contact:
John Smith
Executive Manager – Ports & Harbours
jrsmith@shetland.gov.uk

List of Appendices

None

END

**Harbour Board****5 October 2016****Scalloway Fishmarket Draft Business Case****PH-17-16F****Director of Infrastructure
Executive Manager- Ports and Harbours****Infrastructure Services
Department****1.0 Summary**

- 1.1 This Draft Business Case has been prepared to determine the best value option for the future of the Scalloway Fishmarket.
- 1.2 The Draft Business Case has demonstrated that Option 4, Rebuild and Extend the Scalloway Fishmarket to a high quality, modern standard on the existing site provides the best balance between cost and benefit for the Council and the wider Shetland economy.

2.0 Decisions Required

- 2.1 That the Harbour Board NOTES the information contained in this report and RECOMMENDS that the Director of Infrastructure, or her nominee, progress the preferred option, Rebuild and Extend the Scalloway Fishmarket on its current site with European Maritime & Fisheries Fund support, through the Council's Gateway Process for the Management of Capital Projects.

3.0 Background

- 3.1 The Council initiated a review of the options for development of Scalloway Harbour in 2015 to best meet its medium and long term objectives.
- 3.2 It became clear that the most significant issue at Scalloway Harbour was the condition of the Fishmarket and decisions on what should be done to remove, refurbish or replace it needed to be made as soon as possible.

4.0 Draft Business Case

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

4.2 The primary objective of this Draft Business Case is:

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

4.3 It quickly became clear that a significant issue at Scalloway Harbour was the condition of the Fishmarket and decisions on what should be done to remove, refurbish or replace it needed to be made as soon as possible.

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

4.4 The Draft Business Case has demonstrated that Option 4, Rebuild and Extend the Scalloway Fishmarket to a high quality, modern standard on the existing site provides the best balance between cost and benefit for the Council and the wider Shetland economy.

5.0 Next Steps

5.1 An application has been submitted to the European Maritime and Fisheries Fund (EMFF) for 50% grant funding of the preferred option. That application is being considered with a decision expected late November.

5.2 There are obligations on EMFF bidders to have materially progressed projects to the tendering stage by the time funding approval is considered. There are also time incentives to progress a decision on the way forward for Council operational reasons including volume and quality demands on the current facility.

5.3 The business case will now be considered by the Asset Investment Group and will be reported to Policy & Resources and Council by the Executive Manager - Capital Programmes in line with the approved Gateway Process.

- 5.4 Should Council approval be obtained, it is proposed to progress implementation of the next phases of project development, i.e. the tendering and appointment of a design team as promptly as possible.
- 5.5 Once grant approvals are in place and overall asset investment decisions have been made, a further report will be brought before Council to confirm if implementation should proceed to the next stage
- 5.6 If grant approvals are not obtained, a further report will be brought before Council to review options from there.

6.0 Implications

Strategic

6.1 Delivery On Corporate Priorities –

Shetland is a group of islands and “Our Plan – 2016 to 2020” identifies transport links to and from, and within, the islands as our life blood. Shetland’s Ports and Harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports & Harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.

Our Plan recognises that Shetland’s future prosperity is dependent on maintaining a sustainable economy and contains the objective;

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

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

Our Plan also states;

- “we will have prioritised spending on building and maintaining assets and be clear on the whole life costs of those activities to make sure funding is being targeted in the best way to help achieve the outcomes set out in the Corporate Plan”.

6.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders has been carried out extensively (see appendix a) and their views have informed the development of this Draft Business Case.

6.3 Policy And/Or Delegated Authority –

Harbour Board

Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.

Act as Duty Holder required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.

Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council

- 6.4 Risk Management – This strategic review includes considerations of the requirement for the Council to maintain fit for purpose assets that meet Health and Safety and Environmental health requirement, spend its limited funds responsibly, manage financial risk and contribute to economic development and other community benefit.
- 6.5 Equalities, Health And Human Rights – All Port infrastructure must provide a safe working environment and any Fishmarket must comply with relevant environmental health requirements.
- 6.6 Environmental – All Port infrastructure must manage its impact on the environment with particular obligations when handling a food commodity like fish.

Resources

- 6.7 Financial – The preferred option is estimated to cost £3 million. An application for 50% of the funding was made to the EMFF in September 2016, which was the closing date for applications. If this application is successful the capital cost to the Council will be £1.5m.

When the project is complete it is expected to contribute to a 2.5% increase in the value of port landing charges through achieving a quality price improvement premium, and reduce operational costs by 10%. At current landing levels this would result in a reduction in operating costs of £7k and an increase in landing fees of £5.5k to the Council.

The economic appraisal section of the Draft Business Case has been reviewed by Finance Services, who have agreed that the calculations are within an acceptable tolerance level and provide the correct ranking for the options.

In line with the Council's Medium Term Financial Plan and the Borrowing Policy the capital cost to the Council of £1.5m would be funded by borrowing, with debt charges to the Harbour Account.

The costs of tendering and meeting the initial costs of the design team for the Council will be met from existing Ports & Harbours budgets.

- 6.8 Legal – None.
- 6.9 Human Resources - None.
- 6.10 Assets And Property – The Council's Building Services, Capital Programme and Planning Services have all been consultees in this review.

7.0 Conclusion

- 7.1 The Council has a duty to demonstrate that it is achieving Best Value in all its activities. Part of meeting that duty is the thorough review of all substantial activities from time to time and the rigorous evaluation and comparison of alternative ways of achieving outcomes and meeting objectives.
- 7.2 Scalloway Harbour is a key component in the Shetland Fishing industry and indeed of regional and national significance in terms of its whitefish landings. The existing Scalloway Fishmarket is coming to the end of its viable life due to its age and the developing requirements of the industry without significant investment one way or another.
- 7.3 Using the Better Business Case approach has demonstrated that the option to Rebuild and Extend on the existing site can provide a positive impact for both the Council and the wider economy even when assessment is limited to the quantitative monetary effect. There are also clear non cash releasing quantitative and qualitative benefits which add to the strength of the case. The Draft Business Case is further strengthened by the potential availability of significant EMFF support.

For further information please contact:

John Smith

Tel: 01595 744201 E-mail: jrsmith@shetland.gov.uk

15 September 2015

Appendices

Appendix A – Scalloway Fishmarket Draft Business Case

Background Documents

Scalloway Harbour Update Report + Minute – Harbour Board – June 2016

Scalloway Harbour Review + Minute – Harbour Board – February 2016

Scalloway Harbour Review + Minute – Harbour Board – October 2015

Scalloway and Sullom Voe Masterplans + Covering Report and Minute – Harbour Board, 8 October 2014

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16728>



Scalloway Fishmarket Business case

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

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



1 The Strategic Case

- A project was initiated in 2015 to review the Council's options for the future of Scalloway Harbour. That project considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.
- A Scalloway Fishmarket "Option Appraisal" study was initiated in March 2016 to consider options and prepare a business case to select and support the preferred option. Progress on that study was reported to the Council's Harbour Board in June 2016 – Appendix 1a – Interim Option Appraisal.

1.1 Objective

- The Council is committed to being a properly led and well managed organisation making sure resources are used in the most effective way possible.
- The primary objective of this Business Case is:

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

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

2.1 Background and Strategic Context

- Scalloway Harbour and Scalloway Fishmarket is owned by the Council and operated by its Ports & Harbours Service.
- The Council understands that the provision and operation of harbours or fishmarkets are not statutory obligations. Where the Council chooses to deliver discretionary services like this it must take particular care to demonstrate those services meet important needs, address market failure and/or deliver benefits to the Council and/or the community that justify the level of investment or funding required.
- Widespread understanding and agreement exists that fisheries is a key sector in the Shetland economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches



in good condition and in a way that meets customer demands. Further details of the impact of Shetland Fisheries can be found in Appendix 1b. This business case is focused on the specific question of whether and how a fishmarket at Scalloway makes a contribution to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of how that is done.

2.2 Links to Policy and Priorities

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

Councils Corporate Plan - "Our Plan"

- "Our Plan" recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.
- Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our life blood. Shetland's ports and harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right ports & harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.
- If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.
- The following Economy & Housing objectives are also detailed in the Corporate Plan:

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

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



Council Economic Development Policy

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

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

Community Plan

- The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.
- The Community Plan incorporates the Local Outcome Improvement Plan (LOIP) which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are:

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

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

National Strategy and Outcomes

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

“to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”
- Scotland’s Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the ‘investment’ priority, the ‘business investment’ strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in.



- Shetland's economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a range of socio-economic indicators and outcomes against which economic performance is measured.
- Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).
- Scottish Government strategic framework for the Scottish sea fishing industry, states at the heart of the strategic agenda must be the sustainability of fish stocks. Supporting that central objective, further themes are identified as providing the means by which sustainability of the fish stocks, the marine environment supporting those stocks and the fishing industry itself might best be achieved.

These are as follows :

- Support for fishing communities
- An economically competitive industry
- A focus on quality
- An inclusive approach to fisheries management.
- Under the focus on quality, aims include to encourage and give priority in financial support to initiatives to add value to fish products landed in Scotland.
- Marine Scotland European Maritime & Fisheries Fund ("EMFF") Guidance concerning projects in line with strategic priorities and eligible for grant funding, includes investments in fishing ports, landing sites, auction halls and shelters. For the purpose of increasing the quality, control and traceability of the products landed, increasing energy efficiency, contributing to environmental protection and improving safety and working conditions, the EMFF may support investments in improving infrastructure of existing auction halls.

Local Sectoral Strategies

- The relevant local sectoral guidance is the "Strategy for Shetland Seafood". It includes several priorities relevant to this project including:-
- Business development, in order to develop viable businesses, assistance will be targeted towards commercially viable projects which contain elements of: innovation; market driven business expansion; diversification of product,



process or market; fishing fleet improvements; new technologies or new production methods.

- In order for Shetland's seafood producing companies to achieve greater success there is a need for a range of successful on-shore support services, e.g. marine engineering and port facilities, etc. Investment in these areas, and other fisheries infrastructure, will provide collective benefit to the whole seafood industry.
- Promote best practice, sharing information on best practice and providing evidence of the benefits achieved will create incentives to increasingly pursue higher standards in all areas of seafood development. Where best practice schemes already exist, businesses should be encouraged to participate i.e. Responsible Fishing Scheme, Code of Good Practice for Scottish Finfish Aquaculture, etc.
- Quality; In a highly competitive global market place improvements in product consistency and reliability through improved quality control and monitoring can enhance a product's attractiveness.
- Quality improvements should be encouraged at all stages in a product life cycle e.g. new catching methods; vessel improvements; better handling of farmed species; hygiene and food safety upgrades; improving the conditions in which products are harvested, landed, processed, stored and auctioned.
- Efficient and effective operational techniques, research and investment into new techniques can be targeted to secure improvements to operational efficiency and energy use within the industry that can help to mitigate the high costs of production in Shetland. This can lead to improved productivity and therefore profitability.
- Modernisation of equipment and facilities, investment is crucial to the growth and development of an industry. In a global market place remaining competitive requires being up-to-date. For example, technological advancements, non-statutory health and hygiene improvement, increasing environmental responsibilities etc. require ongoing investment in equipment and facilities.

2.3 Background on Shetland Whitefish fishmarkets –

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



- As individual merchants' sheds were no longer able to provide the scale and quality of services required, the port owners became the owners and providers of the then modern facilities built in the 1970s. The use of these facilities was paid for through a levy on fish landings at the port.
- Port ownership of fishmarkets remains the common operational model in Scotland.

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

Historic and Current Whitefish Landings

- Demersal (whitefish) landings are the mainstay of the fisheries activity at Scalloway, accounting for around 95% of all annual landings. The Council receives 2.5% of sale prices for fish landed at Council owned and operated ports as landing fees.
- There has been long term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15. Between 2010 and 2014 total fish landings at Scalloway Fishmarket have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16.
- The number of boxes landed into Shetland including Scalloway has increased significantly, as have both the average sizes of daily landings and peak box landing numbers. Between 2003 and 2006 Scalloway Fishmarket had only one market day per year exceeding 1,000 boxes and there were no days where more than 2,000 boxes were landed in Shetland overall. In 2014 there were 24 days where over 1,000 boxes were landed at Scalloway, including one day with over 2,000 boxes and in 2015 there were 21 days. There have already been 18 days where over 1,000 boxes were landed in the first half of 2016. By 2015 there were 36 days where the Shetland total of boxes landed was over 2,000 and three days when there were over 3,000 boxes landed between Scalloway and Lerwick.
- The total number of boxes landed into Scalloway has risen year on year, from 13,619 in 2004, to 96,652 in 2015, an increase of 610%. This is also reflected in the proportionate share of overall Shetland box landings being made into Scalloway and associated Council ports, which has risen from a low of 10% in 2004 to a high of 34% in 2014, and is currently 41% for the first half of 2016.



- It should also be noted that the increase in landing figures to the market may not reflect the true level of demand for Scalloway as a landing port, as vessels are sometimes turned away, due to a lack of capacity. Therefore actual demand at peak times may well be higher than indicated by these figures. Scalloway and Lerwick fishmarkets operate in a complimentary manner offering landing sites on the west and east side of the Islands
- Increased landings into both Lerwick and Scalloway underline their continued and growing strategic importance to the Scottish fishing industry. Initiatives such as the Electronic Auction and Shetland Whitefish Improvement Scheme have helped to push these advances forward.
- A review of quality policies and procedures was jointly undertaken for both Lerwick and Scalloway fishmarkets last year, including the development of a service framework for a complete quality control system. This quality control system is being further developed within a second phase project which is currently being undertaken. Both these projects have been jointly funded by Seafish Scotland and local industry.
- However, in order to retain and improve on these advances and keep pace with customer requirements and consumer demands, modern and enlarged fishmarket facilities are required at both these ports.
- Plans for a new fishmarket in Lerwick are at an advanced stage, and this facility has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

Projected Whitefish Landings and future Customer Requirements

- Whitefish catches and landings are subject to fluctuation over time both in terms of volume and price. Forward projections are very difficult as there are many variables. Various landing volume scenarios can be generated depending on assumptions applied to factors external to any choice about fishmarket arrangements such as; fish stocks, quotas and licensing, the size and structure of the fishing fleet, and consumer markets and demands for fish. Different combinations of how these factors develop will influence the eventual validity of choice of projection. Brexit is also a very uncertain factor in how fishing arrangements around Scotland and Shetland may develop over the coming years.
- Because of these complex and numerous effects, for the purposes of the quantitative cost/benefit calculations in this Business Case, volumes have been assumed to be stable. This allows options to be compared on the most straightforward basis.



- It is also difficult to estimate the internally generated impact on Scalloway and/or Shetland landing volumes that a better Scalloway Fishmarket (more space/more modern), a degrading Scalloway Fishmarket (congested space/being left behind by modern quality demands) or no Scalloway Fishmarket (fish landed at other ports/transhipped to Lerwick or transhipped out of Shetland) would make. The tendency of each of these alternatives to generally increase or reduce landing volumes and values can however be identified. A modern high quality facility with increased capacity should tend to attract higher volumes than otherwise.
- The trend of long term whitefish volume and value growth is paralleled by increasing quality premiums and obligations. The whitefish industry is now entering a phase similar to that already seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification. This means that both the current market, and any new developments in Scalloway, will have to keep pace with change in order to both satisfy increased quality assurance demands and remain competitive. For the purposes of the quantitative cost/benefit calculations in this Business Case, fish prices have been assumed to increase by 2.5% due to a price improvement premium. That allows options to be compared on a realistic basis.

2.5 Background on current service provision - the existing Scalloway Fishmarket

- The current fishmarket was built circa 1970 with an extension and refurbishment in the early 1990s, the fishmarket is a portal frame structure with concrete slab floors. Walls are block and dash rendered to the ground floor with profile sheeting at first floor level.
- The roof has profile sheeting and the building is double glazed throughout. Sectional doors are situated along the east and west elevation with solid timber doors for pedestrian access and egress. The ground floor provides storage of just below 600m² and the first floor provides storage of 450m² and also has offices.
- The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping of up to about 1,000 boxes of mixed whitefish. That storage efficiency is also affected by the number of boats landing and the nature of their catch on any given day. Each boat's catch needs to be managed individually and each species of fish graded and presented separately. Therefore more boats with mixed catches need more space.



- On a typical landing day in recent years there are likely to be up to 50+ species/grade combinations sold which can be multiplied by three to seven boats. Beyond 1,000 boxes, facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations having to be conducted outside the doors of the market and therefore outside controlled conditions.
- The structure of Scalloway Fishmarket is now aged and reaching the end of its serviceable life without significant work. Its facilities are unlikely to be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business.
- The fishmarket is currently running with various defects to the building. The roof has surpassed its economic life and has water ingress at the south end of the building. Some of the window frames have failed with water ingress to some of the units.
- With increased landings the floor space does not always allow walkways, with building users having to walk over fishboxes at times. This congestion and changes in industry processes have meant that the space is often very constrained which has contributed to damage being caused by logistic operations suffering collisions with doors and walls.
- The electrics throughout the building will need to be replaced shortly; a building electrical test was carried out and reported a list of emergency and urgent faults. The electrics have had the emergency faults addressed, but the urgent faults are still to be rectified.
- The building has various gaps and fire breaches throughout contributing to cold air leakage. These gaps should be sealed in walls, ceilings and doors for air leakage and to help prevent the spread of fire.
- Bays are currently washed down with a hose and all waste transfers to the sea. Current practices means there should be a drain inside the property that leads to a separator tank before being drained away.
- General security needs to be improved; the current operation allows unsupervised access to the building. A CCTV system is being installed, but further management of access to the property should be provided to better control access and egress.

2.6 Investment objectives



- The justification for any spending by the Council on non-statutory services such as a fishmarket at Scalloway must demonstrate how that spending provides value for that cost. For Scalloway Fishmarket that means making a contribution to sustaining and maximising benefits to the Council and Shetland from the Shetland Fisheries sector balanced against the cost of how that is done.
- Investment objectives that allow that to be tested for this Business Case were established through reference to the overall objective for this Business Case;

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

- Extensive consultation was then undertaken with stakeholders, examination of Council and sectoral strategic plans, and the application of the principles of best value to translate that overall objective into;
 - Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
 - All services and facilities the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
 - Any investment of public money must be done as efficiently as possible in value for money terms, whole life costs and impacts etc. (efficiency).

2.7 Main benefits

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

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

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

2.8 ‘Dis-benefits’

- As well as considering benefits from any continued service provision or enhancement it is important to understand “dis-benefits” from its reduction or removal.
- Apart from the potentially forgone opportunity cost dis-benefit of any investment, other dis-benefits link to prejudicing or reducing benefits to the Council, mainly reduced income for lower volume/value landings and more widely to the Shetland community through the Shetland whitefish sector.
- Degraded or removed facilities at Scalloway could lead to reduced fish quality and landings (or a failure to exploit an opportunity for growth) and therefore lose income to both the Council and primary producers. Other dis-benefits could include increased transport costs and double handling, inability to meet quality and legislative requirements and ultimately loss of profitability or employment.



- Quantifying the potential scale of these dis-benefits is difficult but a significant factor would undoubtedly be the availability or lack of alternative facilities to provide the same service within Shetland (i.e. at the Lerwick fishmarket) or whether those services would have to be obtained outside Shetland (boats landing to Scotland or trans-shipping to Scottish markets or buyers).
- At this time Lerwick fishmarket has similar capacity problems as Scalloway, typically has its peak demands at the same time, and cannot accept fish from Scalloway when those peaks occur. The new facility which Lerwick Port Authority are planning will have additional capacity but will also have to cater for more space-demanding fish handling obligations as future quality demands and regulations rise.

2.9 Main risks

- The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.
- A risk evaluation of each option is set out below and risk management arrangements for delivery of the preferred option is included in Appendix 6a – Project Initiation Document.

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



2.10 Constraints and Dependencies

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

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

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

It is likely that this may be the last round of funding for this programme due to Brexit. The Treasury have stated that they will guarantee any funds approved under EMFF prior to the Autumn Statement, therefore a decision in relation to this funding is expected by the end of November.

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

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



3. The Economic Case

3.1 Introduction

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

3.2 Critical success factors

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

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

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

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

3.3 The short list

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

This list has been re-visited in this Business Case and remains valid. For completeness the second “do minimum” option has been added, 1a – Maintain the existing Scalloway Fishmarket through rolling repairs



- **Option 1a-** Maintain the existing fishmarket through rolling repairs

This option would work within the existing physical footprint of the existing building. Maintenance and repairs would be undertaken on a rolling basis targeted on the most urgent works in sequence. While this repair and maintenance should be able to maintain basic quality standards, it would not increase the space available within the market, so that constraint would continue. Further details of the work currently identified as necessary over the next 30 years is summarised below and in Appendix 3a – Scalloway Fishmarket Maintenance Plan.

- **Option 1b-** Demolish the Scalloway Fishmarket and tranship fish to other markets.

This option would mean the closure of Scalloway Fishmarket and its demolition. It would then become the responsibility of the boat landing fish or their agents, to arrange onwards transport to some other market. This arrangement will give rise to a need to review whitefish landing dues as the use of a fishmarket has been a fundamental component of their pricing. Whitefish landing dues are 2.5% by value, in comparison Salmon landing dues, where no market facilities are provided, are about the equivalent of 0.05% when calculated by value.

Options 2 – 4 are all based around an expanded fishmarket size and adapted layout which would offer additional capacity and would have a range of modern facilities designed in. These options would provide:

- Increased floor capacity to be able to handle increased peak landings on individual days, and carry out logistics, grading and fish management operations safely and efficiently.
- A widened fishmarket to cope with the introduction of palletisation and electric forklifts. The current fishmarket is very narrow which leads to restricted movement of both pallets and forklifts within the building, and this has been highlighted as a safety issue.
- Additional room to house grading machinery. A pilot project of grading fish both pre and post-sale has recently begun at the market, as a quality control and value adding exercise. This appears to be operating well, however it is taking up floor space within the building which is already very cramped, and a dedicated grading area for this machinery would be required within a modernised facility.
- The introduction of a transport corridor. This has become imperative due to the introduction of palletisation of fish. A transport corridor would allow for the safe



and controlled storage for onward movement of palletised fish, in conjunction with covered loading bays.

- Dedicated overnight forklift charging points. Currently there are no specific charging points for forklifts, and this has led to congestion within the building.
- The introduction of covered loading bays. Fish are currently loaded into trucks outside the fishmarket which can lead to potential temperature control and contamination issues. This is not considered appropriate for a modern fishmarket facility, and has been highlighted as a potential quality and food safety issue. Covered loading bays would solve these issues.
- The upgrading of welfare facilities for fishmarket workers and visitors, including a washing and shower room, tea room, laundry, drying room and changing area. None of these facilities are currently available at the fishmarket.
- The use of a renewable energy source, from photovoltaic roof panels to help power chilling within the fishmarket. This will not only result in reduced environmental impact, but could also reduce the overall electrical running costs of a modernised fishmarket by a third.
- **Option 2** – Would be a new build on the net mending area to the south of the current fishmarket. It would require similar works to option 4 but would also require additional ground works and a new steel frame.
- **Option 3** – Would be a new build on a new West Quay so would require similar works to option 2 but also require the new quay to be built.
- **Option 4** – Would be on the same site as the existing fishmarket and use the existing foundations and steel frame but extend backwards to give additional capacity.

3.4 Economic appraisal

3.4.1 Introduction

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

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



3.4.2 Estimating costs

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

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

3.4.3 Comparison of Costs for Each Option

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

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

	Option 1a	Option 1b	Option 2	Option 3	Option 4
Option	Rolling Repairs	Demolish & Tranship	New Build	New Build / New Quay	Rebuild
Capital Cost	£1.3m	£0.2m	£5.1m	£15m	£3m
Annual Revenue Cost	£77,000	£45,000	£70,000	£70,000	£70,000

3.4.4 Estimating benefits

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

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

3.4.5 Quantifiable Benefits

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



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

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

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

Monetary benefit value calculations for the options have used the following price, volume and harbour landing dues assumptions. These are documented in more detail in Appendix 4a – NPV calculation assumptions.

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

Options 2, 3 and 4- No change in landing volume, no change in the level of landing and a 2.5% increase relative to current price achieved through a quality improvement price premium.

3.4.6 Qualitative Benefits

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

Rather than attempting to evaluate these benefits in monetary terms, which may be necessary in some business cases, this study assessed these benefits as qualitative



only. This was to manage the workload of generating the business case and a reflection of the strength of the direct monetary case.

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

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

The benefits identified fell into the following main categories.

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

3.4.7 Qualitative benefits appraisal

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

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

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



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- Disruption to service - (direct link to sustaining landing volumes and value during any period of disruption)

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

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

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

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

Factor	Weight	Option 1a Rolling Maintain		Option 1b Demolition		Option 2 New Build		Option 3 New Quay		Option 4 Refurbishment	
		Score	Total	Score	Total	Score	Total	Score	Total	Score	Total
General quality of facility	30	5	150	0	0	9	270	9	270	9	270
Location of facility	20	9	180	0	0	6	120	6	120	9	180
Staff/visitor amenities	25	0	0	0	0	9	225	9	225	9	225
Quality accreditation	15	3	45	0	0	9	135	9	135	9	135
Disruption to service	10	9	90	0	0	7	70	9	90	7	70
Total	100		465		0		820		840		880

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

Option 1a – Maintenance

- This option ranks 4
- It provides a good location with no disruption to service, however the facilities are not of sufficient quality for a modern fishmarket, are unlikely to achieve quality accreditation, and contain no welfare amenities.

Option 1b – Demolition

- This option ranks 5



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

Option 2 – New Build

- This option ranks 3
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It would result in some disruption to service due to its location as it would not be as suitable as the current fishmarket.

Option 3 – New Quay

- This option ranks 2
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It would not result in disruption to service due to its location, but is not in as suitable a location as the current fishmarket.

Option 4 – Rebuild and Extend

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

Qualitative benefits appraisal conclusions:

- Option 1a – 4
- Option 1b – 5
- Option 2 – 3
- Option 3 – 2
- Option 4 – 1

The preferred option from this benefits appraisal is therefore option 4, rebuild and extend the existing facility.

3.4.8 Net Present Value analysis

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

- Capital costs of each option is taken from the cost estimates for its provision.
- A lifespan of 30 years has been assumed for the facility.



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- All NPV calculations have been presented with a +20%, optimistic scenario and a -20% pessimistic scenario as offsets from the Realistic baseline.
- Breakeven and 30 year NPV's for all options including Council and wider benefits are evaluated.
- EMFF grant scenarios are presented for relevant options.
- A 3.5% discount rate is used across NPV calculations

Determination of realistic costs and income for each option.

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

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

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

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

NPV Calculations (Figures rounded to ,000)			
<u>Option 1a Maintenance</u>			
Breakeven in Years			
	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	1	1	1
Scenario 2 No Grant Inc Wider Benefits	>30	>30	>30
NPV @ 30 Yrs	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	2,292	1,437	583
Scenario 2 No Grant Inc Wider Benefits	-14,386	-12,461	-10,535
<u>Option 1b Demolition</u>			



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Breakeven in Years			
	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	6	>30	>30
Scenario 2 No Grant Inc Wider Benefits	>30	>30	>30
NPV @ 30 Yrs	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	397	-9	-416
Scenario 2 No Grant Inc Wider Benefits	-6,402	-8,508	-10,431
Option 2 New Build			
Breakeven in Years			
	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	30	>30	>30
Scenario 2 No Grant Inc Wider Benefits	13	22	>30
Scenario 3 50% Grant Council Benefits Only	12	23	>30
Scenario 4 50% Grant Inc Wider Benefits	7	10	18
NPV @ 30 Yrs	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	1	-1,962	-4,136
Scenario 2 No Grant Inc Wider Benefits	3,911	1,296	-1,530
Scenario 3 50% Grant Council Benefits Only	1,959	486	-1,199
Scenario 4 50% Grant Inc Wider Benefits	5,869	3,744	1,408
Option 3 New Quay			
Breakeven in Years			
	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	>30	>30	>30



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Scenario 2 No Grant Inc Wider Benefits	>30	>30	>30
NPV @ 30 Yrs	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	-7,322	-11,221	-15,120
Scenario 2 No Grant Inc Wider Benefits	-3,412	-7,963	-12,514
Option 4 Rebuild and extend			
Breakeven in Years			
	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	14	>30	>30
Scenario 2 No Grant Inc Wider Benefits	7	12	22
Scenario 3 50% Grant Council Benefits Only	7	12	30
Scenario 4 50% Grant Inc Wider Benefits	4	6	10
NPV @ 30 Yrs	Optimistic	Realistic	Pessimistic
Scenario 1 No Grant Council Benefits Only	1,616	-44	-1,704
Scenario 2 No Grant Inc Wider Benefits	5,576	3,256	935
Scenario 3 50% Grant Council Benefits Only	2,762	1,388	14
Scenario 4 50% Grant Inc Wider Benefits	6,722	4,688	2,654

Option 1a- Maintain the existing fishmarket through rolling repairs

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

Option 1b- Demolish the Scalloway Fishmarket and tranship fish

- This option ranks 4



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

Option 2 – Replace the fishmarket on an adjacent but existing site

- This option ranks 2
- This provides a moderate return for the Council if EMFF grant funding is secured, however on the pessimistic scenario return is negative. There is however a positive outcome when wider benefits are taken into consideration.

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

- This option ranks 5 with or without EMFF grant
- This provides a significant negative return for the Council, which is not outcome when wider benefits are taken into consideration. Please note due to time restraints no EMFF funding would be available for this option.

Option 4 – Rebuild and extend on the existing fishmarket site

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

NPV appraisal conclusions:

- Option 1a – 4
- Option 1b – 5
- Option 2 – 2
- Option 3 – 3
- Option 4 – 1

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



3.5 Risk appraisal

*Note: the risks associated with the scheme **must** be identified, prioritised and appraised in all instances and weight and score the risks for each option and to rank accordingly.*

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

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

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

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

Risk	Impact	Option 1a Rolling Repairs		Option 1b Demolish / Trans- Ship		Option 2 New Build		Option 3 New Quay		Option 4 Rebuild / Extend	
		P x I	Tot.	P x I	Tot.	P x I	Tot.	P x I	Tot.	P x I	Tot.
Current fishmarket fails before replacement is available	fishmarket service stops suddenly	5x4	20	2x4	8	3x4	15	5x4	20	2x4	8
Replacement project cannot be done technically	Project is aborted and new solution required	4x4	16	4x4	16	1x4	4	3x4	12	1x4	4
Replacement project does not match needs over medium / long term	Over or under supply of service	5x3	12	4x4	16	2x3	6	3x3	9	1x3	6
Quality price premium is	Cashflow benefit is not	5x2	10	5x2	10	2x3	6	2x3	6	2x3	6



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not achieved	achieved									
Total			58		50		31		47	24
Rank			5		4		2		3	1

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

Risk Appraisal Results

Option 1a – Rolling repairs

- This option ranks 5
- Key considerations influencing its score are the difficulty of maintaining an already aging building providing a demanding service level to cope with increasing volumes and rising quality requirements. This option would not be likely to qualify for external funding.

Option 1b – Demolish and Trans-ship

- This option ranks 5
- Key considerations influencing its score are the uncertainty whether a high volume / high quality trans-shipment service is capable of being organised when the only other local market is regularly at full capacity. This option would not be likely to qualify for external funding.

Option 2 – New Build on an adjacent site

- This option ranks 2
- Key considerations influencing its score are a relatively well understood construction project but at somewhat higher costs than the rebuild / refurbish option and on a slightly different location which might introduce some new seaward and landward access issues.

Option 3 – New Build on a New Quay

- This option ranks 3
- Key considerations influencing its score are the substantially higher cost, complexity and timescale of the construction project on a site less favoured by users for its seaward access. This project would be unlikely to meet external funding timetables.

Option 4 – Rebuild/Extend on current site.

- This option ranks 1



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

NPV appraisal conclusions:

- Option 1a – 5
- Option 1b – 4
- Option 2 – 2
- Option 3 – 3
- Option 4 – 1

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

3.10 Summary of Economic Appraisal

Evaluation Results	Option 1a Maintenance	Option 1b Demolition	Option 2 New Build	Option 3 New Quay	Option 4 Rebuild / Extend
Economic appraisals	3	4	2	5	1
Benefits appraisal	4	5	3	2	1
Risk appraisal	5	4	2	3	1
Overall Ranking			2		1

3.6 Sensitivity analysis

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



Table 14: Summary of results applying sensitivity analysis

	Option 1a – benchmark	Option 4 – the preferred option	New order in ranking Option 1a	New order in ranking Option 4
Scenario 1 No Grant Council Benefits Only	583	-1,704	1	3
Scenario 2 No Grant Inc Wider Benefits	-10,536	935	4	1
Scenario 3 50% Grant Council Benefits Only*	583	14	1	2
Scenario 4 50% Grant Inc Wider Benefits*	-10,536	2,654	4	1

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

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

3.7 Preferred option

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



4. The Commercial Case

4.1 Introduction

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

4.2 Services required to deliver the preferred option

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

4.3 Potential for risk transfer

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

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

Risk transfer matrix

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

4.4 Personnel implications (including TUPE)

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



4.5 Procurement strategy and implementation timescales

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

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

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

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

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

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

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

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



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

4.6 Accountancy treatment

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



5.0 The Financial Case

5.1 Introduction

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

5.2 Cashflow

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

	2017/18 £000	2018/19 £000	Total £000
Capital Expenditure	1,648	1,346	2,994
Net Revenue Operating Position	(138)	(155)	(293)
Total	1,510	1,191	2,701
Funded by:			
EEMF	(824)	(673)	(1,497)
SIC	(686)	(518)	(1,204)
Total	(1,510)	(1,191)	(2,701)

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

5.2 Impact on the Council's Annual Accounts

The impact on the Income & Expenditure Account will be additional debt charges for the Council's capital expenditure of approximately £63k per annum.

There will be an increase in the value of Long Term Assets for the new building of approximately £3m and an increase in Long Term Liabilities for the increase in borrowing on the Balance Sheet of £1.5m.

5.4 Overall affordability

The proposed capital cost of the project is £2994k over the construction project, but it is envisaged that 50% of these costs will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £1.5m. In line with Council's Medium Term Financial Plan and Borrowing Policy these costs would be funded by borrowing and would add to the Council's external debt.



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

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

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6. The Management Case

6.1 Introduction

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

6.3 Project management arrangements

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

6.3.1 Project management arrangements for the preferred option.

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

6.3.2 Outline Project Timetable

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

6.3 Use of special advisers

Special Advisers

Specialist Area	Adviser
Financial	Finance Services
Technical	Estate Operations + External
Procurement and legal	Capital Programme Service and Governance & Law Service



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Specialist Area	Adviser
Business assurance	Ports & Harbours Operations
Other	fishmarket users and Key Stakeholders

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

6.4 Outline arrangements for change and contract management

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

6.5 Outline arrangements for benefits realisation

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

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

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

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

Description	Measure-ment	Target	Date	Cost
Price premium due to quality preservation and value adding	Price for fish landed	2.5% in-crease	2019	£0
Landing levels maintained at current levels	Fish landed	As current	2019	£0
Ability to accommodate all vessels wishing to land	Vessels Turned away	0	2019	£0
Reduction in electricity costs	Electricity costs paid	-32%	2019	-£5,000
Reduction in maintenance costs	Maintenance costs paid	-10%	2019	-£2,000



Value adding grading services accommodated	Level of fish graded pre-sale	10%	2019	£0
Recognition of quality enhancement	Quality accreditation achieved	1	2020	£10,000

6.7 Outline arrangements for risk management

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

6.8 Outline arrangements for post implementation review and post project evaluation

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

6.9 Gateway review arrangements

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

6.10 Contingency plans

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

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

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

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



**Appendix A -
Salloway Fishmarket
Business Case**

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



Executive Summary

This business case has been prepared to determine the best value option for the future of the Scalloway Fishmarket.

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

The primary objective of this Business Case is:

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

The Strategic Case

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

Widespread understanding and agreement exists that fisheries is a key sector in the Shetland Economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches in good condition and in a way that meets customer demands. This business case is focused on the specific question of whether and how a fishmarket at Scalloway makes a contribution to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of how that is done.

There has been long term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15. Between 2010 and 2014 total fish landings have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16.

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



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quantitative cost/benefit calculations in this Business Case fish prices have been assumed to increase by 2.5% due to a price improvement premium. That allows options to be compared on a realistic basis.

The current fishmarket was built circa 1970 with an extension and refurbishment in the early 1990s. The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping up to about 1,000 boxes of mixed whitefish. Beyond 1,000 boxes facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations having to be conducted outside the doors of the market and therefore outside controlled conditions.

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

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

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

The closing date for the next round of EMFF was 16th September and an application for the preferred option has been submitted. Approval decisions are expected mid November 2016.

The Economic Case

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

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

The short list

- Option 1a** Maintain the existing Scalloway Fishmarket through rolling repairs
- Option 1b** Demolish the Scalloway Fishmarket and tranship fish.



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- Option 2** Replace the Scalloway Fishmarket with a new build on an adjacent but existing site.
- Option 3** Build a new West Quay and a new fishmarket on that site
- Option 4** Rebuild and extend the Scalloway Fishmarket on the existing site

Costs

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

	Option 1a	Option 1b	Option 2	Option 3	Option 4
Option	Rolling Repairs	Demolish & Tranship	New Build	New Build / New Quay	Rebuild
Capital Cost	£1.3m	£0.2m	£5.1m	£15m	£3m
Annual Revenue Cost	£77,000	£45,000	£70,000	£70,000	£70,000

Monetary Benefits

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

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

The economic evaluation of the options reached the realistic assumptions that for;

- Options 1a and 1b - Some reduction in volume of fish landed in Scalloway over time, likely reduction in the level of landing duty that can be charged and no quality improvement price premium achieved.



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- Options 2, 3 or 4 - The same volume of fish will be landed in the future at Scalloway, there will be no change in landing levy and a 2.5% increase relative to current price achieved through a quality improvement price premium.

These assumptions were then used for in 30 year NPV analysis.

The option to Rebuild and Extend on the existing fish market site ranked first in NPV calculations. This provides a good return for the Council if EMFF grant funding is secured. In addition it also has significant positive wider benefits.

Qualitative Benefits

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

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

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

Rebuild and Extend on the existing fishmarket site ranked first in Qualitative benefits appraisal. It provides a good quality facility which would be likely to achieve quality accreditation and contain adequate welfare amenities. It will result in some disruption to service during construction which is mitigated by temporary cold storage facilities however it is the most suitable location for a fishmarket.

Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options and so the net present values assessed are risk adjusted. There are other risks which are more difficult to quantify but remain relevant to the options. A workshop attended by members of the project team was held to identify the main risks and allocate scores for each option.

Rebuild/Extend on current site ranks first from risk appraisal. Key considerations influencing its score are relatively well understood construction project and on the same site which has preferred seaward access and known landward access arrangements.



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Summary of Economic Case Appraisal

Evaluation Results	Option 1a Maintenance	Option 1b Demolition	Option 2 New Build	Option 3 New Quay	Option 4 Rebuild / Extend
NPV and Economic appraisals	3	4	2	5	1
Qualitative Benefits appraisal	4	5	3	2	1
Risk appraisal	5	4	2	3	1
Overall Ranking			2		1

Preferred option

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



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The Commercial Case

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

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

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

The Financial Case

The proposed capital cost of the project is £3m over the construction project, but it is envisaged that 50% of these costs will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £1.5m.

In line with Council's Medium Term Financial Plan and Borrowing Policy these costs would be funded by borrowing and would add to the Council's external debt.

The Management Case

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

Outline Project Timetable

Milestone Activity	Week No.
Design, specification and site management contractor tender	0
Design contractor accepted	5
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Tenders checked and Main Contractor accepted	30
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Site setup	34
Temporary building complete and taking down start	37
Taking down complete	47
New build structure complete	72
Internals complete	91
Electrical installations complete	101
Building commissioned and temporary building deconstructed	103

Benefits realisation

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



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

Description	Measurement	Target	Date	Cost
Price premium due to quality preservation and value adding	Price for fish landed	2.5% increase	2019	£0
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Reduction in maintenance costs	Maintenance costs paid	-10%	2019	-£2,000
Value adding grading services accommodated	Level of fish graded pre-sale	10%	2019	£0
Recognition of quality enhancement	Quality accreditation achieved	1	2020	£10,000

Signed:	Signed:
Date:	Date:
Director of Infrastructure	Executive Manager Ports & Harbours